



# INVITATION

## TO SUBSCRIBE FOR SHARES IN SCANDIC HOTELS GROUP AB (PUBL)

**PLEASE NOTE THAT THE SUBSCRIPTION RIGHTS ARE EXPECTED TO HAVE AN ECONOMIC VALUE**

In order to not lose the value of the subscription rights, holders must either:

- exercise the subscription rights received and subscribe for new shares no later than on 17 June 2020, or in accordance with instructions from their respective nominee; or
- sell the subscription rights received but not exercised no later than on 15 June 2020.

Please note that shareholders with nominee-registered shareholdings subscribe for new shares through their respective nominee.

The distribution of this prospectus and the subscription for new shares are subject to restrictions in certain jurisdictions, see "*Important information to investors*".

**JOINT GLOBAL COORDINATORS AND JOINT BOOKRUNNERS**



**DNB** Markets

**JOINT FINANCIAL ADVISERS AND JOINT BOOKRUNNERS**

**Handelsbanken** Capital Markets

**Nordea**

# IMPORTANT INFORMATION TO INVESTORS

This prospectus (the "**Prospectus**") has been prepared in connection with the new issue of not more than 88,272,918 shares in Scandic Hotels Group AB (publ), a public limited liability company with registration number 556703-1702, with preferential right for existing shareholders (the "**Rights Issue**"). In this Prospectus, "**Scandic**", the "**Company**" or the "**Group**" refers to Scandic Hotels Group AB (publ), the group in which Scandic is the parent company of, or a subsidiary of the group, as the context may require. The "**Joint Global Coordinators**" or the "**Underwriters**" refers to DNB Markets, part of DNB Bank ASA, Sweden branch ("**DNB Markets**") and Goldman Sachs International ("**Goldman Sachs International**"), as the context may require. The "**Joint Financial Advisers**" refers to DNB Markets, Goldman Sachs International, Nordea Bank Abp, filial i Sverige, ("**Nordea**") and Handelsbanken Capital Markets, part of Svenska Handelsbanken AB (publ) ("**Handelsbanken Capital Markets**"). The "**Joint Bookrunners**" refers to DNB Markets, Goldman Sachs International, Nordea and Handelsbanken Capital Markets. See the section "**Definitions**" for definitions of these and other terms in this Prospectus.

The figures presented in this Prospectus has, in certain cases, been rounded off and consequently the tables contained in the Prospectus do not necessarily add up. Further, some percentages presented in this Prospectus has been calculated on the basis of underlying figures which has not been rounded off and, as a consequence, these can deviate from percentages calculated based on figures that has been rounded off. All financial amounts are in Swedish kronor ("**SEK**"), unless otherwise indicated, and "**MSEK**" indicates million SEK.

The Prospectus has been approved by the Swedish Financial Supervisory Authority (the "**SFSA**", Sw. *Finansinspektionen*) as competent authority under Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (the "**Prospectus Regulation**"), the SFSA only approves this Prospectus to the extent that it meets the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. This approval should not be considered as any endorsement of the issuer that is the subject of this Prospectus. This approval should neither be considered as any endorsement of the quality of the securities referred to in the Prospectus and investors should make their own assessment of whether it is appropriate to invest in the securities. This Prospectus has been drawn up as a simplified prospectus in accordance with Article 14 of the Prospectus Regulation.

The Prospectus and the Rights Issue are governed by Swedish law. Disputes arising in connection with this Prospectus and the Rights Issue shall be settled exclusively by Swedish courts. The Prospectus has been prepared in both Swedish and English language versions. In the event of any conflict between the versions, the Swedish version shall prevail. Except as expressly stated herein, no financial information in the Prospectus has been audited or reviewed by the Company's auditor. Financial information relating to the Company in the Prospectus that does originate from the Company's consolidated financial statements for 2019 and 2018 or from the Company's unaudited consolidated interim report for the period 1 January–31 March 2020 (with comparative information for the corresponding period 2019), originates from the Company's internal accounting and reporting systems.

Scandic has not taken and will not take any actions to allow a public offering in any jurisdiction other than Sweden, Denmark, Finland and Norway. The Rights Issue is not being made to persons resident in Australia, Canada, Japan, the United States or any other jurisdiction where participation would require additional prospectuses, registration or measures besides those required by Swedish, Danish, Finnish or Norwegian law. Consequently, the Prospectus may not be distributed in or into the mentioned countries or any other country or jurisdiction in which distribution or the Rights Issue in accordance with this Prospectus require such measures or otherwise would be in conflict with applicable regulations. Subscription of shares and other acquisitions of securities in violation of the above stated restrictions may be void. Recipients of this Prospectus are required by the Company and the Joint Bookrunners to inform themselves about, and comply with, such restrictions. Any measures undertaken that do not comply with the restrictions may result in violation of applicable securities regulation. Each investor should consult their own advisers before exercising the subscription rights or purchasing the paid subscribed shares (Sw. *betalda tecknade aktier* – "**BTAs**") or the new shares covered by the terms and conditions of this Prospectus. Investors should make their independent assessment of the legal, tax, business, financial or other consequences of their investment. Investors should not construe the content of this Prospectus as legal, investment or tax advice. No action has been or will be taken by the Company or the Joint Bookrunners to permit the possession or distribution of this Prospectus (or any other offering or publicity materials or application form(s) relating to the Rights Issue) in any jurisdiction where such distribution may lead to a violation of applicable securities regulation.

When an investor makes an investment decision, he or she must rely on his or her own analysis of Scandic and the Rights Issue in accordance with this Prospectus, including applicable facts and risks. Potential investors should, before making an investment decision, engage their own professional advisers and carefully evaluate and consider their investment decision. Investors may only rely on the information in this Prospectus and any possible supplements to this Prospectus. No person is authorized to provide any information or make any statements other than those made in this Prospectus. Should such information or statement nevertheless be provided or be made it should not be considered to have been approved by Scandic or the Joint Bookrunners, and neither Scandic nor the Joint Bookrunners are responsible for such information or statements and must not be relied upon. Neither the publication of this Prospectus nor any transaction made in respect of it shall be deemed to imply that the information in this Prospectus is accurate or applicable at any time other than on the date of the publication of this Prospectus or that there have been no changes in Scandic's business since this date. In case of new significant circumstances, material errors or material inaccuracies in the Prospectus, this will be announced in accordance with the provisions on Prospectus supplements under the Prospectus Regulation.

As a condition for subscription of shares in the Rights Issue in this Prospectus, each person applying for subscription of shares shall be deemed to have made or, in some cases, be required to make, certain representations and warranties that will be relied upon by Scandic and its representatives. Scandic reserves the right to declare null and void any subscription of shares that Scandic and its advisers believe may give rise to breach or violation of any law, rule or regulation in any jurisdiction.

## INFORMATION TO INVESTORS IN THE UNITED STATES

The Underwriters have severally agreed, subject to certain conditions, to procure subscribers, or otherwise themselves to subscribe, at the subscription price, for a certain amount of new shares not otherwise subscribed for in the Rights Issue (the "**Underwritten Shares**"). Such Underwritten Shares shall be offered to eligible investors in Sweden and elsewhere outside the United States (the "**Global Offering**" and, together with the Rights Issue, the "**Combined Offering**").

The subscription rights and the new shares have not been and will not be registered under the United States Securities Act of 1933 (the "**Securities Act**"), or with the securities regulatory authority of any state or other jurisdiction in the United States, and may not be offered, sold or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state law. Accordingly, the subscription rights

are being issued and the new shares are being offered and sold in the Rights Issue (subject to the limited exceptions described under the section "**Selling and transfer restrictions**") and in the Global Offering only outside the United States pursuant to Regulation S under the Securities Act. No action has been taken by the Company, the Underwriters or the Joint Bookrunners which would permit a public offering of any subscription rights or new shares outside Sweden or distribution of this document in any jurisdiction where action for that purpose is required. The distribution of this Prospectus and the offering and sale of the new shares in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Company, the Underwriters and the Joint Bookrunners to inform themselves about and to observe any such restrictions. This Prospectus does not constitute an offer of, or an invitation to purchase, the new shares in any jurisdiction in which such offer or invitation would be unlawful. For a description of certain restrictions on the offer and sale and other transfers of the subscription rights and the new shares, see section "**Selling and transfer restrictions**".

## INFORMATION TO DISTRIBUTORS

For the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the shares, subscription rights and BTAs in the Company have been subject to a product approval process, which has determined that such shares, subscription rights and BTAs are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II (the "target market"); and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II. Notwithstanding the target market assessment, distributors should note that: the price of the shares, subscription rights and BTAs in the Company may decline and investors could lose all or part of their investment; the shares, subscription rights and BTAs in the Company offer no guaranteed income and no capital protection; and an investment in the shares, subscription rights and BTAs in the Company is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The target market assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offering. The target market assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the shares in the Company. Each distributor is responsible for undertaking its own target market assessment in respect of the shares, subscription rights and BTAs in the Company and determining appropriate distribution channels.

## FORWARD-LOOKING STATEMENTS

The Prospectus contains certain forward-looking statements and opinions. Forward-looking statements are statements that do not relate to historical facts and events and such statements and opinions pertaining to the future that, by example, contain wording such as "believes", "estimates", "anticipates", "expects", "assumes", "forecasts", "intends", "could", "will", "should", "would", "according to estimates", "is of the opinion", "may", "plans", "potential", "predicts", "projects", "to the knowledge of" or similar expressions, which are intended to identify a statement as forward-looking. This applies, in particular, to statements and opinions in the Prospectus concerning the future financial returns, plans and expectations with respect to the business and management of the Company, future growth and profitability and general economic and regulatory environment and other matters affecting the Company.

Forward-looking statements are based on current estimates and assumptions made according to the best of the Company's knowledge. Such forward-looking statements are subject to risks, uncertainties, and other factors that could cause the actual results, including the Company's cash flow, financial condition and results of operations, to differ materially from the results, or fail to meet expectations expressly or implicitly assumed or described in those statements or to turn out to be less favorable than the results expressly or implicitly assumed or described in those statements. Accordingly, prospective investors should not place undue reliance on the forward-looking statements herein, and are strongly advised to read the Prospectus, including the following sections: "**Summary**", "**Risk factors**" and "**Business overview**", which include more detailed descriptions of factors that might have an impact on the Company's business and the market in which it operates. None of the Company or the Joint Bookrunners can give any assurance regarding the future accuracy of the opinions set forth herein or as to the actual occurrence of any predicted developments.

In light of the risks, uncertainties and assumptions associated with forward-looking statements, it is possible that the future events mentioned in the Prospectus may not occur. Moreover, the forward-looking estimates and forecasts derived from third-party studies referred to in the Prospectus may prove to be inaccurate. Actual results, performance or events may differ materially from those in such statements due to, including but not limited to, such risks described in the section "**Risk factors**".

After the date of the Prospectus, none of the Company or the Joint Bookrunners assume any obligation, except as required by law or Nasdaq Stockholm's Rule Book for Issuers, to update any forward-looking statements or to conform these forward-looking statements to actual events or developments.

## BUSINESS AND MARKET DATA

The Prospectus includes industry and market data pertaining to Scandic's business and markets. Such information is based on Scandic's analysis of multiple sources, including a market investigation conducted by Kantar Sifo AB at the request of the Company and which Kantar Sifo AB issued on 31 March 2020.

Industry publications or reports generally state that the information they contain has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. The Company has not independently verified and cannot give any assurances as to the accuracy of industry and market data contained in the Prospectus that were extracted or derived from such industry publications or reports. Business and market data are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions. Such data is based on market research, which itself is based on sampling and subjective judgements by both the researchers and the respondents, including judgements about what types of products and transactions should be included in the relevant market.

Information provided by third parties has been accurately reproduced and, as far as the Company is aware and has been able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

## TABLE OF CONTENTS

Summary	2
Risk factors	8
Invitation to subscribe for shares in Scandic	16
Background and reasons	17
Terms and Conditions	19
How to proceed	23
Business overview	25
Presentation of financial and other information	38
Capital structure and other financial information	48
Board of directors, executive management and auditor	53
Share capital and ownership structure	60
Legal considerations and supplementary information	62
Selling and transfer restrictions	65
Definitions	67
Addresses	68

### SUMMARY OF THE RIGHTS ISSUE

#### Preferential right

Each share in Scandic entitles to one (1) subscription right. Seven (7) subscription rights entitles right to subscribe for six (6) new shares. In addition, investors are offered the opportunity to subscribe for shares without preferential right.

#### Subscription price

SEK 20

#### Record date for participation in the Rights Issue with preferential right

1 June 2020

#### Subscription period

3–17 June 2020

#### Trading in subscription rights

3–15 June 2020

#### Trading in BTA

3–23 June 2020

#### Subscription with preferential rights

Subscription by exercise of subscription rights is made during the subscription period through simultaneous cash payment. Nominee-registered shareholders shall apply with, and in accordance with instructions from, the nominee.

#### Subscription without subscription rights

Application for subscription without subscription rights shall be made in accordance with instructions in section "Terms and conditions". Nominee-registered shareholders shall apply with, and in accordance with instructions, from the nominee.

#### Other information

Ticker: SHOT  
ISIN-code share: SE0007640156  
ISIN-code  
subscription right: SE0014428991  
ISIN-code BTA: SE0014429007  
LEI-code: 529900JY9ZBGUXGRKQ86

### CERTAIN DEFINITIONS

#### DNB Markets

DNB Markets, part of DNB Bank ASA, Sweden branch.

#### Nordea

Nordea Bank Abp, filial i Sverige.

#### Handelsbanken Capital Markets

Handelsbanken Capital Markets, part of Svenska Handelsbanken AB (publ).

#### Scandic, the Company or the Group

Scandic Hotels Group AB (publ), the group in which Scandic is the parent company of, or a subsidiary of the group, as the context may require

#### Euroclear Sweden

Euroclear Sweden AB.

#### Goldman Sachs International

Goldman Sachs International.

#### Joint Bookrunners

DNB Markets, Goldman Sachs International, Nordea and Handelsbanken Capital Markets.

#### Joint Financial Advisers

DNB Markets, Goldman Sachs International, Nordea and Handelsbanken Capital Markets.

#### Joint Global Coordinators

DNB Markets and Goldman Sachs International.

#### Nasdaq Stockholm

The regulated market operated by Nasdaq Stockholm AB.

#### SEK

Swedish krona.

### FINANCIAL CALENDAR

Annual General Meeting	15 June 2020
Interim report for the period January–June 2020	17 July 2020
Interim report for the period January–September 2020	3 November 2020

# SUMMARY

## INTRODUCTION AND WARNINGS

<b>Introduction and warnings</b>	<p>This summary should be regarded as an introduction to the Prospectus. Any decision to invest in the securities should be based on an assessment of the entire Prospectus by the investor.</p> <p>Every decision to invest in the securities entails risk and an investor may lose all or part of the invested capital. In the event of a lawsuit against the information contained in the Prospectus, the plaintiff investor may, under national law, be forced to pay the costs of translating the Prospectus before legal proceedings are initiated. Under civil law, only those individuals who have produced the summary, including translations thereof, may be enjoined, but only if the summary is misleading, incorrect or inconsistent with the other parts of the Prospectus or if it does not, together with the other parts of the Prospectus, provide key information to help investors when considering whether to invest in such securities.</p>
<b>The issuer and the securities</b>	<p>Scandic Hotels Group AB (publ) reg.no 556703-1702  Sveavägen 167, SE-102 33 Stockholm, Sweden  Telephone number: +46 8 517 350 00  LEI-code: 529900JY9ZBGUXGRKQ86  Ticker: SHOT  ISIN-Code: SE0007640156</p>
<b>Competent authority</b>	<p>The SFSA is the competent authority and is responsible for the approval of the Prospectus.  The SFSA's visiting address:  Brunnsgatan 3, SE-111 38 Stockholm  The SFSA's postal address: Box 7821, SE-103 97 Stockholm Sweden  E-mail: finansinspektionen@fi.se  Telephone number: + 46 (0)8 408 980 00  The SFSA's web page is <a href="http://www.fi.se/en">www.fi.se/en</a>. The SFSA approved the Prospectus on 1 June 2020.</p>

## KEY INFORMATION ON THE ISSUER

<b>Who is the issuer of the securities?</b>	
<b>Information about the issuer</b>	<p>The issuer of the securities is Scandic Hotels Group AB (publ), reg. no. 556703-1702. The Company's registered office is in Stockholm's municipality. The Company is a Swedish public limited liability company founded in Sweden under Swedish law and operating under Swedish law. The Company's form of association is governed by the Swedish Companies Act (the "<b>Companies Act</b>", Sw. <i>aktiebolagslagen</i> (2005:551)). The Company's LEI code is 9900JY9ZBGUXGRKQ86.</p>
<b>The issuer's principal activities</b>	<p>Scandic is the leading hotel operator in the Nordic region.<sup>1)</sup> As of 31 March 2020 the Company had more than 51,000 rooms distributed across 263 hotels with a broad geographic spread within the Nordic region. In addition, the Company also operates four hotels in Germany and two in Poland. Scandic's portfolio consists of hotels in key capital city locations as well as a broad regional network of hotels in major cities, hotels in strategic non-metropolitan locations and adjacent to major airports and convention sites, and roadside hotels in strategic locations forming a broad regional network. More than 96 percent of Scandic's hotel rooms are in the Nordic region, where the Company has a market share of around 15 percent. At a national level, Scandic is the largest hotel operator in Sweden, Denmark and Finland and the second-largest in Norway, based on number of hotel rooms.<sup>2)</sup> The "Scandic" brand is positioned in the middle segment, which the Company estimates to comprise a large part of the total hotel market in the Nordic region. The Company derives its revenue primarily from hotel rooms, restaurant and conference services, as well as management and franchise fees.</p>

<sup>1)</sup> Measured as market share. Scandic Nordic Hotel Database.

<sup>2)</sup> Scandic Nordic Hotel Database.

<b>Major shareholders</b>	<p>A summary of the Company's ownership structure as of 31 March 2020, and thereafter known changes, is presented below. As far as the Company is aware, there is no known direct or indirect ownership of the Company that may lead to changed control of the Company.</p> <table border="1"> <thead> <tr> <th>Shareholder</th> <th>Number of shares</th> <th>Shares (%)</th> <th>Votes (%)</th> </tr> </thead> <tbody> <tr> <td>Stena</td> <td>20,447,735</td> <td>19.9</td> <td>19.9</td> </tr> <tr> <td>AMF Försäkring &amp; Fonder</td> <td>17,343,112</td> <td>16.8</td> <td>16.8</td> </tr> <tr> <td>Swedbank Robur Fonder</td> <td>5,895,502</td> <td>5.7</td> <td>5.7</td> </tr> <tr> <td>Handelsbanken Fonder AB</td> <td>5,494,013</td> <td>5.3</td> <td>5.3</td> </tr> <tr> <td>Formica Capital AB</td> <td>5,410,000</td> <td>5.3</td> <td>5.3</td> </tr> <tr> <td>Periscopos AS</td> <td>5,138,955</td> <td>5.0</td> <td>5.0</td> </tr> </tbody> </table>	Shareholder	Number of shares	Shares (%)	Votes (%)	Stena	20,447,735	19.9	19.9	AMF Försäkring & Fonder	17,343,112	16.8	16.8	Swedbank Robur Fonder	5,895,502	5.7	5.7	Handelsbanken Fonder AB	5,494,013	5.3	5.3	Formica Capital AB	5,410,000	5.3	5.3	Periscopos AS	5,138,955	5.0	5.0																																																																				
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<b>Key managing directors</b>	<p>The board of directors of the Company comprises Per G. Braathen (chairman), Ingallil Berglund, Grant Hearn, Christoffer Lundström, Susanne Mørch Koch, Riitta Savonlahti, Martin Svalstedt, Fredrik Wirdenius, Marianne Sundelius (employee representative) and Andrew Derek Routh (deputy employee representative).</p> <p>The Company's executive management comprises Jens Mathiesen (President and CEO), Niklas Angergård, Søren Faerber, Peter Jangbratt, Jan Johansson, Aki Käyhkö, Jan Lundborg, Michel Schutzbach, Svein Arild Steen-Mevold and Asle Prestegard.</p>																																																																																																
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<b>Key financial information in summary</b>	<p><b>Selected income statement figures</b></p> <table border="1"> <thead> <tr> <th rowspan="2">(MSEK)</th> <th colspan="2">Financial year</th> <th colspan="2">January–March</th> </tr> <tr> <th>2019</th> <th>2018</th> <th>2020</th> <th>2019</th> </tr> </thead> <tbody> <tr> <td></td> <td colspan="2" style="text-align: center;"><i>(audited)</i></td> <td colspan="2" style="text-align: center;"><i>(unaudited)</i></td> </tr> <tr> <td>Net sales</td> <td>18,945</td> <td>18,007</td> <td>3,343</td> <td>4,066</td> </tr> <tr> <td>EBIT (operating profit/loss)</td> <td>2,144</td> <td>983</td> <td>-3,329</td> <td>321</td> </tr> <tr> <td>Profit/loss for the period</td> <td>725</td> <td>678</td> <td>-3,927</td> <td>37</td> </tr> <tr> <td>Net sales growth, %</td> <td>5.2</td> <td>23.5</td> <td>-17.8</td> <td>7.3</td> </tr> <tr> <td>Earnings per share before dilution, attributable to Parent Company shareholders (SEK per share)</td> <td>7.01</td> <td>6.54</td> <td>-38.14</td> <td>0.35</td> </tr> <tr> <td>Earnings per share after dilution, attributable to Parent Company shareholders (SEK per share)</td> <td>7.01</td> <td>6.54</td> <td>-38.13</td> <td>0.35</td> </tr> </tbody> </table> <p><b>Selected balance sheet figures</b></p> <table border="1"> <thead> <tr> <th rowspan="2">(MSEK)</th> <th colspan="2">Financial year</th> <th>January–March</th> </tr> <tr> <th>2019</th> <th>2018</th> <th>2020</th> </tr> </thead> <tbody> <tr> <td></td> <td colspan="2" style="text-align: center;"><i>(audited)</i></td> <td style="text-align: center;"><i>(unaudited)</i></td> </tr> <tr> <td>Total assets</td> <td>43,509</td> <td>17,737</td> <td>40,908</td> </tr> <tr> <td>Total equity</td> <td>6,601</td> <td>7,806</td> <td>2,599</td> </tr> <tr> <td>Interest-bearing net debt</td> <td>3,497</td> <td>3,837</td> <td>4,250</td> </tr> </tbody> </table> <p><b>Selected cash flow figures</b></p> <table border="1"> <thead> <tr> <th rowspan="2">(MSEK)</th> <th colspan="2">Financial year</th> <th colspan="2">January–March</th> </tr> <tr> <th>2019</th> <th>2018</th> <th>2020</th> <th>2019</th> </tr> </thead> <tbody> <tr> <td></td> <td colspan="2" style="text-align: center;"><i>(audited)</i></td> <td colspan="2" style="text-align: center;"><i>(unaudited)</i></td> </tr> <tr> <td>Cash flow from operating activities</td> <td>5,067</td> <td>1,723</td> <td>343</td> <td>468</td> </tr> <tr> <td>Cash flow from investing activities</td> <td>-923</td> <td>-1,254</td> <td>-239</td> <td>29</td> </tr> <tr> <td>Cash flow from financing activities</td> <td>-4,203</td> <td>-482</td> <td>-63</td> <td>-507</td> </tr> </tbody> </table>	(MSEK)	Financial year		January–March		2019	2018	2020	2019		<i>(audited)</i>		<i>(unaudited)</i>		Net sales	18,945	18,007	3,343	4,066	EBIT (operating profit/loss)	2,144	983	-3,329	321	Profit/loss for the period	725	678	-3,927	37	Net sales growth, %	5.2	23.5	-17.8	7.3	Earnings per share before dilution, attributable to Parent Company shareholders (SEK per share)	7.01	6.54	-38.14	0.35	Earnings per share after dilution, attributable to Parent Company shareholders (SEK per share)	7.01	6.54	-38.13	0.35	(MSEK)	Financial year		January–March	2019	2018	2020		<i>(audited)</i>		<i>(unaudited)</i>	Total assets	43,509	17,737	40,908	Total equity	6,601	7,806	2,599	Interest-bearing net debt	3,497	3,837	4,250	(MSEK)	Financial year		January–March		2019	2018	2020	2019		<i>(audited)</i>		<i>(unaudited)</i>		Cash flow from operating activities	5,067	1,723	343	468	Cash flow from investing activities	-923	-1,254	-239	29	Cash flow from financing activities	-4,203	-482	-63	-507
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	2019	2018	2020																																																																																														
	<i>(audited)</i>		<i>(unaudited)</i>																																																																																														
Total assets	43,509	17,737	40,908																																																																																														
Total equity	6,601	7,806	2,599																																																																																														
Interest-bearing net debt	3,497	3,837	4,250																																																																																														
(MSEK)	Financial year		January–March																																																																																														
	2019	2018	2020	2019																																																																																													
	<i>(audited)</i>		<i>(unaudited)</i>																																																																																														
Cash flow from operating activities	5,067	1,723	343	468																																																																																													
Cash flow from investing activities	-923	-1,254	-239	29																																																																																													
Cash flow from financing activities	-4,203	-482	-63	-507																																																																																													

<p><b>Key financial information in summary, cont.</b></p>	<p>The key financial information below is presented in addition to the information that is required to be described in the summary of the Prospectus, in accordance with Regulation (EU) 2017/1129.</p> <p><b>Selected performance measures</b></p> <table border="1"> <thead> <tr> <th rowspan="2">(MSEK)</th> <th colspan="2">Financial year</th> <th colspan="2">January–March</th> </tr> <tr> <th>2019</th> <th>2018</th> <th>2020</th> <th>2019</th> </tr> </thead> <tbody> <tr> <td></td> <td colspan="2" style="text-align: center;"><i>(audited)</i></td> <td colspan="2" style="text-align: center;"><i>(unaudited)</i></td> </tr> <tr> <td>EBITDA<sup>1)</sup></td> <td>5,425</td> <td>1,853</td> <td>442</td> <td>1,091</td> </tr> <tr> <td>Adjusted EBITDA<sup>1)</sup></td> <td>2,046</td> <td>1,957</td> <td>-174</td> <td>160</td> </tr> <tr> <td>Adjusted EBITDA-margin, %<sup>1)</sup></td> <td>10.8</td> <td>10.9</td> <td>-5.2</td> <td>3.9</td> </tr> <tr> <td>Profit/loss excl. effect leases<sup>1)</sup></td> <td>942</td> <td>700</td> <td>-3,876</td> <td>90</td> </tr> <tr> <td>Interest-bearing net debt/adjusted EBITDA, LTM<sup>1)</sup></td> <td>1.7</td> <td>2.0</td> <td>2.5</td> <td>2.1</td> </tr> <tr> <td>Earnings per share, SEK, excl. effect leases<sup>1)</sup></td> <td>9.15</td> <td>6.80</td> <td>-37.63</td> <td>0.87</td> </tr> <tr> <td>Earnings per share, SEK, excl. effect leases &amp; items affecting comparability<sup>1)</sup></td> <td>7.49</td> <td>7.87</td> <td>-36.23</td> <td>-0.79</td> </tr> </tbody> </table> <p><sup>1)</sup> Alternative performance measure. Please see the section "Definitions of selected performance measures" and the section "Reconciliation of alternative performance measures".</p>	(MSEK)	Financial year		January–March		2019	2018	2020	2019		<i>(audited)</i>		<i>(unaudited)</i>		EBITDA <sup>1)</sup>	5,425	1,853	442	1,091	Adjusted EBITDA <sup>1)</sup>	2,046	1,957	-174	160	Adjusted EBITDA-margin, % <sup>1)</sup>	10.8	10.9	-5.2	3.9	Profit/loss excl. effect leases <sup>1)</sup>	942	700	-3,876	90	Interest-bearing net debt/adjusted EBITDA, LTM <sup>1)</sup>	1.7	2.0	2.5	2.1	Earnings per share, SEK, excl. effect leases <sup>1)</sup>	9.15	6.80	-37.63	0.87	Earnings per share, SEK, excl. effect leases & items affecting comparability <sup>1)</sup>	7.49	7.87	-36.23	-0.79
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<p><b>Significant key risks that are specific to the issuer</b></p>	<p>Main risks related to Scandic and its operations consist of:</p> <ul style="list-style-type: none"> <li>• Scandic is affected by risks related to the coronavirus (COVID-19);</li> <li>• Scandic is exposed to risks related to changed market conditions, the economic cycle and other economic factors;</li> <li>• Scandic operates in the competitive mid-market segment of the hospitality industry and may be unable to compete for hotel guests and customers for any of the ancillary services they offer, such as food and beverage and conference rooms;</li> <li>• Scandic may not be able to successfully compete for new hotels;</li> <li>• Scandic may be unable to retain, extend or renew existing lease agreements; and</li> <li>• Scandic is exposed to risks related to the Company's lease agreements being concluded with a long term and that the main part includes a fixed or partially fixed rental component.</li> </ul>																																																	

## KEY INFORMATION ABOUT THE SECURITIES

The securities' most important characteristics	
<p><b>Securities offered</b></p>	<p>Shares in Scandic Hotels Group AB (publ). ISIN-code: SE0007640156 The securities are denominated in SEK. The shares quota value is SEK 0.25.</p>
<p><b>Total number of shares in the Company</b></p>	<p>As of the date of the Prospectus, there are a total of 102,985,075 shares in the Company. The Company only have one outstanding class of shares. The Rights Issue comprises up to 88,272,918 shares in the Company.</p>
<p><b>Rights associated with the securities</b></p>	<p>Each share in the Company entitles the holder to one vote at shareholders' meetings and each shareholder is entitled to cast votes equal in number to the number of shares held by the shareholder in the Company. If the Company issues new shares, warrants or convertibles in a cash issue or a set-off issue, shareholders shall, as a general rule, have preferential rights to subscribe for such securities proportionally to the number of shares held prior to the issue. The new shares confer rights to dividends for the first time on the record date for the first dividend distribution which occurs after the shares have been entered into the share register kept by Euroclear Sweden and the Right issue has been registered with the Swedish Companies Registration Office. The rights associated with the shares issued by the Company, including those pursuant to the articles of association, can only be amended in accordance with the procedures set out in the Swedish Companies Act (2005:551).</p>
<p><b>Restrictions in the free transferability:</b></p>	<p>The shares are not subject to any transferability restrictions.</p>

<b>Dividends and dividend policy</b>	In accordance with the dividend policy adopted by the board of directors 14 September 2015, Scandic aims to distribute at least 50 percent of the net profit with start from the financial year 2016. Decisions regarding dividend proposals are made with regard to the company's future earnings, financial position, capital requirements and macroeconomic conditions. There is no guarantee that a dividend for a given financial year will be proposed or decided upon.
<b>Where will the securities be traded?</b>	
<b>Admission to trading</b>	Shares in Scandic are listed for trading on Nasdaq Stockholm. Once the Swedish Companies Registration Office has registered the new shares, these will also be listed on Nasdaq Stockholm.
<b>Which are the specific key risks to the securities?</b>	
<b>Significant key risks that are specific to the securities</b>	Main risks related to the Rights Issue and Scandic's shares consists of: <ul style="list-style-type: none"> <li>• there is a risk that the share price may be volatile, and the price development is dependent on several uncertain factors; and</li> <li>• there is a risk that trading in subscription rights and BTA may be limited.</li> </ul>

## KEY INFORMATION ABOUT THE OFFER OF SECURITIES TO THE PUBLIC AND THE ADMISSION TO TRADING ON A REGULATED MARKET

<b>Under which conditions and timeframe can I invest in this security?</b>	
<b>General conditions</b>	<p><b>Preferential right and subscription rights</b> Persons who are registered as shareholders in Scandic on the record date of 1 June 2020 will receive one (1) subscription right for each share held in Scandic. The subscription rights entitle the holder to subscribe for new shares with preferential rights, with seven (7) subscription rights providing entitlement to subscribe for six (6) new shares in Scandic.</p> <p><b>Subscription price</b> The new shares will be issued at a price of SEK 20 per new share. No commission will be charged.</p> <p><b>Record date</b> The record date at Euroclear Sweden for establishing who is entitled to receive subscription rights in the Rights Issue is 1 June 2020. Shares in Scandic will be traded excluding the right to receive subscription rights with effect from 29 May 2020. The final day of trading in the shares including the right to receive subscription rights was therefore 28 May 2020.</p>
<b>Expected timeframe for the Rights Issue</b>	Record date for participation in the Rights Issue: 1 June 2020 Subscription period: 3 June to 17 June 2020 Trading in subscription rights: 3 June–15 June Trading in BTA: 3 June–23 June
<b>Dilution effect from the Rights Issue</b>	Shareholders who choose to not participate in the Rights Issue will have their ownership diluted by up to approximately 46 percent by the issuance of up to 88,272,918 new shares (corresponding to an increase in the number of shares of up to approximately 86 percent).
<b>Costs for the Rights Issue</b>	The issue costs are estimated to amount to approximately SEK 60 million.

Why is this prospectus being produced?	
<b>Background and reasons</b>	<p>At the beginning of 2020 the global economy and the market conditions for hotel operators declined significantly as a result of the spread of COVID-19. Concern over the spread of the virus, decisions and recommendations from governments and authorities (including upholding or increasing measures or recommendations already decided upon) such as entry bans and bans on public gatherings, travel restrictions for businesses and organizations, and greater economic uncertainty have resulted in a drastic decline in demand in the hospitality industry. Just as in the hotel industry in general, as a consequence of the spread of COVID-19 Scandic has experienced a serious decline in demand and significantly reduced occupancy, which was at 26 percent in March 2020 and 6 percent in April 2020, compared with 63 percent and 58 percent for March and April the previous year.</p> <p>To meet future working capital needs, Scandic has agreed on a new revolving credit facility of SEK 1,150 million (the "<b>New Revolving Credit Facility</b>") and a short-term revolving credit facility of SEK 250 million (the "<b>Short-Term Revolving Credit Facility</b>") have been provided to the Company. The Short-Term Revolving Credit Facility is intended to be repaid at the earliest due date of either the completion of the Rights Issue or on 15 July 2020. The New Revolving Credit Facility will be available to the Company after the completion of the Rights Issue. The New Revolving Credit Facility and the Rights Issue together amount to no more than approximately SEK 2,915 million and is expected to meet the operational liquidity need, including a required margin of safety up to and including the end of 2021.</p> <p>Scandic estimates that the Group's working capital needs, including a required margin of safety during the upcoming twelve-month period, amounts to SEK 2,900 million. This working capital need is expected to be met with cash and cash equivalents from the Rights Issue on the day of its completion, cash flow from the operating activities and through the New Revolving Credit Facility. Existing working capital is estimated to be sufficient until 15 July 2020, when the Short-Term Revolving Credit Facility is due for payment.</p> <p>The Company's shareholders, Stena Sessan AB ("<b>Stena</b>"), owner of 19.9 percent of the number of shares and votes in Scandic as of 31 March 2020, AMF Pensionsförsäkring AB ("<b>AMF Pensionsförsäkring</b>"), owner of 16.5 percent of the number of shares and votes in Scandic as of 31 March 2020, and Formica Capital AB ("<b>Formica Capital</b>"), owner of 5.3 percent of the number of shares and votes in Scandic as of 31 March 2020, has undertaken to subscribe for new shares corresponding to their pro rata share of the Rights Issue in the Company, i.e. new shares corresponding to their shareholding in the Company, 41.6 percent in total (the "<b>Subscription Commitments</b>").</p> <p>In addition, AMF Pensionsförsäkring has, in addition to its Subscription Commitment, undertaken, subject to customary conditions, to subscribe for shares of a value up to an additional SEK 500 million in the Rights Issue, corresponding to 28.3 percent of the Rights Issue (the "<b>Extended Subscription Commitment</b>"), subject to AMF Pensionsförsäkring not becoming an owner of more than 29.9 percent of the shares in the Company after completion of the Rights Issue, calculated including any holdings of other entities within the group in which AMF Pensionsförsäkring is included, (the "<b>AMF Ownership Limit</b>"). For the Extended Subscription Commitment, the Company will pay a fee up to an amount equivalent to 1.13 percent of the Extended Subscription Commitment.</p> <p>DNB Markets and Goldman Sachs International have, in equal proportion, underwritten the share of the Rights Issue that is not covered by the Subscription Commitment and the Extended Subscription Commitment up to an amount of approximately SEK 530,754,480 in total, which constitutes approximately 30.1 percent of the Rights Issue (each an "<b>Underwriting Commitment</b>"). Altogether, the Subscription Commitments, the Extended Subscription Commitment and the Underwriting Commitments amount to 100 percent of the Rights Issue. The Subscription Commitments, the Extended Subscription Commitment and the Underwriting Commitments are not secured.</p> <p>If the Rights Issue is not fully subscribed, and the parties that have undertaken subscription and underwriting commitments do not fulfil their respective obligations, and the Rights Issue thus does not bring in sufficient funds to repay the Short-Term Revolving Credit Facility, there may be a shortage of working capital of not more than SEK 250 million as of 15 July 2020. If realised, Scandic would have to seek alternative financing, such as additional share capital or other bank financing to repay outstanding amounts that are due for payment or that Scandic is forced to renegotiate the terms of the New Revolving Credit Facility. If Scandic fails to obtain alternative financing or reach an agreement regarding the New Revolving Credit Facility, it could mean that Scandic is forced to divest part of the business or, ultimately, suspend payments.</p>



SUMMARY

<b>Issue proceeds and purpose</b>	If fully subscribed, the Rights Issue is expected to raise a maximum of around SEK 1,765 million before deduction of issue costs, which are estimated at around SEK 60 million. The net issue proceeds of up to approximately SEK 1,705 million will be used to repay the Short-Term Revolving Credit Facility and the remainder of the issue proceeds, together with the New Revolving Credit Facility of SEK 1,150 million, will be used to strengthen the Company's balance sheet, working capital and secure the Company's liquidity beyond the first half of 2021 when the Company's liquidity deficit is expected to peak.
<b>Interests and conflicts of interest</b>	<p>Scandic's advisers in relation to the Rights Issue are DNB Markets, Handelsbanken Capital Markets and Nordea (and their affiliates) and the Joint Financial Advisers have acted as financial advisers to Scandic in respect of the Company's financing options, and who have provided, and may in the future provide, financial advice and other services to Scandic for which they have, and may respectively be, compensated. DNB Sweden AB, Svenska Handelsbanken AB (publ) and Nordea, and their affiliates, have in addition, provided and/or intermediated granted loans to Scandic including the Short-Term Revolving Credit Facility, which is intended to be repaid with, <i>inter alia</i>, the net issue proceeds.</p> <p>Advokatfirman Vinge KB has been legal counsel in connection with the Rights Issue.</p>

# RISK FACTORS

*This section describes the risk factors and significant circumstances considered to be material for Scandic's business and future development. The risk factors relate to Scandic's operations, industry and markets, and further include operational risks, legal risks, regulatory risks, risks related to corporate governance, tax risks, financial risks and risk factors related to the securities. The assessment of the materiality of each risk factor is based on the probability of their occurrence and the expected magnitude of their negative impact. In accordance with Regulation (EU) 2017/1129 (the "Prospectus Regulation"), the risk factors listed below are limited to risks that are specific to the Company and / or to the securities and that are material for making an informed investment decision.*

*The description below is based on information available as of the date of the Prospectus. Risk factors currently considered to be the most material are presented first in each category, while subsequent risk factors are presented in no particular order.*

## RISKS RELATED TO SCANDIC AND ITS BUSINESS

### Scandic is affected by risks related to the coronavirus (COVID-19)

In the end of December 2019, the outbreak of a new coronavirus (later called COVID-19) was detected in the city of Wuhan in the Province of Hubei, in China. In the end of February 2020, COVID-19 also spread rapidly outside China, and on 11 March 2020, the World Health Organization (WHO) announced that the outbreak was classified as a pandemic. As a result of the pandemic, governments, public authorities and other organizations have imposed guidelines, advice, recommendations, bans and taken other measures to limit the spread of infection. Such measures include, for example, lock-downs of countries, recommendations and restrictions regarding transportation and travels, the closure of work facilities, schools and other institutions, as well as restrictions on the number of participants at, or the complete ban of, public gatherings and public events and restrictions in relation to restaurants, which affect conferences, events and meetings between people.

COVID-19 has dramatically reduced demand for the Company's hotel rooms, restaurant and conference services which has had and will continue to have a material adverse effect on the Group's business, earnings and financial position. To which extent, and for how long, COVID-19 will affect Scandic's business, earnings and financial position will depend on a number of factors that the Company, as of the date of the Prospectus, cannot identify or assess with precision or certainty, including the following:

- the pandemic's duration, scope and negative effects on economic, political and market conditions, which in turn have negative effects on factors driving demand for the Group's products and services such as employment rate, consumption level and consumption patterns;
- the pandemic's short and long-term effects on demand for travel, hotel rooms and meeting and conference services (for example, because of increased travel costs, changed patterns for international and / or national leisure and / or business travel or reduced demand for physical meetings) which affects demand for all of the Company's hotel rooms as well as restaurant and conference services; and

- the measures taken by governments, public authorities and other organizations to counteract the negative effects of COVID-19, including restrictions or obstructions to travel, events, conferences, meetings and other could lead to Scandic's guests not being able to visit that Scandic's hotels as planned or demand the Company's services.

The hotel and restaurant industry in which the Company conducts its business has been dramatically impacted both by COVID-19 and the measures taken because of the virus. For example, the Group's occupancy rate has decreased dramatically, which in turn has had a material adverse effect on the Company's earnings. The occupancy rate at the Group's hotels amounted to 26 percent in March 2020 (which can be compared with 63 percent in the corresponding period in 2019) and to 6 percent in April 2020 (which can be compared with 58 percent in the corresponding period in 2019). The decline can largely be attributed to the COVID-19 outbreak and its repercussions. The demand for hotel rooms is, among other things, driven by the number of leisure and business travels, which in turn is affected by factors such as the economic situation, travel costs and the conditions for digital meetings. The Group's earnings for the period January-March 2020 amounted to SEK -3,927 million, a decrease with SEK 3,964 million, which to a large extent can be related to the effects of COVID-19. In March 2020, the Group's earnings amounted to SEK -3,701 million, a decrease from SEK 262 million compared with March 2019. There is a risk that, because of COVID-19, revenue generation will continue to be weak for a longer time and not recover at all, which would have a material adverse effect on the Company's earnings and financial position.

As a consequence of reduced demand for hotel rooms and other services offered by the Group, the Company has taken a number of measures in order to conduct their business in a significantly more cost-efficient manner and limit the negative cash flows. Such measures have included partial or complete shutdowns of hotels and layoffs and/or termination of staff (for a description of the measures taken, see "Business overview - Strategy – Strategy for managing the impact of COVID-19 on the Company's business").

Furthermore, Scandic's earnings and future growth can be adversely affected by COVID-19, for example if ongoing or planned projects or

investments are delayed or completely interrupted. In 2019, the Company invested SEK 367 million in new hotel capacity and there is a risk that these, and / or other, of the Company's current or future investments will not generate the expected results or benefits. Scandic has, in order to limit the negative cash flow due to COVID-19, reduced and delayed some maintenance investments. There is also a risk that, as described below, potential investments can not be financed on terms that are acceptable to the Group, or at all, which can hamper the Company's growth and future revenues.

As of 31 March 2020, Scandic's net interest-bearing liabilities amounted to SEK 4,250 million and if the Company's financial position is adversely affected, there is a risk that the Group's creditworthiness will deteriorate, or be considered to have deteriorated, which may lead to increased financing costs and an impaired possibility for the Group to finance itself on terms acceptable to Scandic. An increase / decrease of the Group's financial costs for the financial year 2019 by +/- 10 percent would have affected the earnings for the period before tax by +/- SEK 125 million.

If the Company's assumptions and expectations of future recovery are not realized, in whole or in part, this could for example imply that the Company's cost-saving measures turn out to be insufficient to compensate for reduced revenues and to ensure that the Group's liquidity and financing needs are met, as well as that the Company's risk exposure, as described above, is aggravated.

COVID-19 and the global and regional economic changes caused by the pandemic (and as a result of any future virus outbreaks) may also involve increased risk exposure in relation to other risk factors that are identified and specified below, which in turn may have a material adverse effect on the Group's business, earnings and financial position.

#### **Scandic is exposed to risks related to changed market conditions, the economic cycle and other economic factors**

Scandic is a hotel operator with hotels in Sweden, Norway, Denmark, Finland, Germany and Poland. As of 31 March 2020, the Company had approximately 51,000 rooms spread across 263 hotels with a wide geographical reach within the Nordic region. In addition, the Company also operates four hotels in Germany and two in Poland. A number of macroeconomic and other factors affects the Company's business, including the following:

- adverse effects of economic, political and market conditions, particularly in the Nordic region (where 263 of the Company's 269 hotels are located), which may lead to a decline in consumer confidence, increased levels of unemployment and decreased corporate travels and conferences, each of which could adversely impact the demand for the Company's hotel, restaurant and conference services. For example, a decline in business travels and conferences would have a significant negative impact on Scandic's revenues, as approximately 70 percent of Scandic's revenues were related to business travels and conferences during the financial year 2019; and
- factors that may negatively affect travel patterns and reduce the number of business and leisure travellers, which in turn affects the demand for the Group's products and services, such as impediments to means of transportation (including airline strikes and road closures), extreme weather conditions, rising fuel costs, impact of acts of war or terrorism, outbreaks of pandemic or contagious diseases and health concerns such as COVID-19 and Ebola. For example, the occupancy rate at the Group's hotels was significantly negatively affected, which largely can be related to the outbreak of COVID-19. The occupancy rate in March 2020 amounted to 26 percent (which can be compared with 63 percent in the corresponding period 2019) and to 6 percent in April 2020 (which can be compared with 58 percent in the corresponding period 2019).

As of 31 March 2020, the Company's hotel portfolio consists of 33 percent in Sweden, 31 percent in Norway, 23 percent in Finland and 9 percent in Denmark, all based on the number of hotel rooms. The concentration of hotels in the Nordic region exposes Scandic to risks of adverse economic, or other developments in the Nordic market, having a greater impact on the Company compared to if the portfolio was more geographically diverse. For example, increased rents would have affected the Group's earnings before tax during the financial year of 2019 by +/- SEK 506 million if Scandic's rental costs would be increased / lowered by +/- 10 percent during the same period. Scandic's geographical concentration in the Nordic region also means that the Group is particularly exposed to changes in the region's ability to attract tourists and other travellers. Certain economic or other development can affect Scandic's hotel business more in some countries than in others due to country-specific features, such as for example the large proportion of corporate contract customers in Sweden. All these factors may result in a lower occupancy of Scandic's hotel rooms and demand for Scandic's other services, which could lead to loss of revenue, which in turn would have a negative impact on the Company's operating profit.

#### **Scandic operates in the competitive mid-market segment of the hospitality industry and may be unable to compete for hotel guests and customers for any of the ancillary services they offer, such as food and beverage and conference rooms**

The mid-market segment of the hospitality industry is subject to competition and there is also a risk that hotels that do not currently offer the same range as the Company increase their service offering in the Company's areas and thus a risk that hotels within other market segments contribute to increased competition in the mid-market segment, in which the Company primarily operates. An increase or decrease in the occupancy rate for rooms and a volume change within the restaurant and conference business of one percent is estimated, based on full-year figures for the financial year 2019, affect the Company's adjusted EBITDA by approximately SEK 150 million and adjusted EBITDA margin by 0.6 percentage points on an annual basis. The assessment assumes volume changes within a smaller range (+/- 2 percent) and that the change in sales does not mean that lease agreements exceed the limit for when fixed minimum rent is paid and that there is no change in fixed costs. The resulting increased competition for guests and inability of Scandic to compete successfully may result in the Company's ability to generate revenue being limited or completely absent.

#### **Scandic may not be able to successfully compete for new hotels**

Scandic's hotels are mainly operated under lease agreements and to a lesser extent under franchise and management agreements. In addition, Scandic is a joint owner of one hotel. As of 31 March 2020, 93.9 percent of Scandic's hotels (based on the number of hotel rooms) were operated under lease agreements, corresponding to approximately 99.6 percent of Scandic's revenue during the period of January-March 2020.

Scandic competes to secure and open new hotels pursuant to the Company's lease model, based primarily on brand recognition and reputation, agreed rent levels, the Company's revenue potential affecting the variable rent levels and other contract terms, in order to secure new hotels under the best lease terms. As a result, rent levels and other terms of new lease agreements may not be agreed on similar levels in the future as current arrangements and Scandic may be unable to achieve expected margins and growth of their business. As a result of the fact that the Company largely operates hotels under lease agreements with variable rent with a fixed minimum level ("CRFM", Contingent Rent with Fixed Minimum), an increase or decrease of the occupancy rate for rooms and a volume change in restaurant and conference operations of one percent,

based on full-year figures for the financial year 2019, would affect the Group's rental costs by +/- SEK 58 million. The assessment assumes volume changes within a smaller range (+/- 2 per cent) and assumes that the change in sales does not mean that lease agreements exceed the limit for when fixed minimum rent is paid. Changes in the terms of the Company's lease agreements would, in the event that they change in a negative way, adversely affect the Company's rental costs and thus the Company's operating profit.

#### **Scandic may be unable to retain, extend or renew its existing lease agreements**

Scandic is dependent on its ability to operate hotels under lease agreements with property owners and as of 31 March 2020, approximately 93.9 percent of the Company's hotels were leased (based on number of rooms). Scandic relies on certain significant landlords for parts of their hotel portfolio. For example, 52 properties, corresponding to 21.4 percent (based on the number of hotel rooms as of 31 March 2020) of Scandic's hotel portfolio is owned by the Company's largest landlord, Pandox. Furthermore, the other six of the Company's seven largest landlords own 68 properties, corresponding to approximately 25.6 percent (based on the number of hotel rooms as of 31 March 2020) of Scandic's hotel portfolio. This exposes Scandic to risks if the Company fails to renew existing agreements on favourable terms, or at all, with Pandox or any other significant landlord. Failure to retain, extend or renew on acceptable terms, lease agreements of a large portion of the hotel portfolio could result in significantly increased costs for the Company and/or lead to the Company's ability to generate revenue being limited or completely absent.

#### **Scandic is exposed to risks related to the Company's lease agreements being concluded with a long term and that the main part includes a fixed or partially fixed rental component**

Scandic's lease agreements are generally entered into for initial periods of 15 to 20 years. The longterm nature of these lease agreements may limit Scandic's ability to respond in a timely manner to unfavourable business results, weakened demand or changes in economic or market conditions. Except for a partly owned hotel property in Norway, Scandic's business operated under lease agreements consist exclusively of operating hotels owned by third-party property owners. During the financial year of 2019, the total rental costs accounted for 26.7 percent of the Group's net sales (excluding leasing). The rental clauses in Scandic's lease agreements usually consist of one of the following three types: variable rent with fixed minimum ("CRFM"), variable rent or fixed rent. Of the Company's lease agreements, as of 31 March 2020, 82.4 percent have a variable, revenue-based rent, distributed among 20.0 percent with a fully variable rent and 62.4 percent with a variable rent with a fixed minimum (CRFM). Of the Company's total rental costs in 2019, 66 percent represented fixed rent and 34 percent represented variable rent. Rent is usually paid monthly or quarterly in advance where the variable, revenue-based rent, is based on the Company's turnover for the previous year or budget for the current year. In the event a hotel pursuant to lease agreement turns out unprofitable or otherwise unfavourable to Scandic, and Scandic is unable to rectify this situation or terminate the contractual relationship, it may result in losses for such a hotel during the remaining term of the agreement, which may result in high costs over a long period and a material adverse effect on the Company's operating profit and financial position. For example, the revenues from Scandic's hotels have dramatically decreased due to COVID-19 and thus also fallen below the fixed costs. There is a risk that Scandic's hotels will not be able to successfully reset revenue generation neither in the short or long term,

which would have a material adverse effect on the Company's earnings and financial position.

Considering the outbreak of COVID-19, Scandic has renegotiated temporary lease terms with most of the Company's landlords. The renegotiated payment terms in the Company's lease agreement apply from April 2020 to September 2020, after which the agreements return to ordinary payment terms. The Company has come to the agreement that, for most of the agreements where payment terms have been adjusted in respect of CRFM agreements, the rental period of April 2020 to September 2020 will be payed based on actual monthly turnover in arrears instead of paying rent in advance based on turnover for 2019 or the Company's budget for 2020. For lease agreements with variable rent with fixed minimum (CRFM), the payment of the difference between paid rent and the fixed minimum level that should have been paid during the rental period April–September 2020 has been deferred to the beginning of 2021. The adjusted payment terms in the Company's lease agreements apply until September 2020, after which the agreements return to ordinary payment terms (in advance). Furthermore, governments, including the Swedish, Norwegian and Danish, have announced that property owners should be given the opportunity to allow rent reductions for their tenants, and that the state will then account for part of the cost. In cases where the Company receives compensation from the government in respect of rents, this part will be repaid to the respective landlord. However, there is a risk that Scandic's landlords will not allow such a rent reduction and that the Company may not, completely or partially, take part in these support measures. There is also a risk that Scandic will pay full rent, according to the leases, for the period of the pandemic despite the revenues being severely limited.

#### **Scandic is affected by risks related to maintenance, renovation and upgrading of the standard of the Company's hotel as well as the investment commitments made under the Company's lease agreements**

Scandic must maintain and renovate its hotels in order to remain competitive, maintain the brand standards of these hotels and comply with applicable laws and regulations, including provisions in agreements with landlords. Scandic and its landlords share the capital expenditure commitments. Generally, landlords are responsible for the maintenance and improvement of the building structure and bathrooms, as well as the mechanical and electrical infrastructure of the buildings, while Scandic is responsible for the maintenance and improvement of the hotel furniture, fixtures and equipment. The lease agreements stipulate what measures to be carried out and some agreements also specify the percentage of the hotel's revenue required to be invested. Scandic typically invests approximately up to 4 percent of the annual total revenue on the maintenance of hotels in accordance with what has been stated above. For the years ended 2018 and 2019, the Company had capital expenditure costs for hotel renovations of SEK 708 million and SEK 717 million, and during the period of January-March 2020, the Company had hotel renovations capital expenditure costs of SEK 182 million. This creates an ongoing need for capital, which Scandic finances with cash flow from the Company's operations. Scandic may be unable to generate sufficient capital or unwilling to spend available capital when necessary, even if required by the terms of the lease agreements. To the extent that Scandic cannot finance expenditures from cash generated by the Company's hotel operations, capital must be borrowed or obtained in another way. Failure to make the investments necessary to comply with the Company's capital expenditure obligations could result in dilapidation claims, non-renewal or termination of the lease agreements. Failure to make such investments, either by the Company or due to the landlords' non-compliance because of lack of funds or otherwise, could result in

negative impact on guest satisfaction levels, loss of future revenue and could adversely affect the quality and reputation of Scandic's brand. There is also a risk that Scandic may be unable to agree with the landlords on investment and renovation plans. Completed renovations may also prove to be insufficient to meet increased guest expectations on property standards and design, which may result in renovated hotels not being able to ramp-up their operations to expected occupancy and revenue generation levels. Any of these events could have a material adverse effect on the Company's business, earnings and financial position.

#### **Scandic is dependent on its reputation and the Company's concepts**

Scandic is dependent on its reputation, which is important for the Company in relation to guests, landlords, suppliers and partners. Scandic's good reputation in the industry and among guests is one of the Company's most important assets. Scandic believes that brand recognition, image and guest loyalty is critical not only for the Company's ability to achieve and maintain a high average occupancy, high room rates and high revenues from food and beverage and meetings, but also for Scandic's expansion plans. Scandic's reputation and brand can be damaged and negatively affected by, for example, complaints from guests or because of negative publicity about Scandic as a company, which may result in the Company's operating profit being adversely affected. There is also a risk that the Group's employees or other persons affiliated with Scandic, such as individual guests taking part in the Company's hotel, restaurant and conference services, may take measures that are unethical, criminal (including, but not limited to, violation of applicable anti-corruption, or bribery laws) or in violation of Scandic's internal guidelines and policies. If Scandic were to be associated with such measures or other poor behaviour through negative publicity or, for example, customer reviews, it could, especially taking into account Scandic's good reputation, cause guests, landlords, suppliers, partners and others to lose confidence in the Company's business and not wanting to use the Company's service offerings in the future. Costs to rebuild a damaged confidence in the market can be significant and reduce the Company's cash flow. Reduced cash flow could in turn affect the Company's opportunities to invest in the continued development of the business, which may damage Scandic's prospects.

An event that materially damages the reputation or awareness of the Company's brand and/or a material failure to sustain the appeal of the brand to customers could have a negative effect on the value of the Company's brands and reputation and subsequent revenue therefrom.

#### **Scandic may not have the possibility to successfully implement its strategy for profitable growth and develop new hotels**

In recent years, Scandic has experienced growth, but since the outbreak of COVID-19 the Group's financial situation has been dramatically affected in a negative way. As a result, the Company's ability to successfully implement its strategy for profitable growth in the short term has been significantly impaired. Similar to what has been described in the risk factor *Scandic is affected by risks related to the coronavirus (COVID-19)* above, the Company cannot confidently assess the pandemic's duration, extent or adverse effects. In the event that the Company's assumptions and expectations of future recovery are not realized, in whole or in part, there is a risk that the Company will not be able to successfully implement its strategy for profitable growth in the long term either. Whether Scandic will succeed with the implementation of its strategic initiatives in the long term depends, in addition to what has been stated above, *inter alia*, on the Company's ability to evaluate market conditions to identify and potentially develop new hotel expansion opportunities. The Company's expansion will generate demand from guests and also meet Scandic's internal guidelines regarding, for example, rents, technical specifications

and key ratios. Scandic may be unable to also implement new or disclosed initiatives or take advantage of the strategic initiatives already initiated. The Group is also, upon expansion, influenced by the Group's possibility to obtain financing on favourable conditions and the Company can choose to finance changes in its operations with funds that would otherwise have been used in a different way in the Company's existing business. Scandic also has a strategy for potential new hotels for which agreements have not yet been signed. Although Scandic is developing and launching a new hotel, there is still a risk that it will not be as successful as expected. New hotels may not be able to ramp-up their business levels to what is considered normal or to expected occupancy rates and expected revenue levels. All these risks could adversely affect the growth of Scandic's operations. As of 31 March 2020, the Company had 17 hotels under development, which were expected to contribute with 5,932 new rooms. These development projects can be adversely affected and delayed due to, for example, either party failing to fulfil its obligations. Furthermore, construction delays can cause hotels under development to have a delayed opening which can lead to increased costs and lost revenues for the Company. In light of the Company's expansive strategy, the Company is particularly exposed to the risk of the Company failing to integrate newly opened or newly acquired hotels in the Group, for example regarding group-wide functions such as IT systems, which can lead to increased costs for the Group and also lead to unprofitability.

Furthermore, the Company is active and well-established in the middle segment and there is a risk that, despite good market conditions, the Company will find it more difficult to expand further in this segment and thereby achieve the Company's growth goals, for example because the proportion of available market shares are few or particularly difficult to acquire. Furthermore, the Company may experience difficulties, in accordance with the above, due to their ambition to expand operations in the economy segment under the new brand "Scandic GO".

If Scandic is unable to successfully implement its strategy, there is a risk that expected benefits will not be achieved and / or that this will result in significantly increased costs, which in turn could have a negative impact on the Company's operating profit and cause the Company's growth rate to decrease, stop or become negative.

#### **A large part of Scandic's operating costs are fixed, which may limit the effectiveness of the Company's cost-cutting efforts during times of declining earnings and may result in reduced profit margins**

The largest part of Scandic's operating costs consists of obligations to pay rent and salaries and other personnel related expenses. A large portion of these operating costs is variable; however, a portion of these costs is fixed and not linked to the net sales of Scandic's hotels. An increase or decrease in occupancy rate for rooms and a volume change in restaurant and conference operations of one percent is estimated, based on full-year figures for the financial year 2019, affect adjusted EBITDA by approximately SEK 150 million and adjusted EBITDA margin by 0.6 percentage points on an annual basis. The assessment assumes volume changes within a smaller range (+/- 2 percent) and assumes that the change in sales does not mean that lease agreements exceed the limit for when fixed minimum rent is paid and that there is no change in fixed costs. Furthermore, certain of Scandic's other operating costs, including heating, information technology and similar expenses, are to a large extent also fixed. This leads to Scandic's operating profit being susceptible to short-term changes in revenue. During times of economic distress, declining demand and declining revenue, Scandic may not be able to offset revenue reductions through cost-cutting and therefore will have a material adverse effect on the Company's operating profit.

### **Scandic is exposed to certain risks related to the Company's information technology systems**

Scandic uses and is dependent on sophisticated information technology systems for hotels and revenue optimization, distribution and booking systems and operation of loyalty programs, which require maintenance and supervision.

The Company's information technology platform provides head offices and the Company's hotels with a common system for booking and hotel management, operational reporting, forecasting, staff planning, KPI benchmarking and follow-up. This is a key tool for Scandic's operational success and cost management. For example, during the period of January-December 2019, approximately 57 percent of Scandic's sold room nights were booked through the Company's own distribution channels (bookings through the website, call centres and directly through the hotels), including approximately 27 percentage points through the Company's website. As part of Scandic's strategy, the Company intends to further invest in mobile capabilities to ensure that the Company's solutions meet the demands of the increasing number of customers who are migrating to these devices. However, the Company may not be able to develop capabilities and online solutions that meet this trend and therefore may not capture existing and new customers. For example, several different systems are growing to enable digital check-in and similar things in the hotel industry and in the event that Scandic cannot successfully adapt to the development, the Company's revenue generation may be adversely affected.

Scandic collects large volumes of internal and customer data including credit card numbers and other personal information for various business purposes, including providing requested products and services, managing the Company's loyalty program and maintaining guest preferences to enhance customer service and for marketing purposes to meet and adapt the business and supply according to the demand from guests, landlords, suppliers and partners. In light of the Company's dependence on its IT platform, the Company is particularly exposed to the risk of the IT platform being exposed to material disruptions, slowdowns or damage, among other things as a result of cyber-attacks, any of which could for example cause the number of bookings through the Company's own distribution channels to be dramatically reduced and that valuable information is lost. The Company handles a large amount of personal data and credit card details, which exposes the Company to risks associated with the collection, handling, storage and transmission of sensitive information, including risks related to compliance with data protection regulations for the protection of such data, such as the General Data Protection Regulation (EU) 2016/679 ("GDPR") and the PCI Data Security Standard (PCI DSS).

The Company's risks related to the handling of its IT system and platform affects the Company's reputation, which, should the Company fail with the handling, could result in the Company's guests being reluctant to share their personal information with Scandic, which would affect the Company's ability to market directly to its customers and which in turn may lead to the Company's customers choosing other alternatives instead of Scandics. Furthermore, it can also mean increased costs for the Company and / or lead to the Company's ability to generate revenue being limited which in turn, would have a negative impact on the Company's operating profit.

### **Scandic is dependent on attracting and retaining dedicated and competent staff**

Scandic's success is largely dependent on the Company's ability to attract, retain, educate, manage and motivate staff. If Scandic is unable to attract, retain, educate, manage and motivate competent staff, the Company's ability to adequately operate and staff hotels may be impaired, which may reduce guest satisfaction. Scandic operates in an industry with generally

high staff turnover. If the Company does not manage this high staff turnover efficiently, it can result in high costs for, for example, recruitment or operational restructuring and it can affect the quality of the Company's service offering and service to the guests. Furthermore, increasing the minimum wage can lead to significantly higher costs and lower profits. For example, an increase in Scandic's salary costs (including social security contributions) by 1 percent would negatively affect the operating profit by approximately SEK 58.7 million, based on the circumstances as of 31 December, 2019. If the Company would experience staff shortages, it could also limit Scandic's possibilities to expand its operations and make it grow. Since personnel costs are a significant part of Scandic's operating costs, a lack of competent staff could also mean that Scandic must offer higher salaries, which would increase the Company's personnel costs and adversely affect the Company's earnings. Furthermore, a significant part of Scandic's employees are members of labour unions and have collective bargaining agreements, and Scandic's hotels may, although Scandic always receives high marks in its internal employee surveys, suffer from interruptions in work, such as strikes, if the relations with employees or their labour unions deteriorate, which could potentially lead to disruptions in the day-to-day operations and divert management's attention.

During periods of reduced revenues, Scandic may reduce its workforce through layoffs and/or terminations or similar measures. When such a period is over, there is a risk that such staff will not return to the Company, for example because the person has been given another employment, which would have a negative impact on the business and, in the long run, the operating profit. Furthermore, cost-saving measures taken can damage the Company's brand and reputation, which in turn may have a negative impact on Scandic's ability to attract and retain staff in the future.

Following the outbreak of COVID-19, Scandic took several measures to dramatically cost-streamline the business, inter alia through measures to temporarily reduce personnel-related costs. Primarily through the use of short-term layoffs in Sweden, as well as layoffs in the remaining countries where Scandic operates but also terminations and other measures. At the end of the first quarter of 2020, the number of full-time employees corresponded to 9,259. During March 2020, approximately 6,300 employees with permanent employment (of which 3,700 full-time and 2,600 part-time employees) were laid off and approximately 2,100 employees with permanent employment were dismissed (of which 1,100 full-time employees and 1,000 part-time employees). In addition, approximately 4,300 employees with temporary employment have been laid off in March (of which 100 full-time and 4,200 part-time employees). These measures have, amongst other things, led to a reduction in personnel costs within the Group by SEK 108 million during January-March 2020 compared to the corresponding period in 2019. Provided that the market conditions are recovered and demand for the Group's services increases, the Company will need to re-employ staff to manage the business, which will entail costs for the Company. There is a risk that Scandic will not, in a successful manner, manage such a change and, consequently, can't conduct its operations with the same efficiency as before. Furthermore, there is a risk that the rules temporarily allowing more generous application of short-term layoffs expire, which would lead to increased costs for the Company.

### **Scandic is dependent on online distribution channels and the maintaining of a favourable distribution mix**

Scandic has a relatively large number of distribution channels for its services, consisting of the Company's own website and mobile application as well as a number of other types of external online distribution channels. A significant part of Scandic's hotel rooms are booked through external online distribution channels. During the period of January-December 2019, hotel nights sold through Scandic's internal online distribution

channels accounted for approximately 27 percent of sold hotel nights. During the same period external online distribution channels (which include Global Distribution Systems (“GDS”) and Online Travel Agencies (“OTA”)) accounted for approximately 31 percent in total of Scandic’s sold hotel nights. Scandic contracts with such intermediaries and pay them various commissions and transaction fees for sales of Scandic’s rooms through their systems.

Scandic is working actively to ensure that the Company has an optimized distribution mix for all times. There is a risk that the Company will not succeed in ensuring that customers are directed to the right type of distribution channel and that the Company will thus receive high costs for its distribution or lost revenues. Furthermore, there is a risk that the external online distributors that the Company hires tries to negotiate higher commissions, reduced room rates or other significant contract discounts from Scandic. Furthermore, the Company may to some extent lose valuable direct contact, for example marketing, with consumers.

The online distribution channels have increased transparency for consumers regarding the prices charged by various hotel operators for their products and services, thereby making price management more difficult for hotel operators and the agreements with external online distributors typically include restrictive provisions on rate parity (i.e., the ability for hotel operators to use differentiated pricing in their own distribution channels). While such rate parity restrictions have been outlawed or are currently under review by competition authorities in a number of jurisdictions, these restrictions are still permitted in the jurisdictions in which most of Scandic’s hotels are located. There is also a risk in that the external online distribution channels do not market Scandic to Scandic’s target group or at all. If guest preferences increasingly shift to external online distribution channels and divert bookings away from Scandic’s internal distribution channels, or if the fees charged by third-party websites increase the overall cost of internet bookings for Scandic’s hotels, this may have a material adverse effect on the Company’s operating profit.

Given the amount of hotel nights sold through external online distribution channels, Scandic is to a certain extent dependent on such external online distribution channels, particularly in remote markets that are difficult to reach and where Scandic does not make active marketing efforts on its own. For example, the Company is, to a certain extent, dependent on online distribution channels to reach potential customers in China or in the United States. Any interruptions in the relationships with Scandic’s external online distribution channels or interruptions in OTA-services may have a material adverse effect on the Company’s business, earnings or financial position.

## RISKS RELATED TO LEGAL AND REGULATORY ISSUES

### Changes in the regulatory environment in which the Company conducts operations or a failure to comply with applicable laws and regulations may adversely affect the Company’s business

In order for the Company to be able to offer its hotel, restaurant and conference services, the Company is dependent on various licenses and permits for hotel services as well as food and beverage services such as serving permits. If Scandic’s serving permits issued to any of the Company’s hotels should be revoked or not renewed, it will affect the Company’s ability to conduct its business in its current form and also affect the Company’s reputation. Furthermore, in light of the labour law measures taken by the Company at the outbreak of COVID-19, the Company is also exposed to the development in the area of labour law, and in particular with regard to the new furloughing rules and state aid. These changes, such as the Swedish Agency for Economic and Regional Growth’s (Sw. *Tillväxtverket*) clarification on 22 May 2020 regarding holidays in relation to short-term work, may result in the cost-saving

measures taken in relation to employees made in light of COVID-19, which amongst other things, led to a reduction in personnel costs within the Group by SEK 108 million during January-March 2020 compared to the corresponding period in 2019, in the future being lower than expected which would entail increased costs for the Group which would have an adverse effect on the Company’s operating profit (for a description of the measures taken, see “*Business overview - Strategy – Strategy for managing the impact of COVID-19 on the Company’s business*”).

### Failure to protect Scandic’s trademarks and other intellectual property could reduce the value of the Company’s brands

The recognition and reputation of Scandic’s brands and concepts are vital to the success of Scandic. Scandic relies on trademark laws to protect the Company’s proprietary rights. The success of Scandic’s business depends in part on the Company’s continued ability to use its trademarks to increase brand awareness and further develop them. From time to time, Scandic applies to have trademarks registered; however, there can be no assurances that trademarks or other intellectual property registrations will be granted or that the steps Scandic takes to use, control or protect the Company’s trademarks or other intellectual property in the Nordic region and other jurisdictions will always be adequate to prevent third parties from copying or using the trademarks or other intellectual property without authorization or in a manner where authorization may not be required. Scandic may also fail to obtain and maintain trademark protection for its brands in all jurisdictions. A few hotel names include trademarks owned by the property owner. Furthermore, third parties may challenge Scandic’s rights to certain trademarks or oppose the Company’s trademark applications. Defending against any such proceedings may be costly, and if unsuccessful, could result in the loss of important intellectual property rights as well as high costs for reprofiling. As of 31 December 2019, the carrying amount of the Group’s trademarks and other intangible fixed assets amounted to SEK 3,300 million. If Scandic’s trademarks or other intellectual property are misappropriated, or otherwise used in a manner where authorization may not be required, the “Scandic” brand or brand endorsements, including their value and reputation, could be harmed.

Furthermore, third parties may make claims against Scandic for infringing or misappropriating their trademarks or other intellectual property rights. Any such claims could be expensive, and time consuming to defend and may force Scandic to stop using the intellectual property that is being challenged. These claims will divert management’s attention and resources. In many cases, the reputation risk is also related to the Company’s exposure to litigation or penalties / fees issued by regulatory authorities exceeding the direct financial consequences of these. These events could lead to a significantly impaired revenue potential for the Company, increased costs and may cause a write-down of non-current assets in the Company’s balance sheet.

## FINANCIAL RISKS

### Scandic may be required to recognize impairment charges

Scandic has significant amounts of goodwill and trademarks with an indefinite life, which are not amortized. As of 31 December 2019, Scandic’s intangible assets amounted to SEK 9,941 million. In accordance with IFRS, goodwill and intangible assets that are not amortized must be subject to at least one annual impairment test. An impairment test is performed more frequently if there are indicators of impairment needs, something that also needs to be considered for other non-current assets and not just for those with indefinite right-of-use (including right-of-use assets in Scandic’s case). Examples of indications are:

- significant adverse changes that have taken place or are expected in the near future in the market, economic or legal environment in which the Company operates or in its markets;

- increases in interest rates or other market rates of return that may materially affect the discount rate used in calculating the asset's recoverable amount;
- the carrying amount of Scandic's net assets exceeding the Company's market capitalization;
- management's forecasts of future net cash inflows or operating profits showing a significant decline from previous budgets and forecasts;
- actual net cash outflows or operating profit or loss being significantly worse than budgeted; and
- the Company predicts operating losses or net cash outflows being forecast.

For the period January-March 2020, the Group's operating profit amounted to SEK -3,329 million, which can be compared with SEK 321 million for the corresponding period 2019, and excluding the effect of leasing to SEK -3,550 million, which can be compared with SEK 114 million for the corresponding period 2019. Because of negative effects on the Group's operations, a write-down test of non-current assets has been carried out in connection with the preparation of the quarterly report for the period January-March 2020. The write-down test showed an impairment need of intangible assets of SEK 2,955 million and the corresponding impairment charge was made for the first quarter of 2020. The write-down mainly relates to assets in Norway and Sweden, but also in Denmark and Finland. About 85 percent of the write-down is explained by higher discount rates as a result of an estimated higher risk and thus a return requirement for hotel operations. The remaining part of the write-down amount is explained by the fact that future cash flows are expected to be somewhat lower. The depreciation amounted to SEK -816 million for the period January-March 2020, compared with SEK -770 million for the corresponding period 2019. The increase is mainly explained by the effect of leasing. Excluding the effect of leasing, depreciation amounted to SEK -211 million, compared with SEK -199 million for the corresponding period 2019.

While Scandic believes that the assessments and assumptions made are reasonable based on currently available information and current business performance as well as assumptions about future business performance, should the Company's assumptions and estimates about future economic and financial market conditions, operating performance in the Company's cash generating units, or any other of the Company's assumptions and estimates, including those listed above, prove to be incorrect, a future impairment test may require the Company to write down these assets, generating future impairment charges. For example, a significant decline in Scandic's markets due to further consequences of COVID-19, beyond the assumptions made in management's forecasts of future net cash inflows or operating profits from operations, could imply that a future impairment test may require Scandic to write-down goodwill and other intangible assets that have decreased in value. Furthermore, changes in the hotel portfolio or contract terms could cause a future impairment charge of right-of-use assets included in accordance with IFRS16. Any future impairment charges that the Company is required to record could have a material adverse effect on Scandic's recorded earnings and equity.

**Scandic's existing facilities agreements contain, and future facilities agreements may contain, restrictions that could limit the Company's flexibility in operating its business**

Scandic's existing facilities agreements contain, and documents governing future financing may contain, operating covenants that limit the discretion of management with respect to certain business matters. For example, Scandic's existing facilities agreements contain limitations in its ability to incur additional facilities, make acquisitions and divestments,

carry out mergers, make changes to the Company's business, guarantee obligations or incur other contingent liabilities and provide pledges. For further information on Scandic's loan arrangement, see "*Material agreements – Financial arrangements*" in the section "*Legal considerations and supplementary information*". Scandic's ability to meet these and other obligations in the Company's existing and future facilities agreements is dependent on the Company's future earnings, which in turn is dependent on several factors, some of which are beyond the Company's control. Breach of any of these obligations or failure to meet financial ratios and tests may result in a breach of the facilities agreements, which could lead to a termination of the current debt unless the breach or deficiency is rectified or the lender refrains from calling for termination; and termination of other obligations as a result of the indebtedness being subject to provisions on cross-termination or cross-breach of contract. Should all of the facilities under the Facilities Agreement have been terminated prematurely by 31 March 2020, an obligation for Scandic to pay SEK 4,231 million would be imposed, together with accrued interest and costs. Termination of one or more loans raised by the Company or other companies in the Group could have a material adverse effect on the Company's liquidity and financial position in general.

**Payment in accordance with Scandic's financing requires a significant amount of cash. Scandic's ability to generate sufficient cash is dependent on many factors, some of which are beyond the Company's control**

To meet future working capital needs, Scandic has agreed on a new revolving credit facility of SEK 1,150 million (the "**New Revolving Credit Facility**") and a short-term revolving credit facility of SEK 250 million (the "**Short-term Revolving Credit Facility**") has been provided. If the Rights Issue is not fully subscribed, and the parties that have undertaken subscription and underwriting commitments do not fulfil their respective obligations, and the Rights Issue thus does not bring in sufficient funds to repay the Short-Term Revolving Credit Facility, there may be a shortage of working capital of not more than SEK 250 million as of 15 July 2020. If realised, Scandic would have to seek alternative financing, such as additional share capital or other bank financing, for outstanding amounts or be forced to renegotiate the terms of the New Revolving Credit Facility. If Scandic fails to obtain alternative financing or reach an agreement regarding the New Revolving Credit Facility, it could mean that Scandic is forced to divest part of the business or, ultimately, suspend payments.

Scandic's ability to make payments in accordance with the Company's financing and to finance planned capital expenditures will depend on the Company's ability to generate cash in the future. If Scandic is unable to generate sufficient cash flow to service its debt and meet other commitments, the Company may need to restructure or refinance all or a portion of its financing, sell material assets or businesses or raise additional debt or equity capital. Scandic's failure to make the required interest and principal payments on the Company's indebtedness would result in an event of default under the agreement governing such facilities, which may result in the acceleration of some or all of Scandic's outstanding facilities. As of 31 March 2020, the Group's net interest-bearing debt amounted to SEK 4,250 million. Termination of one or more facilities raised by the Company or other companies in the Group, or the pledging of pledged collateral, could have a high impact on the Company's liquidity.

The Group finances parts of its operations, and may in the future finance growth, with external capital. The Company is therefore dependent on the availability of such capital and if the Company would fail to raise sufficient capital on satisfactory terms, or at all, there is a risk that Scandic will be forced to refrain from investing, cancel payments or that Scandic cannot continue its business in its present shape or, at all.



## RISKS RELATED TO THE SECURITIES

### There is a risk that the share price may be volatile, and the price development is dependent on several uncertain factors

Since an investment in shares may decline in value, there is a risk that an investor will not get back the invested capital. Scandic's share is listed on Nasdaq Stockholm. During the period of 1 January-31 March 2020, Scandic's daily average volume weighted share price amounted to at least SEK 24.773 and at most SEK 116.329. Consequently, the share price may be very volatile. The share price development is dependent on several factors, some of which are company specific while others are linked to the stock market. For example, the share price can be affected by supply and demand, variations in actual or expected earnings, inability to reach analysts' earnings expectations, failure to achieve financial and operational goals, changes in general economic conditions, changes in regulatory conditions and other factors. Since the outbreak of COVID-19, the stock market has been very volatile and share prices for several companies, including Scandic, have been subject to extraordinary fluctuations. There is a risk that the price of Scandic's share will follow the general market volatility, regardless of the Group's earnings and performance, and decrease in value significantly. The price of Scandic's share is also, in some cases, affected by competitors' activities and position in the market. There is a risk that there will not be an active and liquid market for trading in Scandic's shares at all times, which would affect the investors' ability to get back invested capital. This poses a significant risk to individual investors.

## RISKS RELATED TO THE RIGHTS ISSUE

### There is a risk that trading in subscription rights and BTA may be limited

Anyone who was registered as a shareholder in Scandic on the record day will receive subscription rights in relation to their existing shareholding. The subscription rights are expected to have an economic value that can only benefit the holder if they are utilized for subscription of new shares by 17 June 2020 or sold by 15 June 2020. After 17 June 2020, without notice, unused subscription rights will be removed from the holder's VP account, whereby the holder completely loses the expected financial value of the subscription rights. Both subscription rights and paid subscribed shares ("BTA"), which, after payment, are booked into a VP account belonging to those who have subscribed for new shares will be subject to time-limited trading on Nasdaq Stockholm. Trading in these instruments may be limited, which may cause problems for individual holders to dispose of their subscription rights and / or BTA, thereby preventing the holder from compensating himself for the financial dilution effect of the Rights Issue (see "*Shareholders who do not participate in the Rights Issue are affected by dilution*" below). Investors thus risk not being able to realize the value of their BTAs. Such conditions would pose a significant risk to individual investors. Limited liquidity can also amplify the fluctuations in the market price for subscription rights and / or BTA. The price picture for these instruments thus risks being incorrect or misleading.

### Shareholders who do not participate in the Rights Issue are affected by dilution

If a shareholder chooses not to exercise or sell his subscription rights in the Rights Issue in accordance with the procedure described in the Prospectus, the subscription rights will lapse and become useless without right for compensation to the holder. Consequently, such shareholders' proportional ownership and voting rights in Scandic will decrease. Shareholders who choose not to participate in the Rights Issue will have their ownership diluted by up to approximately 46 percent by the issuance of up to 88,272,918 new shares (corresponding to an increase in the

number of shares up to approximately 86 percent). Furthermore, such shareholders are not compensated for the dilution of Scandic's earnings per share by up to approximately 46 percent that the Rights Issue entails. Their relative share of Scandic's equity will also decrease. If a shareholder chooses to sell his unutilized subscription rights or if these subscription rights are sold on behalf of the shareholder, there is a risk that the compensation the shareholder receives for the subscription rights in the market does not correspond to the financial dilution of the shareholder's ownership in Scandic after the Rights Issue has been completed.

### Unsecured subscription and underwriting commitments

The Company's shareholders Stena Sessan AB ("**Stena**"), owner of 19.9 percent of the number of shares and votes in Scandic as of 31 March 2020, AMF Pensionsförsäkring AB ("**AMF Pensionsförsäkring**"), owner of 16.5 percent of the number of shares and votes in Scandic as of 31 March 2020, and Formica Capital AB ("**Formica Capital**"), owner of 5.3 percent of the number of shares and votes in Scandic as of 31 March 2020, has undertaken to subscribe for new shares corresponding to their pro rata share of the Rights Issue in the Company, i.e. new shares corresponding to their shareholding in the Company, 41.6 percent in total (the "**Subscription Commitments**").

In addition, AMF Pensionsförsäkring has, in addition to its Subscription Commitment, undertaken, subject to customary conditions, to subscribe for shares to a value of an additional SEK 500 million in the Rights Issue, corresponding to 28.3 percent of the Rights Issue (the "**Extended Subscription Commitment**"), subject to AMF Pensionsförsäkring not becoming an owner of more than 29.9 percent of the shares in the Company after completion of the Rights Issue, calculated including any holdings of other entities within the group in which AMF Pensionsförsäkring is included, (the "**AMF Ownership Limit**"). For the Extended Subscription Commitment, the Company will pay compensation up to an amount corresponding to 1.13 percent of the Extended Subscription Commitment.

DNB Markets and Goldman Sachs International have, in equal proportion, underwritten the share of the Rights Issue that is not covered by the Subscription Commitment and the Extended Subscription Commitment up to an amount of SEK 530,754,480 in total, which constitutes approximately 30.1 percent of the Rights Issue (each an "**Underwriting Commitment**").

The Subscription Commitments, the Extended Subscription Commitment and the Underwriting Commitments are not secured. Consequently, there is a risk that one or more of the concerned parties will not, in whole or in part, be able to fulfil their respective obligations. Failure to fulfil the above-mentioned subscription and underwriting commitments would adversely affect Scandic's ability to successfully execute the Rights Issue.

# INVITATION TO SUBSCRIBE FOR SHARES IN SCANDIC

*The shareholders of Scandic Hotels Group AB (publ) are hereby invited to subscribe for new shares in Scandic, with the ISIN-code SE0007640156, with preferential right in accordance with the terms and conditions presented in this Prospectus.*

On 29 April 2020, the board of directors of Scandic resolved, subject to approval by a general meeting, to increase the Company's share capital through a new issue of shares with preferential rights for Scandic's shareholders. The board of directors resolution was approved by the Extraordinary General Meeting on 28 May 2020.

The rights issue resolution entails that Scandic's share capital will increase by a maximum of SEK 22,068,229.50, from SEK 25,746,268.75, to not more than SEK 47,814,498.25 through the issuance of not more than 88,272,918 new shares. After the Rights Issue, the number of shares in Scandic will amount to not more than 191,257,993 shares. Scandic's shareholders have preferential right to subscribe for new shares in relation to the number of shares they own on the record date for the Rights Issue. The record date for participation in the Rights Issue is 1 June 2020.

Those who on the record date are registered as shareholder of Scandic will receive one (1) subscription right for each share held in Scandic on the record date. Seven (7) subscription rights entitle to subscription for six (6) new shares in Scandic. To the extent that new shares are not subscribed for with preferential rights, they shall be allotted to shareholders and other investors who have subscribed for shares without preferential rights in accordance with the principles set out in the section "Terms and conditions". Such allotment shall firstly be made to those who have also subscribed for share by exercise of subscription rights. Subscription shall take place during the period from 3 June 2020 up to and including 17 June 2020, or such later date as determined by the board of directors, and otherwise in accordance with the instruction included in the section "Terms and conditions".

The subscription price has been set at SEK 20 per share. Provided that the Rights Issue is fully subscribed, Scandic will consequently raise in total approximately SEK 1,765 million before issuance costs. Shareholders who choose not to participate in the Rights Issue will have their shareholdings diluted by up to approximately 46 percent, but have the possibility to partly compensate themselves financially for the dilution by selling their subscription rights, in accordance with what is described in the section "Terms and conditions".

## SUBSCRIPTION AND UNDERWRITING COMMITMENTS<sup>1)</sup>

The Company's shareholders, Stena, owner of 19.9 percent of the number of shares and votes in Scandic as of 31 March 2020, AMF Pensionsförsäkring, owner of 16.5 percent of the number of shares and votes in Scandic as of 31 March 2020, and Formica Capital, owner of 5.3 percent of the number of shares and votes in Scandic as of 31 March 2020, have through their respective Subscription Commitments undertaken to subscribe for new shares corresponding to 41.6 percent in total of the Rights Issue.

In addition, AMF Pensionsförsäkring has, subject to customary conditions and subject to AMF's Ownership Limit, entered into an Extended Subscription Commitment.

DNB Markets and Goldman Sachs International have entered into Underwriting Commitments, and together the Subscription Commitments, the Extended Subscription Commitment and the Underwriting Commitments amount to 100 percent of the Rights Issue.<sup>2)</sup>

Stockholm, 1 June 2020

**Scandic Hotels Group AB (publ)**

*The board of directors*

<sup>1)</sup> See also "Subscription and underwriting commitments" in the section "Legal considerations and supplementary information".

<sup>2)</sup> Neither the subscription commitments nor the issue underwritings are secured. See "Unsecured subscription and underwriting commitments" in the section "Risk Factors".

# BACKGROUND AND REASONS

Scandic is the leading hotel operator in the Nordic region.<sup>1)</sup> The Company was listed on Nasdaq Stockholm in 2015, and up until the end of 2019 – as for the hotel industry in general – was showing strong growth. During that period Scandic demonstrated significant organic and acquired growth, the number of hotels increased from 221 to 269 and the number of hotel rooms increased from around 41,000 to around 53,000. Between 2015 and 2019, the Company's sales increased by 55 percent from SEK 12,193 million to SEK 18,945 million. During the same period, adjusted EBITDA increased by 64 percent from SEK 1,246 million to SEK 2,046 million.

At the beginning of 2020, the global economy and the market conditions for hotel operators declined significantly as a result of the spread of COVID-19. Concerns over the spread of the virus, decisions and recommendations from governments and authorities (including upholding or increasing measures or recommendations already decided upon) such as entry bans and bans on public gatherings, travel restrictions within businesses and organizations, and greater economic uncertainty have resulted in a drastic decline in demand in the hospitality industry. Just as in the hotel industry in general, as a consequence of the spread of COVID-19 Scandic has experienced a serious decline in demand and significantly reduced occupancy, which was at 26 percent in March 2020 and 6 percent in April 2020, compared with 63 percent and 58 percent for March and April the previous year, respectively.

In order to address the current situation, from the end of February 2020 Scandic has implemented a number of comprehensive measures aimed at improving the Company's cash flow, reducing the Company's costs and adapting the operations to the prevailing business environment. Measures implemented by the Company as of the date of the Prospectus include:

- Staffing reductions of more than 80 percent of the Company's employees, through furloughing and termination of temporary and permanent employments;
- Temporary closure of more than half of the Company's hotels and reduced operations at other hotels to deal with the decrease in demand and to reduce the Company's costs;
- Negotiations with landlords concerning deferred rent payments to improve the Company's cash flow;
- Reduced and deferred investments in order to limit negative cash flow;
- Applications for government grants;
- Scandic's board of directors has decided to withdraw the earlier proposal for a dividend of SEK 3.70 per share (SEK 381 million in total) to bolster the Company's financial position;
- Shutdown of projects and renegotiation of supply contracts including payment terms; and
- 20 percent pay cut for members of the Company's management team during April and May 2020 and a reduction of board compensation by 30 percent for members of the Company's board of directors during, at least, the second and third quarter of 2020.

The measures that the Company has taken have mitigated, and will continue to mitigate, the negative effects of the spread of COVID-19 on the Company's operations, partly by lowering the Company's costs by more than 70 percent excluding rents, (around 60 percent including rents), during the second quarter of 2020. In addition to lowering the Company's cost base, steps have also been taken to defer rental costs, tax expenses and certain other charges to a later date. The Company's assessment is that the business situation will be very weak with an expected occupancy rate of 7–11 percent up to and including the second quarter of 2020 and then a gradual recovery in the second half of 2020. For 2021, RevPAR is estimated to end up 15–25 percent below the 2019-year level. Based on these assumptions, Scandic is estimated to have a liquidity deficit during 2020. This is expected to continue to increase during the first half of 2021 as a result of, among other things, deferred rental and tax payments falling due, and as a result of the Company's working capital tied up during this period.

To meet future working capital needs, Scandic has agreed on a New Revolving Credit Facility of SEK 1,150 million and decided to carry out the Rights Issue. In addition, a Short-Term Revolving Credit Facility of SEK 250 million has been provided to the Company. The Short-Term Revolving Credit Facility is intended to be repaid at the earlier of either the completion of the Rights Issue or on 15 July 2020. The New Revolving Credit Facility will be available to the Company after the completion of the Rights Issue. The New Revolving Credit Facility and the Rights Issue together amount to no more than approximately SEK 2,915 million and is expected to meet the operational liquidity need, including a required margin of safety up to and including the end of 2021. For further information on the new financing, see the section "*Credit facilities and commercial papers*" in the section "*Legal considerations and supplementary information*".

Scandic estimates that the Group's working capital needs, including a required margin of safety during the upcoming twelve-month period, amounts to SEK 2,900 million. This working capital need is expected to be met with cash and cash equivalents from the Rights Issue on the day of its completion, cash flow from the operating activities and through the New Revolving Credit Facility. Existing working capital is estimated to be sufficient until 15 July 2020, when the Short-Term Revolving Credit Facility is due for payment. For further information on the Company's capital requirements, see "*Working capital statement*" in the section "*Capital structure and other financial information*".

<sup>1)</sup> Measured as market share. Scandic Nordic Hotel Database.

If the Rights Issue is not fully subscribed, and the parties that have undertaken subscription and underwriting commitments do not fulfil their respective obligations, and the Rights Issue thus does not bring in sufficient funds to repay the Short-Term Revolving Credit Facility, there may be a shortage of working capital of not more than SEK 250 million as of 15 July 2020. If realised, Scandic would have to seek alternative financing, such as additional share capital or other bank financing, to repay outstanding amounts that are due for payment or that Scandic is forced to renegotiate the terms of the New Revolving Credit Facility. If Scandic fails to obtain alternative financing or reach an agreement regarding the New Revolving Credit Facility, it could mean that Scandic is forced to divest part of the business or, ultimately, suspend payments.

#### **USE OF THE ISSUE PROCEEDS**

If fully subscribed, the Rights Issue is expected to raise a maximum of around SEK 1,765 million before deduction of issue costs, which are estimated at around SEK 60 million. The net issue proceeds of up to around SEK 1,705 million will be used to repay the Short-Term Revolving Credit Facility and the remainder of the issue proceeds, together with the New Revolving Credit Facility of SEK 1,150 million, will be used to strengthen the Company's balance sheet, working capital and secure the Company's liquidity beyond the first half of 2021 when the Company's liquidity deficit is expected to peak.

*Scandic's board of directors is responsible for the content of the Prospectus. To the best of the board of directors' knowledge, the information provided in the Prospectus is factually accurate and no information that would likely affect its import has been omitted.*

Stockholm, 1 June 2020

**Scandic Hotels Group AB (publ)**

*The board of directors*

# TERMS AND CONDITIONS

This section contains terms and instructions for participating in the Rights Issue. For further information concerning the new shares being issued, see the section "*Share capital and ownership structure*".

## PREFERENTIAL RIGHT AND SUBSCRIPTION RIGHTS

Persons who are registered as shareholders in Scandic on the record date of 1 June 2020 will receive one (1) subscription right for each share held in Scandic, subject to the restrictions described in section "*Shareholders resident in certain unauthorised jurisdictions*". The subscription rights entitle the holder to subscribe for new shares in the Rights Issue with preferential rights, with seven (7) subscription rights providing entitlement to subscribe for six (6) new share in Scandic. Shares may also be subscribed for without subscription rights.

Shareholders who chose not to participate in the Rights issue will have their ownership diluted with approximately 46 percent but have the possibility to partly financially compensate the dilution effect by selling their subscription rights. Where subscription rights are transferred, the preferential rights are transferred to the new holder of the subscription right.

## SUBSCRIPTION PRICE

The new shares will be issued at a price of SEK 20 per new share. No commission will be charged.

## RECORD DATE

The record date at Euroclear Sweden for establishing who is entitled to receive subscription rights in the Rights Issue is 1 June 2020. Shares in Scandic will be traded excluding the right to receive subscription rights with effect from 29 May 2020. The final day of trading in the shares including the right to receive subscription rights was therefore 28 May 2020.

## SUBSCRIPTION PERIOD

Subscription for new shares will take place in the period from and including 3 June 2020 up to and including 17 June 2020. Scandic's board of directors has the right to extend the subscription period. An extension will be announced through a press release at the latest on 17 June 2020.

## ISSUE STATEMENT

### Directly registered shares

A preprinted issue statement with an attached payment slip will be sent to directly registered shareholders and representatives of shareholders that are recorded in the register of shareholders kept by Euroclear Sweden on behalf of Scandic on the record date, with the exception of those shareholders that are resident in certain unauthorised jurisdictions. The preprinted issue statement shows, among other things, the number of subscription rights received and the whole number of new shares that can be subscribed for on the basis of subscription rights. No advice note reporting the registration of subscription rights in the shareholder's securities account will be sent. Those recorded in the separate list of pledgees and custodians kept in connection with the register of

shareholders will not receive an issue statement, but instead will be notified separately.

### Nominee-registered shares

Shareholders in Scandic whose shareholding is registered on the record date with a nominee at a bank or other fund manager will not receive an issue statement from Euroclear Sweden. Subscription and payment for new shares will instead take place through the respective bank or nominee, or if the shareholding is registered with more nominees, from each of these.

## SHAREHOLDERS RESIDENT IN CERTAIN UNAUTHORISED JURISDICTIONS

Allotment of subscription rights and, where these subscription rights are exercised, the issue of new shares, to persons resident in countries other than Sweden and other jurisdictions which the prospectus will be passported to (Denmark, Norway and Finland) may be affected by securities legislation in those countries. In connection with this, shareholders whose shares are directly registered in securities accounts with registered addresses in Australia, Canada, Japan, the United States or another jurisdiction where participation would require further prospectuses, registration or other authorities approval will not receive the Prospectus, nor will they receive any subscription rights in their respective securities accounts. The subscription rights that would otherwise have been allocated to such shareholders will instead be sold and the proceeds of the sale, less costs, will be paid out to such shareholders. However, amounts of less than SEK 100 will not be paid out. Notwithstanding the foregoing, independently from and without the participation of DNB Markets and Goldman Sachs International, which have entered into Underwriting Commitments, the Company may allow existing shareholders in the United States who are qualified institutional buyers as defined in Rule 144A under the Securities Act to exercise their subscription rights in reliance on exemptions provided for private placements under Section 4(a)(2) of the Securities Act.

Banks or other nominees that hold shares for shareholders in Scandic whose shareholding on the record date is nominee-registered may not send the Prospectus or the preprinted issue statement to shareholders with addresses in, or that are situated or resident in Australia, Canada, Japan, the United States or any other jurisdiction in which participation in the Rights Issue would require an additional prospectus, registration or other approval by authorities, without prior approval from Scandic.

## TRADING IN SUBSCRIPTION RIGHTS

Trading with subscription rights in Scandic will take place on Nasdaq Stockholm during the period from and including 3 June 2020 up to and including 15 June 2020 under the ticker SHOT TR. Securities institutions with the necessary licences are available to mediate purchases and sales of subscription rights. Subscription rights that are not exercised to subscribe for shares must be sold in order not to expire without value. The ISIN code for the subscription rights is SE0014428991.

## SUBSCRIBING FOR NEW SHARES ON THE BASIS OF SUBSCRIPTION RIGHTS

Subscription for new shares on the basis of subscription rights will take place through simultaneous cash payment during the period from and including 3 June 2020 until 17.00 CEST on 17 June 2020.

After 17 June 2020 subscription rights that have not been exercised will expire and therefore have no value. Subscription rights that are not exercised to subscribe for shares will be deregistered from the respective shareholder's securities account without notification from Euroclear Sweden. In order for the value of the subscription rights not to be lost, the holder must either:

- exercise the received subscription rights and subscribe for new shares no later than 17 June 2020, which is the last day of the subscription period; or
- at the latest 15 June 2020, which is the last day for trading in subscription rights on Nasdaq Stockholm, sell the subscription rights that have not been exercised for subscription of new shares.

Subscribers whose shareholdings are in custody accounts with banks or nominees will subscribe for shares or sell subscription rights in accordance with instructions from their nominee(s). The final day for subscription or sale may in those cases deviate from what has been stated above.

Subscription for new shares on the basis of subscription rights is irrevocable and cannot be withdrawn or modified.

### Shareholders with directly registered holdings resident in Sweden

Subscription for new shares on the basis of subscription rights is to take place through simultaneous cash payment, which can be done either using the preprinted payment slip or a separate application form in accordance with one of the following alternatives:

*Payment slip:* If all of the subscription rights received on the record date which can be used to subscribe for new shares are to be exercised, the preprinted payment slip from Euroclear Sweden is to be used as documentation of the application and subscription through payment. No additions or amendments may be made to the text preprinted on the payment slip. In this case a separate application form is not to be used.

*Application form:* Where a different number of subscription rights to that stated in the preprinted issue statement is being exercised to subscribe for shares, for example if subscription rights have been bought or sold, a separate application form is to be used as documentation of subscription through payment. At the same time as the completed application form is sent to Handelsbanken Capital Markets, Emission, payment is to be made for the new shares subscribed for in accordance with instructions on the application form. The application form and the payment must be received by Handelsbanken Capital Markets, Emission, by at the latest 17.00 CEST on 17 June 2020. The application form is available through any branch of Svenska Handelsbanken AB (publ) ("**Handelsbanken**") in Sweden or from Handelsbanken Capital Markets, Emission, email address: [emissionsavdelningen@handelsbanken.se](mailto:emissionsavdelningen@handelsbanken.se). The preprinted payment slip is not to be used.

### Information for shareholders resident outside Sweden with directly registered shareholdings not resident in Sweden<sup>1)</sup>

Shareholders in Scandic that are resident outside Sweden and that are not subject to the restrictions described in the section "*Shareholders resident in certain unauthorised jurisdictions*" above, shall use the application form

sent out to subscribe for shares. In conjunction with sending or emailing the application form to the address stated below, payment is to be made in Swedish kronor (SEK) to the bank account stated below.

Handelsbanken Capital Markets

Emission

SE-106 70 Stockholm, Sverige

E-mail: [emissionsavdelningen@handelsbanken.se](mailto:emissionsavdelningen@handelsbanken.se)

IBAN number: SE08 6000 0000 0002 1231 5161

Account number: 6028 212 315 161

SWIFT/BIC: HANDSESS

When making payment the subscriber's name and address and their securities account number or payment identity as per the issue statement must be stated. The application form and payment must be received by Handelsbanken Capital Markets, Emission by at the latest 17.00 CEST on 17 June 2020. Application forms for shareholders resident abroad are available from Handelsbanken's website [www.handelsbanken.se/prospekt](http://www.handelsbanken.se/prospekt) and from Scandic's website, [www.scandichotelsgroup.com](http://www.scandichotelsgroup.com).

In using the preprinted payment slip or submitting the application form and making payment, or in approving delivery of the subscription rights or the new shares, each such shareholder will be deemed to have declared, given an assurance and approved that they are not, and will not be at the time that they receive subscription rights or subscribe for the new shares, located or resident in Australia, Canada, Japan, the United States or another jurisdiction in which participation in the Rights Issue would require an additional prospectus, registration or other approval by authorities, and that they are not acting on a non-discretionary basis on behalf of, or for the benefit of, any such person.

### Shareholders with nominee-registered shares

Holders of custody accounts with nominees that wish to subscribe for new shares with preferential right must apply to subscribe for shares in accordance with instructions from their nominee(s).

### PAID SUBSCRIBED SHARES (BTAS)

Shares subscribed for and paid for on the basis of subscription rights will be registered with Euroclear Sweden as soon as this can be done, which is normally up to two banking days after payment. The subscriber will then receive a notification confirming that BTAs have been registered to the subscriber's securities account. After the Rights issue has been registered with the Swedish Companies Registration Office, which is expected to take place around 25 June 2020, BTAs will be converted into new shares without notification from Euroclear Sweden. The new shares are expected to be in the respective securities accounts around 29 June 2020. Subscribers with custody accounts with nominees will receive BTAs and information in accordance with their nominee's procedures. The ISIN code for BTAs is SE0014429007.

<sup>1)</sup> Please note that directly registered shareholders resident outside Sweden can use the preprinted payment slip for subscription and payment, if the holder has a Swedish online bank.

## TRADING IN BTAs

Trading in BTAs is expected to take place on Nasdaq Stockholm during the period from and including 3 June 2020 up to and including 23 June 2020 under the designation SHOT BTA. Securities institutions with the necessary licences are available to mediate sales of BTAs.

## SUBSCRIBING FOR NEW SHARES WITHOUT SUBSCRIPTION RIGHTS

Applications to subscribe for new shares without subscription rights is to take place during the same period of time as subscribing for shares on the basis of subscription rights, in other words from and including 3 June 2020 up to and including 17 June 2020.

### Important information regarding NID and LEI when subscribing for shares without subscription rights

#### *Requirement of NID number for natural persons*

National ID or National Client Identifier (“**NID number**”) is a global identification code for natural persons. Under MiFID II, with effect from 3 January 2018, you as an investor need to have a NID number in order to be able to complete a securities transaction. For natural persons with only Swedish citizenship the NID number consists of the designation “SE” followed by the personal identity number. With more than one or citizenship in another country than Sweden the NID number may be a different type of number. If another citizenship than Swedish, the number will need to be stated on the application form. If this number is not stated Handelsbanken may be prevented from completing the transaction. For more information on how to obtain an NID number contact your bank branch.

#### *Requirement of LEI code for legal entities*

The Legal Entity Identifier (“**LEI**”) is a global identification code for legal entities. Under MiFID II, with effect from 3 January 2018 legal entities need to have an LEI code in order to be able to complete a securities transaction. If this LEI code is missing Handelsbanken may be prevented from completing the transaction. Registration of LEI code is available from any of the providers in the market. Remember to find out your LEI code in good time since it will need to be stated on the application form.

### Directly registered shareholders and others

Subscription for shares without subscription rights is to be made through the application form “Subscription for shares without subscription rights” that is to be completed, signed and then sent or submitted to Handelsbanken Capital Markets, Emission at the address stated in the application form. Application forms are available from any branch of Handelsbanken or can be downloaded from the Handelsbanken’s website: [www.handelsbanken.se/prospekt](http://www.handelsbanken.se/prospekt) and Scandic’s website, [www.scandichotelsgroup.com](http://www.scandichotelsgroup.com). The application form must be received by Handelsbanken Capital Markets, Emission, by at the latest 17.00 CEST on 17 June 2020.

Only one application form per natural person or legal entity will be considered. If more than one application form is submitted only the most recently received will be taken into consideration. Incomplete or incorrectly completed application forms may be disregarded.

### Shareholders with nominee-registered shares

For shareholders with shareholdings in custody accounts with banks or other nominees, applications to subscribe for new shares without subscription rights are to be made to the nominee(s) in question and in accordance with their instructions.

### Allotment of new shares subscribed for without subscription rights

Should all shares not be subscribed for by virtue of subscription rights, the board of directors shall, within the framework of the Rights Issue, decide on the allocation of shares which have not been subscribed for by virtue of subscription rights. In such case, shares shall firstly be allocated to those who also subscribed for shares by virtue of subscription rights, regardless if they were shareholders on the record date, 1 June 2020, or not, pro rata in relation to the number of subscription rights each have exercised for subscription or, to the extent not possible, through the drawing of lots. Secondly, allocation shall be made to others whom have subscribed for shares without exercising subscription rights, pro rata in relation to their subscribed number of shares, or, to the extent not possible, through the drawing of lots. Thirdly, allocation of shares shall be made to AMF Pensionsförsäkring in accordance with their Extended Subscription Commitment and, ultimately, allocation shall be made to DNB Markets and Goldman Sachs International who have entered into Underwriting Commitments.

Notification of any allotment will be made by sending out a contract note around 24 June 2020 and payment is to be made in accordance with instructions in the note. Notification will only be sent to those that have been allotted shares. The expected settlement date for shares subscribed for without preferential rights is around 29 June 2020. If payment is not made on time the shares may be transferred to others. In the event that the selling price is lower than the subscription price at the time of such transfer, the party that was first allotted the shares will be liable to pay all or part of the difference. Once payment has been made for shares subscribed and allotted for and the shares have been registered with the Swedish Companies Registration Office, a notification note will be sent from Euroclear Sweden with confirmation that the shares subscribed for and allocated have been entered in the subscriber’s securities account.

## LISTING OF THE NEW SHARES

Shares in Scandic are listed for trading on Nasdaq Stockholm. Once the Swedish Companies Registration Office has registered the new shares, these will also be listed on Nasdaq Stockholm. The new shares subscribed for on the basis of subscription rights are expected to be registered with the Swedish Companies Registration Office on or around 25 June 2020. Trading in the new shares is expected to start around 29 June 2020 provided that registration has taken place. The new shares subscribed for without subscription rights are expected to be registered with the Swedish Companies Registration Office around 2 July 2020 and the shares are expected to be accounted in the respective securities accounts around 6 July 2020 and to be subject to trading around 6 July 2020 provided that registration has taken place.

## RIGHT TO DIVIDENDS

The new shares confer rights to dividends for the first time on the record date for the first dividend distribution which occurs after the shares have been registered in the share register kept by Euroclear Sweden and the Rights Issue has been registered with the Swedish Companies Registration Office.

## CONDITIONS FOR COMPLETION OF THE RIGHTS ISSUE

Scandic’s board of directors does not have the right to cancel, revoke or temporarily withdraw the offer to subscribe for shares in Scandic in accordance with the terms of the Prospectus. Scandic’s board of directors is entitled to extend the period during which subscription and payment can take place on one or more occasions. Any extension of the subscription period will be announced by a press release, at the latest on 17 June 2020.

**DISCLOSURE OF THE OUTCOME OF THE RIGHTS ISSUE**

The outcome of the Rights issue will be disclosed in a press release issued by Scandic and this is expected to take place on or around 24 June 2020.

**OTHER INFORMATION**

If an amount that is too high has been paid by a subscriber Handelsbanken Capital Markets, Emission will arrange for the surplus amount to be repaid. Subscription for shares is irrevocable and the subscriber cannot cancel or modify any subscription for shares. Incomplete or incorrectly completed application forms may be disregarded. If settlement for the subscription is paid late, is insufficient or is paid incorrectly the application for subscription may be disregarded or subscription may take place at a lower amount; funds paid that are not used will in this case be repaid. Late payment of amounts of less than SEK 100 will be repaid only on request. Handelsbanken Capital Markets, Emission's receipt and processing of application forms and subscription payments in the Rights issue is being carried out on behalf of Scandic. This means that no customer relationship arises between the subscriber and Handelsbanken merely by the fact that Handelsbanken Capital Markets receives and processes application forms and subscription payments.

**INFORMATION ON PROCESSING OF PERSONAL DATA**

Handelsbanken is the party responsible (data controller) for processing the personal data that you provide on this application form or that is otherwise registered in connection with this application. Detailed information of Handelsbanken's processing of personal data and your rights in connection with this process is available at [www.handelsbanken.se](http://www.handelsbanken.se).

**IMPORTANT INFORMATION ON TAXATION**

*The tax legislation in the investor's home country and in Sweden may affect any income received from shares in Scandic.*

The taxation of any dividend as well as capital gains taxation and rules concerning capital losses in connection with disposal of securities, depends on the shareholder's particular circumstances. Special tax rules apply to certain categories of tax payers and certain types of investment forms. Each holder of shares and subscription rights should therefore consult a tax advisor for information on the specific implications that may arise in an individual case, including the application and effect of foreign tax rules and tax treaties.



# HOW TO PROCEED

<b>Terms</b>	For each existing share in Scandic you will receive one (1) subscription right. Seven (7) subscription rights entitle to subscription for six (6) new shares in Scandic.
<b>Subscription price</b>	SEK 20 per share.
<b>Record date for participating in the Rights Issue</b>	1 June 2020.
<b>Subscription period</b>	3 June–17 June 2020.
<b>Trading in subscription rights</b>	3 June–15 June 2020.

## SUBSCRIBING FOR NEW SHARES ON THE BASIS OF SUBSCRIPTION RIGHTS

### 1. You are allotted subscription rights



### 2. How to exercise your subscription rights



### 3. Are you a directly registered shareholder or do you hold shares through a nominee?<sup>1)</sup>

<b>You have a Swedish securities account (i.e. are directly registered) and live in Sweden</b>	→	If you are exercising all the subscription rights, use the pre-printed payment slip sent to you by Euroclear Sweden.
<b>You have a Swedish securities account (i.e. are directly registered) and live outside Sweden</b>	→	If you have bought, sold or transferred subscription rights to/from your securities account, a separate application form is to be used. This application form is available at any of Handelsbanken's branch offices in Sweden or from Handelsbanken Capital Markets, Emission, e-mail: emissionsavdelningen@handelsbanken.se. The pre-printed payment slip is then not to be used.
<b>You have a custody account (i.e. you have a nominee)</b>	→	See the section "Information to shareholders resident outside Sweden with directly registered shareholdings" in the section "Terms and conditions".
<b>You have a custody account (i.e. you have a nominee)</b>	→	If you have your shares in Scandic in one or more custody accounts with a bank or securities institution, you will receive information from your nominee(s) concerning the number of subscription rights. <b>Follow the instructions you get from your nominee(s).</b>

<sup>1)</sup> Note that special rules apply to shareholders resident in the United States and certain other jurisdictions. See "Shareholders resident in certain unauthorized jurisdictions" in the section "Terms and conditions".

**SUBSCRIBING FOR NEW SHARES WITHOUT HOLDING SUBSCRIPTION RIGHTS  
(FOR SHAREHOLDERS AND OTHERS)<sup>2)</sup>**

**You have a Swedish securities  
account**



Use the application form for subscription without subscription rights which can be obtained on Handelsbanken's website: [www.handelsbanken.se/prospekt](http://www.handelsbanken.se/prospekt).

**You have a custody account  
(i.e. you have a nominee)**



You subscribe and pay for shares through your nominee(s).  
**Follow the instruction you get from your nominee(s).**

**Please note that a shorter registration period may apply for certain nominees. Please check the instructions from the respective nominee.**

<sup>2)</sup> Any allotment will be made in accordance with what is stated in "Allotment of new shares subscribed for without subscription rights" in the section "Terms and conditions". Note that special rules apply to shareholders resident in the United States and certain other jurisdictions. See "Shareholders resident in certain unauthorized jurisdictions" in the section "Terms and conditions".

# BUSINESS OVERVIEW

## OVERVIEW

Scandic is the leading hotel operator in the Nordic region.<sup>1)</sup> As of 31 March 2020 the Company had more than 51,000 rooms distributed across 263 hotels with a broad geographic spread within the Nordic region. In addition, the Company also operates four hotels in Germany and two in Poland. Scandic's portfolio consists of hotels in key capital city locations as well as a broad regional network of hotels in major cities, hotels in strategic non-metropolitan locations and adjacent to major airports and convention sites, and roadside hotels in strategic locations forming a broad regional network. More than 96 percent of Scandic's hotel rooms are in the Nordic region, where the Company has a market share of around 15 percent. At a national level, Scandic is the largest hotel operator in Sweden, Denmark and Finland and the second-largest in Norway, based on number of hotel rooms.<sup>2)</sup> The "Scandic" brand is positioned in the middle segment, which the Company estimates to comprise a large part of the total hotel market in the Nordic region. The Company derives its revenue primarily from hotel rooms, restaurant and conference services, as well as management and franchise fees. The earnings for the financial year 2019 amounted to SEK 725 million, to compare with SEK 678 million during the financial year 2018. Moreover, for the period January–March 2020 Scandic reported earnings of SEK -3,927 million compared with SEK 37 million in the same period in 2019.

The "Scandic" brand is the leading hotel brand in the Nordics and benefits from significant brand awareness. In addition, Scandic's loyalty program is the largest in the Nordic region with more than 2.5 million members.<sup>3)4)</sup> The Company has implemented an extensive sustainability program covering diversity and inclusion, health, CO<sub>2</sub> emissions and waste disposal, while earlier sustainability initiatives included the launch of the "hang up your towel" program in 1993 – which as of the date of the Prospectus is industry standard – as well as the transition to serving only local water in reusable bottles in 2008. Scandic's sustainability program is believed to further increase public awareness of the "Scandic" brand.

Scandic operates in the mid-market hotel segment. Scandic's customer base consists of private customers and corporate customers from a wide range of industries, and the Company has accumulated a high proportion of satisfied and recurring customers and guests. A large part of the distribution, about 57 percent is done through the Company's own channels and around 35 percent of revenue comes from members of Scandic's loyalty program, Scandic Friends, which is believed to contribute to stability of revenue flows. Scandic's business model is based on leases where 82.4 percent of the lease agreements, as of 31 March 2020, have a variable, revenue-based rent, distributed among 20.0 percent with a fully variable rent and 62.4 percent with a variable rent with a fixed minimum, which results in lower profit risks since revenue losses

are partly offset by reduced rental costs. A large share of Scandic's other expenses are also variable, with staffing flexibility being the main factor in the ability to adapt cost levels to variations in demand. Altogether, this means that by having a flexible cost structure and a certain amount of stability in revenue generation, Scandic can lessen the effects of seasonal and economic fluctuations.

Due to the extraordinary negative impact of the spread of COVID-19 on demand in the hospitality industry and despite the underlying stability in revenue generation, the Company's business environment has deteriorated, with notably lower occupancy of around 6 percent in April 2020 and therefore also lower revenues compared with levels in more normal circumstances. To reduce the negative effects of the lower occupancy on Scandic's earnings and cash flow, and to adapt the business to the current market situation, a number of extensive measures have been taken. Among other things, these measures are expected to lower the Company's costs excluding rents by more than 70 percent (around 60 percent including rents) in the second quarter of 2020. Scandic believes that thanks to the effected measures, the Company will be well positioned to cope with the expected increase in demand with an improved cost-efficiency when the current market situation improves.

Scandic is headquartered in Stockholm, Sweden. During the period January–December 2019, Scandic had on average 11,666 full-time equivalent employees (FTEs), which was reduced to corresponding 10,136 FTEs during the period January–March 2020. The reduction occurred as a result of the staffing-reduction of 80 percent that began at the beginning of March to adapt the business to the changed conditions in the market as a result of the spread of COVID-19. At the end of the first quarter of 2020, the number of full-time employees amounted to 9,259.

## STRATEGY

### Strategy for managing the impact of COVID-19 on the Company's business

Like the rest of the hotel sector, Scandic experienced a notable deterioration in the business environment at the start of 2020 due to the spread of COVID-19. Starting in late February, occupancy began to drop in all of the Company's markets – as illustrated in the graphs below – and in March 2020 the occupancy rate in Scandic's markets was 20–30 percent.<sup>5)</sup>

<sup>1)</sup> Measured as market share. Scandic Nordic Hotel Database.

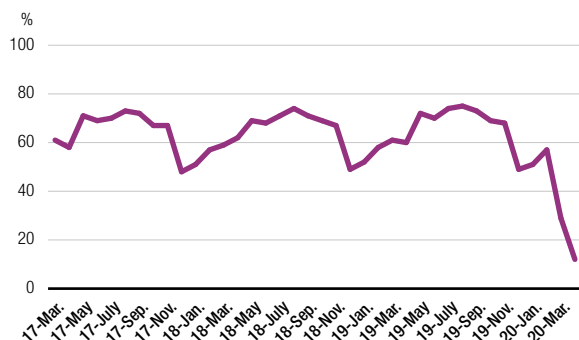
<sup>2)</sup> Scandic Nordic Hotel Database.

<sup>3)</sup> Kantar SIFO 2019–2020, measured in brand awareness.

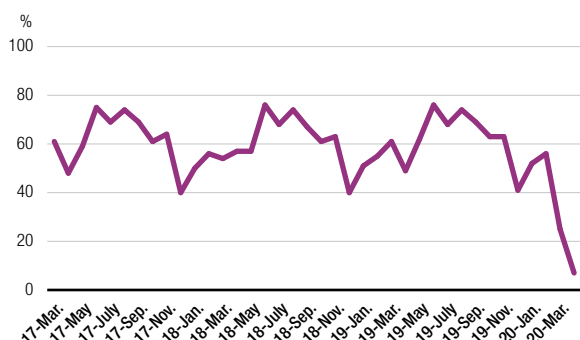
<sup>4)</sup> Measured in number of members.

<sup>5)</sup> Benchmarking Alliance.

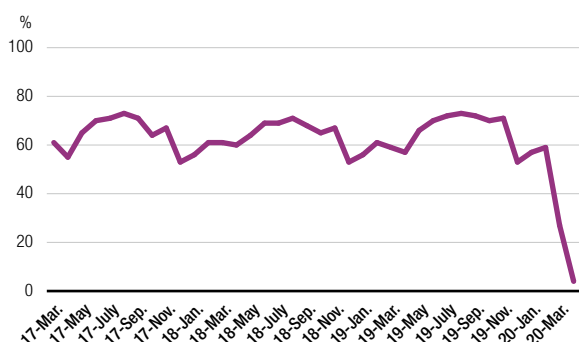
**SWEDEN – TOTAL MARKET OCCUPANCY**



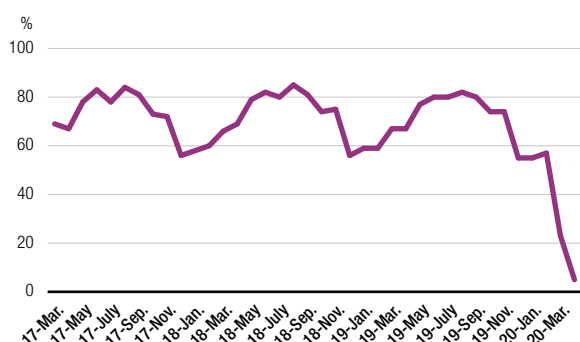
**NORWAY – TOTAL MARKET OCCUPANCY**



**FINLAND – TOTAL MARKET OCCUPANCY**



**DENMARK – TOTAL MARKET OCCUPANCY**



To deal with this deterioration in the business environment and to secure the competitiveness of the Company's offering once the market has recovered, Scandic has formulated a strategy involving both immediate

and more long-term measures. This strategy is based on a number of assumptions regarding the demand for the Company's services. These assumptions are detailed in the table below.

**Assumptions and financial implications due to COVID-19**

<b>Assumptions concerning demand for the Company's services</b>	<b>Q1–Q2 2020</b>	<ul style="list-style-type: none"> <li>Expected occupancy of around 7–11 percent for the period 1 April–30 June 2020, and a combination of open, closed and partially closed hotels.</li> </ul>
	<b>Q3–Q4 2020</b>	<ul style="list-style-type: none"> <li>Recovery phase assumed to gradually begin in the second half of 2020:                             <ul style="list-style-type: none"> <li>– Recovery within the leisure travel segment;</li> <li>– Gradual recovery in occupancy;</li> <li>– Significant exposure to domestic and intra-regional travel;</li> <li>– Recovery of demand from companies, partly driven by stable demand from government organizations; and</li> <li>– Benefit from the leading loyalty program, Scandic Friends.</li> </ul> </li> <li>The average room revenue level per room available for 2021 is assumed to be 15–25 percent lower than the corresponding levels in 2019.</li> </ul>
<b>Key financial implications</b>	<b>Revenue</b>	<ul style="list-style-type: none"> <li>Like-for-like revenue in the first quarter of 2020 was down 17.4 percent compared to the corresponding period in 2019.</li> <li>Comparable revenue in March and April 2020 was down 51.5 percent and 88.4 percent, respectively, compared to the corresponding period in 2019.</li> <li>Revenue for the period 1 April 2020 to 30 June 2020, is expected to be negatively impacted by the low occupancy rate of around 7–11 percent.</li> <li>Like-for-like revenue for full-year 2020 is expected to be more than 50 percent lower than in 2019.</li> </ul>
	<b>Costs and cash flow</b>	<ul style="list-style-type: none"> <li>Negotiations on deferred rent payments completed.</li> <li>Governmental support and grace period for payment of taxes and levies.</li> <li>Near-term reduction in investments.</li> <li>Reduction of personnel costs as a result of staffing reduction.</li> <li>Total reduction of costs, excluding rents, by more than 70 percent (about 60 percent including rents) during the second quarter of 2020.</li> </ul>

*Scandic's immediate measures to minimize the negative impact of COVID-19*

Since late February 2020, Scandic has implemented a number of immediate and comprehensive measures aimed at reducing the Company's costs, reducing the negative effects on cash flow, and adapting the business to the current market situation resulting from COVID-19. The measures that the Company has implemented have included:

- Staffing reductions of more than 80 percent of the Company's employees, through furloughing, and termination of temporary and permanent employments;<sup>1)</sup>
- Temporary closure of more than half of the Company's hotels and reduced operations at other hotels to deal with the decrease in demand and to reduce the Company's costs;
- Negotiations with landlords concerning deferred time for rent payments to improve the Company's cash flow;
- Reduced and deferred investments in order to limit negative cash flow;
- Applications for government grants;
- Scandic's board of directors has decided to withdraw the earlier proposal for a dividend of SEK 3.70 per share (SEK 381 million in total) to bolster the Company's financial position;
- Shutdown of projects and renegotiation of supply contracts including payment terms; and
- 20 percent pay cut for members of the Company's management team during April and May 2020 and a reduction of board compensation by 30 percent for members of the Company's board of directors during, at least, the second and third quarter of 2020 as of the date of the Prospectus.

The measures that the Company has taken have mitigated, and will continue to mitigate, the negative effects of the spread of COVID-19 on the Company's business, partly by lowering the Company's cost level excluding rents by more than 70 percent (around 60 percent including rents) during the second quarter of 2020.

Since a significant proportion of Scandic's costs comprise rental costs (29.0 percent, excluding property taxes, during the financial year 2019), negotiations with landlords have formed a key part of the Company's strategy to adapt the business to the prevailing business climate and reduce the negative effects on the Company's cash flow. The rent clauses in Scandic's lease agreements are generally of one of the following three types: variable rent with fixed minimum ("**CRFM**", Contingent Rent with Fixed Minimum), variable or fixed.<sup>2)</sup> Of the Company's lease agreements, as of 31 March 2020, 82.4 percent have a variable, revenue-based rent, distributed among 20.0 percent with a fully variable rent and 62.4 percent with a variable rent with fixed minimum level (CRFM). Rent is normally paid monthly or quarterly in advance and the variable, revenue-based, rent is based on the Company's turnover for the previous year or budget for the current year. Through negotiations, the Company has achieved adjusted payment terms from the majority of the Company's landlords. The renegotiated payment terms in the Company's lease agreements apply in different periods from April 2020 to September 2020, after which the agreements return to ordinary payment terms. For the majority of agreements where payment terms have been adjusted concerning CRFM agreements, the Company has agreed that, for the rental period April 2020 to September 2020, it will pay the variable rent component based on actual sales monthly in arrears instead of paying rent in advance based on

sales in 2019 or the Company's budget for 2020. For the majority of these agreements, the payment of the difference between rent paid and the fixed minimum level that should have been paid during the rental period from April to September 2020 has also been deferred until the beginning of 2021. For parts of the Company's agreement with only variable rent, a similar agreement has been reached as for the variable component of the CRFM agreements, that is, the rent is paid in arrears based on actual outcome. Even for parts of the fixed lease agreements, the Company has agreed with the landlords to pay the rent in arrears rather than in advance. The adjusted payment terms in the Company's lease agreements apply until the end of September 2020, after which the agreements revert to the regular payment terms (advance payment). Where the Company receives compensation from the government for rental costs, this portion will immediately be repaid to the landlord concerned. This repayment will reduce the liability to landlords that has been deferred until the beginning of 2021.

In addition to deferred rent payments, the Company will also have liabilities related to deferred social security contributions and other taxes that are due for payment in the first half of 2021 as a result of the measures implemented to mitigate the effects of COVID-19 on Scandic's business. For further information on costs that the Company has deferred into the future and Scandic's liquidity requirements in 2020 and 2021, see "*Working capital statement*" in the section "*Capital structure and other financial information*".

In addition to measures taken to reduce the Company's costs and negative cash flow, the Company has worked actively to ensure the health of employees and guests. In order to minimize the spread of infection at Scandic's hotels and offices, the Company has, among other things, introduced routines for hygiene management, social distancing and urged office employees to, as far as possible, work from home.

*Scandic's strategy to ensure a rapid recovery from, and stronger market position after, COVID-19*

As part of the immediate cost savings implemented by the Company in the beginning of 2020, the organization has been streamlined significantly. To a certain extent it is intended that these efficiency improvements will be retained even after the business environment returns to normal in order to help lower the Company's costs. In addition, the Company expects to continue reviewing lease agreements to ensure that they are adapted to the prevailing market conditions. Furthermore, Scandic will conduct a review of the Company's offering within food and beverages, since this part of the business is less profitable than other parts. This profitability enhancement is done by reviewing staffing, concepts and forms of operation for the Company's restaurants.

In addition, the Company considers there to be good opportunities for selective expansion, primarily within the Nordic region. One of the reasons that this is expected to be possible is because, according to the Company's assessment, to an even greater degree than previously, Scandic is regarded as a capable and attractive partner to work with and is therefore, in accordance with the Company's assessment, preferred over the Company's competitors when new business opportunities in the Nordics are negotiated. The new hotel concept Scandic GO is also considered to have good possibilities to take market shares within the growing economy segment, thereby broadening the Company's addressable market.

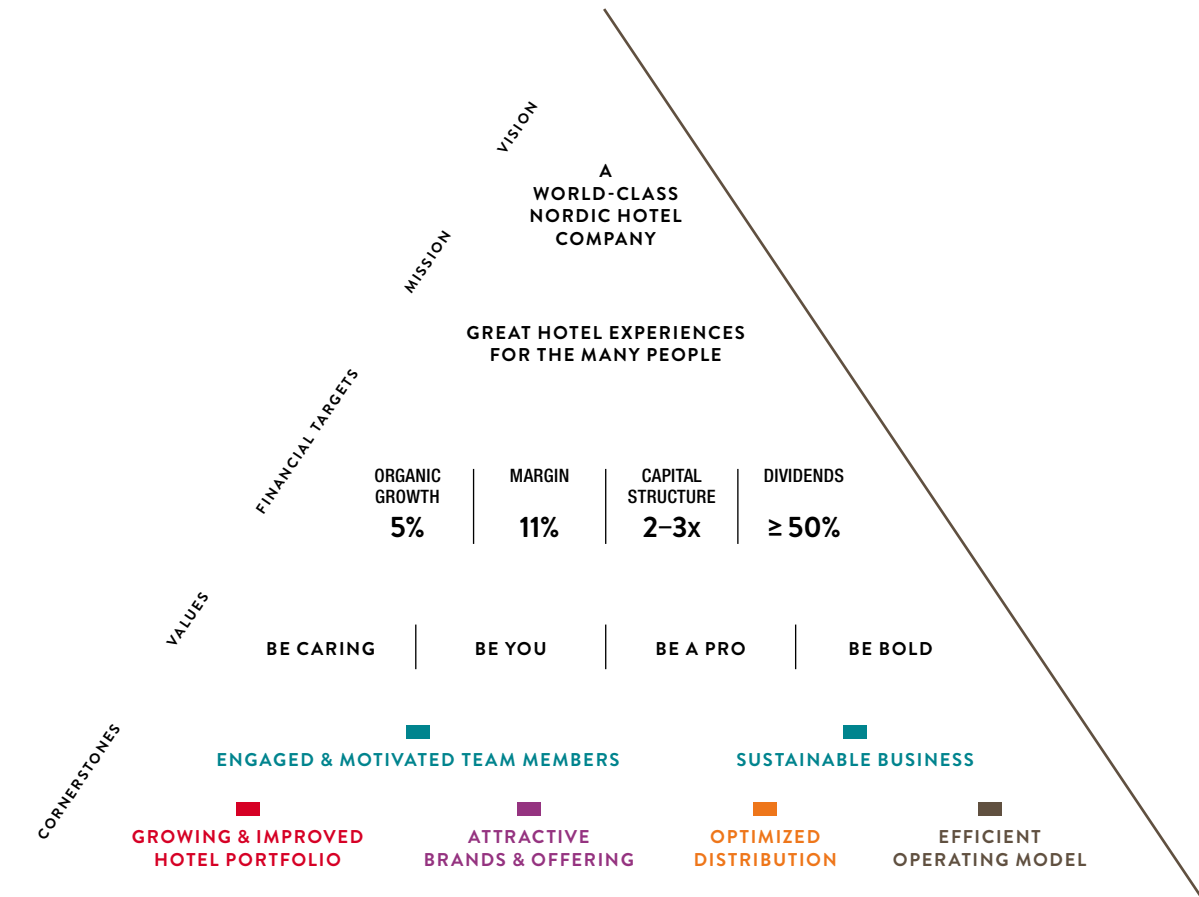
<sup>1)</sup> For further information on staffing reductions of Scandic's employees, see "*Sales – Employees and training*" in the section "*Business overview*".

<sup>2)</sup> For further information on the differences between these types of rent clauses, see "*Types of hotel agreement and portfolio management*" in the section "*Business overview*".

**Scandic's long term strategy**

To achieve the Company's vision, mission and financial targets, Scandic has defined a number of strategic cornerstones and values aimed at clarifying the vision the Company is working to achieve every day. These cornerstones and key components of the Company's strategy are illustrated in the figure below. In addition to these cornerstones, the Company has identified five focus areas in the strategy, which include: portfolio strategy, investments, restaurants, digitalization and optimized distribution. These five focus areas in the strategy remains in place despite the changed business environment and rather, their implementation is intended to be accelerated. The focus areas are further described in the following sections.

**SCANDIC'S VISION, MISSION, FINANCIAL GOALS, VALUES AND CORNERSTONES IN THE STRATEGY**



*Portfolio strategy*

Scandic's ambition is to hold a leading position in selected destinations in the Nordic hotel market. The Company's strategy involves developing and establishing new hotels, as well as acquiring and taking over existing hotels in locations and cities that are considered to have potential for good demand over time. Scandic's current and future potential hotels must meet clear requirements on profitability, both with regards to margin and return on capital. All new hotels are to contribute to increasing Scandic's profitability and minimizing its climate footprint. The design of the hotels is important for ensuring a good customer experience and sustained profitability. All of the Company's hotels are continually evaluated based on requirements of profitability, cash flow, customer satisfaction and climate impact. The hotels that do not satisfy the evaluation criteria may be closed down or sold.

*Investments*

Scandic has a well-invested hotel portfolio, as a result of a relatively high rate of investment of approximately 4 percent of the Company's net sales during the period 2013–2019. The Company therefore considers itself well-placed to deal with a period with a lower rate of investment as one element of strengthening cash flow due to the impact of COVID-19. In order to make decisions on maintenance investments more efficient,

the Company has integrated this activity with the organization responsible for business, property and design development.

*Restaurants*

Scandic is continually reviewing and assessing the Company's costs, concepts and ways of working to optimize what is offered by the portfolio of hotels. Scandic believes that the food and beverage offering is a key factor when customers are selecting a venue for accommodation and conferences. For the period January–December 2019, restaurant and conference services accounted for 32.2 percent of the Company's sales.

Depending on demand, local competition and ability to contribute to the hotel's profitability, Scandic's customer offering may be supplemented with restaurant and bar offerings. These operations may be run in-house or by external partners. In addition, Scandic continually evaluates opportunities to transfer the running of certain restaurants and bars, or certain parts of the restaurants' and bars' offerings, to external partners where it is assessed that this would improve the customer offering and enhance the Company's profitability. One such example is the à la carte offering, which is often associated with lower profitability than the Company's other operations. The Company has implemented a number of profitability-enhancing initiatives such as adjusting opening hours and offering, as well as centralizing meeting sales in the larger cities.

*Digitalization*

Scandic is making efforts to enhance the customer experience through digitalization. The Company's website forms the basis for ensuring simple and relevant customer contact through digital channels. Scandic should fully benefit from economies of scale and digitalization opportunities in areas such as hotel operation, marketing, sales, IT, purchasing and administration. The Company's internal efficiency is continually being improved through the development of standardized processes and systems and by sharing best practice. Modern IT systems and automation tools supplied by a central IT organization allow improved efficiency, customer experience and flexibility. As part of improving the customer experience and customer loyalty, and also improve efficiency, the Company is focusing on, among other things, launching a system for digital check-in and check-out, replacing various manual processes with digital processes and on producing a uniform enterprise resource planning system. This type of initiative is considered key to continuing to streamline the Company's business.

*Optimized distribution*

Scandic's hotel offering must be available in all of the distribution channels that are relevant to its customers. The Company's customers comprise individual travelers with or without a corporate agreement, groups from companies or organizations and leisure groups. Agreements with companies and organizations along with Scandic's loyalty program and the Company's own sales and distribution channels form the basis of the Company's distribution, with a high proportion of returning customers. Scandic strives to be a market leader among Nordic corporate customers. In addition, the Company shall boost its position in the leisure segment for both Nordic and international customers through an increased presence in digital channels. To reach international customers to a greater extent, the Company works with selected distribution partners. The Company coordinates sales and booking resources for various geographic sub-markets in order to optimize its work relating to the meeting and conference market.

**STRENGTHS AND COMPETITIVE ADVANTAGES**

Scandic believes that the competitive strengths described below form the basis of the Company's position as market leader in the Nordic hotel market<sup>1)</sup>, and that these strengths will enable the Company to recover quickly after the period of negative impact on the business environment due to the spread of COVID-19.

**Scandic is the leading Nordic hotel operator**

With its unsurpassed network in the Nordics, consisting of 263 hotels as of 31 March 2020, Scandic is the leading Nordic hotel operator with a market share of around 15 percent of hotel rooms in the region. At a national level Scandic is the largest hotel operator in Sweden, Denmark and Finland and the second-largest in Norway, based on the number of hotel rooms.<sup>2)</sup> Scandic's well-known range of mid-market rooms, restaurants and conference services is well adapted to demand in the local markets. Scandic has built up its leading position in the market over its nearly 60-year history through continual investment and improvements, and the Company's long history in the region has enabled Scandic to establish good relationships with property owners, among others. Scandic's hotel portfolio benefits from the Company's well-established important locations in capital cities, as well as a regional network of hotels that form the backbone of the portfolio. Scandic's diverse portfolio with large hotels in key Nordic cities, combined with the scale and reach of the regional network, provides attractive earnings capacity. The Company's size and presence in the Nordic markets allows

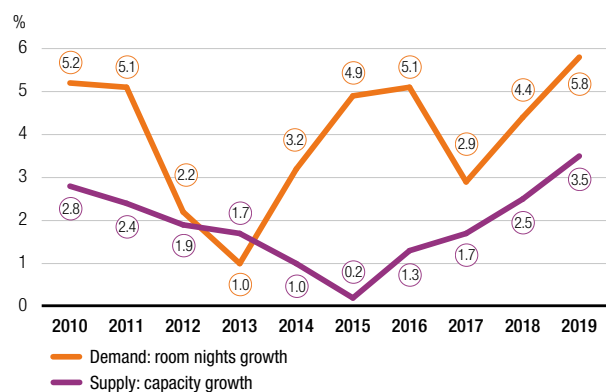
Scandic to benefit from economies of scale and operational as well as commercial leverage across the portfolio. Scandic's leading position in the Nordic markets constitutes a significant barrier to entry for new competitors and a challenge for the Company's competitors to achieve large-scale operations in the region. Moreover, the Company believes that an extensive hotel network is essential for being able to enter into corporate contracts, since corporate customers usually want to use a single provider for a comprehensive agreement. The Company's size and leading position are also beneficial in negotiations with property owners and other suppliers.

**Scandic is active in the attractive Nordic hotel market**

The broader macroeconomic environment is the fundamental driver of the hospitality industry. Over the period 2010–2019 demand in the Nordic hotel market developed positively, with demand increasing by around 3–4 percent per year, and every year since 2013 demand for hotel nights has grown faster than supply, as shown in the graph below.<sup>3)</sup> This development has been driven by, among other things, improved macroeconomic factors, growth in travel and tourism, digitalized distribution, individualization and globalization. Demand from non-Nordic guests and leisure travelers has also historically increased by 5–6 percent annually, with demand of hotel nights in capital cities having increased at the same rate.<sup>4)</sup> Scandic is well-positioned to capitalize on increased demand within these segments, with approximately a fifth of the Company's guests residing in countries outside the Nordics, approximately two-fifths of the hotel rooms located in capital cities and around a third of the hotel nights sold to leisure travelers. Although the hotel market globally has experienced a dramatic decrease in demand in 2020 due to the COVID-19 outbreak, the Company expects its strong presence in the Nordic market to be an advantage when the market situation returns to normal, partly because Nordic travelers may be more likely to choose to travel within the Nordic countries rather than outside the Nordic countries. Since mid-April 2020 the Company has already seen some stabilization of the market situation, in that the number of new bookings has started to increase from a low level at the same time as the number of cancellations has stabilized.

The Company further believes that the Nordic market is attractive as a result of the rental agreement model that is common in the region and which stands in contrast with many other markets where hotels are more often operated under franchise agreements. Because the Nordic market differs from many international markets in terms of hotel operating models, a certain entry barrier is created for international hotel chains who wish to establish themselves in the Nordic region.

**SUPPLY AND DEMAND IN THE NORDIC HOTEL MARKET**



<sup>1)</sup> Measured in market shares. Scandic Nordic Hotel Database.

<sup>2)</sup> Scandic Nordic Hotel Database.

<sup>3)</sup> Statistics Sweden ([http://www.statistikdatabasen.scb.se/pwweb/sv/ssd/START\\_\\_NV\\_\\_NV1701\\_\\_NV1701B/NV1701T3M/?rid=228c107f-1105-408c-a0b4-5eb8da7c0099](http://www.statistikdatabasen.scb.se/pwweb/sv/ssd/START__NV__NV1701__NV1701B/NV1701T3M/?rid=228c107f-1105-408c-a0b4-5eb8da7c0099)), Statistics Norway (<https://www.ssb.no/en/statbank/table/03614/>), Statistics Denmark (<https://www.statbank.dk/HOTEL5>), Tilastokeskus (Statistics Finland), Benchmarking Alliance.

<sup>4)</sup> Statistics Sweden ([http://www.statistikdatabasen.scb.se/pwweb/sv/ssd/START\\_\\_NV\\_\\_NV1701\\_\\_NV1701B/NV1701T3M/?rid=228c107f-1105-408c-a0b4-5eb8da7c0099](http://www.statistikdatabasen.scb.se/pwweb/sv/ssd/START__NV__NV1701__NV1701B/NV1701T3M/?rid=228c107f-1105-408c-a0b4-5eb8da7c0099)), Statistics Norway (<https://www.ssb.no/en/statbank/table/03614/>), Statistics Denmark (<https://www.statbank.dk/HOTEL5>), Tilastokeskus (Statistics Finland), Benchmarking Alliance.

### Scandic benefits from the strength of its brand and its loyalty program “Scandic Friends”

The Company believes that the Scandic brand is a key element in the Company's continued success. The “Scandic” brand is the leading brand in the mid-market segment in the Nordics with the highest brand awareness compared with its competitors.<sup>1)</sup> Scandic controls its brand and operates hotels and distribution under the own brand “Scandic”. This allows the Company to fortify, develop and invest in its value proposition and services to increase guest satisfaction. By owning and operating the brand, Scandic is able to ensure that the offering is consistent and that it efficiently implements concepts and campaigns across the hotel network. Brand ownership and operation also allows Scandic to react quickly and adjust the brand in accordance with changing customer preferences, ensuring that the brand remains relevant. In addition to owning its brand, Scandic also largely controls its own distribution and during the period January to December 2019, around 57 percent of room nights sold were booked through the Company's own distribution channels (bookings through the website, call centers and directly through the hotels). During the financial year 2019, the number of bookings via Scandic's own website increased by 12 percent and the number has doubled since 2013.

Moreover, Scandic believes a key strength of its business is the Company's emphasis on direct customer relationships, evidenced by the success of Scandic Friends, the Company's loyalty program. Scandic Friends, with approximately 2.5 million members, is the industry-leading loyalty program for hotels in the Nordics.<sup>2)</sup> The loyalty program provides Scandic with a very important communication tool through which Scandic is able to communicate efficiently with the Company's loyal guest base and enable tailor-made offers and campaigns. Scandic Friends members use distribution channels controlled by the Company (bookings through the website, call centers and directly through the hotels) at a higher rate than the average customer, thereby reducing costs associated with bookings. Of the total room revenue during the period January to December 2019, around 35 percent was generated from members of Scandic's loyalty program. Overall, Scandic regards both the loyalty program and the brand as key components in once again attracting customers to the Company's hotels when the current market situation improves.

### Scandic enjoys financial flexibility through an attractive variable rent model

Scandic's operating model is mostly based on lease agreements, which is the market standard in the Nordics. Additionally, the great majority of Scandic's leased hotel rooms are operated under lease agreements that include a variable component for rent payments. This variable component allows flexibility in the Company's cost structure and is a key component of the Company's ability to reduce its costs in periods of low demand, since rental costs (excluding property taxes) for the financial year 2019 made up 29.0 percent of total costs. In addition to the lease agreements with a variable rent component, Scandic's other operating expenses are also highly flexible, as evidenced by the Company's ability to lower its cost level excluding rents by more than 70 percent in the second quarter of 2020 due to the changed market conditions as a result of COVID-19.

### Scandic has a modern and well-invested hotel network

Scandic and its landlords have shared investment commitments. In general, the landlords are responsible for the maintenance and replacement of the buildings and bathrooms, as well as for the mechanical and electrical infrastructure, while Scandic is responsible for

the maintenance and replacement of the hotel's furniture, fixtures and equipment. Scandic has during the period 2013–2019 had an investment rate for maintenance and replacement of approximately 4 percent of the Company's net sales, and given that these maintenance investments relate to furniture, fixtures and fittings while the property owners at the same time are responsible for other investments, the Company considers itself having a well-invested hotel network as of the date of the Prospectus.

### Scandic sees good opportunities for expansion in the Nordics

With its broad geographic presence and long history, Scandic has a good knowledge of the Nordic hotel market. The Company believes there will be good expansion opportunities when the current market situation improves. Through its good knowledge of the market, good relationships with its landlords and local presence, the Company expects to be able to identify the most attractive opportunities that become available on the market and to act accordingly. The Company believes that a concept such as the recently announced Scandic GO is attractive in the current market situation, partly because the concept has a lower investment cost and a higher share of room revenue which complements the Company's other concepts well and, is expected to take market shares by broadening the Company's offer to the growing economy segment. By continuously developing the Company's hotel portfolio with new hotel openings and upcoming conversions, as well as the opportunity to reconfigure or leave unprofitable hotels, Scandic will be able to switch its operations to more profitable and efficient hotels and thereby increase the Company's revenue while at the same time reducing costs.

### FINANCIAL TARGETS

Scandic's board of directors adopted medium to long term financial targets in the beginning of 2016, that are based on various assumptions concerning a normalized business environment. These goals apply as of the date of the Prospectus and are described below:

- The Company's organic growth, that is, sales growth excluding company acquisitions and adjusted for exchange rate fluctuations, shall amount to at least 5 percent per year on average over a business cycle;
- The Company's adjusted EBITDA margin, shall amount to at least 11 percent on average over a business cycle;
- The Company's net debt in relation to adjusted EBITDA shall amount to 2–3 times; and
- The Company's dividend policy is to distribute at least 50 percent of the year's profit.

Scandic's actual results may differ substantially from the Company's financial targets for various reasons, such as those described in the section “*Risk factors*”. Moreover, certain statements in this section are forward-looking statements. These forward-looking statements are not guarantees of future financial performance and the Company's actual results could differ materially from those expressed, implied or indicated by these forward-looking statements as a result of many factors, some of which are beyond the Company's control, including but not limited to those described under the section “*Risk factors*”. Investors are urged not to place undue reliance on any such forward-looking statements.

As a result of the severely impaired business environment caused by COVID-19, the Company's ability to achieve its financial goals may deteriorate considerably and therefore, Scandic's board of directors has proposed that no dividend is paid for the financial year 2019.

<sup>1)</sup> Kantar SIFO 2019-2020.

<sup>2)</sup> Measured in number of members.



## HISTORY

Scandic's nearly 60-year history of operating hotels commenced in June 1963, when the first Esso Motorhotell was opened in Laxå, Sweden. At the time, a "motor village" on major travel routes was an innovative concept, and this hotel was the first of its kind in Sweden. The concept was such a success that Esso Motorhotell went through a major expansion, opening 23 hotels throughout Sweden between 1966 and 1969. In 1972, the first hotels outside Sweden were opened in Denmark and Norway. In 1973, Esso became the largest hotel chain in Sweden. A decade later Esso's hotel business was sold and its name was changed to Scandic Hotels AB. In 1986, the Company opened its first hotel outside Scandinavia in Koblenz, Germany. At the end of 1990, Scandic had a portfolio of 101 hotels.

In 1993, the Company launched one of its key initiatives: the Scandic Sustainability Program. This program, among the first in the hospitality industry, set ambitious environmental targets for the Company and yielded net reductions in unsorted waste, water consumption, energy use and carbon emissions. This program signaled the Company's long-term efforts towards an environmentally sustainable society. In 1995, Scandic acquired the Swedish hotel company Reso Hotels and in 1996, Scandic became the first hotel operator listed on Nasdaq Stockholm. The next four years saw several key acquisitions, starting with the 1998 acquisition of Arctia (then Finland's third largest hotel chain) and followed by the acquisition of the Swedish hotel chain Provobis in 2000. The Provobis acquisition helped broaden Scandic's portfolio of city center hotels. In large measure due to these acquisitions, Scandic became the largest hotel chain in the Nordic region based on number of hotel rooms. Realizing the benefits of leasing hotels in terms of financial flexibility and operational control, the Company started to transform its hotel portfolio into the current lease model during the late 1990s. Scandic divested its real estate portfolio to a separate holding company called Hotellus, in which Scandic initially owned 49 percent before the entire company was acquired by Pandox in 2000.

In 2001, the Hilton Group Plc ("**Hilton**") acquired Scandic, and Scandic was delisted from Nasdaq Stockholm. The Company increased the quality of many of its processes as it benefitted from the global experience of Hilton. Scandic became the world's first eco-labeled hotel chain and the Company was awarded Nordic Swan certification, considered the most rigorous international certification in its category, awarded to entities that implement environmentally sound practices in their business that fulfill certain criteria relating to, among other things, consumption of energy and water and non-use of single-use items.

In 2007, EQT (indirectly) acquired Scandic from Hilton. In connection with the acquisition, EQT invited the Accent Equity 2003 fund to become a co-investor in the transaction. Under this ownership, the Company's expansion was ramped up and Scandic opened new hotels – including in Norway and Finland, where it had historically been underrepresented.

In 2014, Scandic entered into an agreement to acquire Rica Hotels. The acquisition of Rica's 72 hotels consolidated Scandic's position as the leading Nordic hotel chain<sup>1)</sup> and also gave the Company nationwide coverage in Norway.

In the second half of 2015, Scandic was listed on Nasdaq Stockholm for the second time. In conjunction with this, the basis was established for new strategic and financial targets, a new cultural platform was developed and work to integrate Rica Hotels continued.

In 2017, the Company acquired the Finnish Restel hotel business, comprising 43 hotels with around 7,600 rooms – a major step towards achieving a market-leading position<sup>2)</sup> in Finland.

In February 2020, the Company announced "Scandic GO", a new hotel brand within the growing economy hotel segment. In 2020, Scandic also launched a series of measures to deal with the decline in demand following the spread of COVID-19 and to secure the Company's liquidity. These include furloughing staff, closing hotels and negotiating with landlords on deferring rent payments. For further information on the Company's work as a result of the COVID-19 pandemic, see "*Strategy for managing the impact of COVID-19 on the Company's business*" in the section "*Business overview*".

## HOTELS AND SERVICE OFFERINGS

### Overview

The Company is a leading hotel operator in the Nordic region and a leading mid-market hotel brand in the region. The "Scandic" brand targets customers in this mid-market segment, supported by a system of quality and service standards that seek to provide guests with a service and product experience that meets their needs and creates brand loyalty. In addition to accommodation, the restaurant and conference services constitute an important part of Scandic's service offering and revenue. The revenue breakdown for the 2019 financial year was 65.5 percent room revenue, 32.2 percent restaurant and conference revenue, 0.2 percent franchise and management fees, and 2.1 percent other hotel-related revenue. As of 31 March 2020, Scandic had 269 hotels with around 53,000 rooms in operation. For an overview of Scandic's hotel portfolio, see "*Scandic's offering – Scandic's hotel portfolio*" in the section "*Business overview*".

With its geographical reach across the Nordic region, Scandic is a market leader in the mid-market segment.<sup>3)</sup> At a national level, Scandic is the largest hotel operator in Sweden, Denmark and Finland and the second-largest in Norway, based on the number of hotel rooms.<sup>4)</sup> Outside the Nordic region, where more than 96 percent of Scandic's hotel rooms are located, the Company operates hotels in Germany and Poland.

### Scandic's offering

In Scandic's offering of hotel services, accommodation, restaurant and conference services are included. Scandic offers food and beverage selections in full-service restaurants and bars. In addition, Scandic also offers a selection of food and beverages through lobby shops. The hotels also provide meeting rooms for conferences, banquets and other corporate events, as well as gyms. Most of Scandic's services and concepts are offered consistently across the hotel portfolio so that guests will generally find them at each Scandic hotel.

### Scandic's hotel portfolio

As of 31 March 2020, Scandic had 269 hotels in operation, with around 53,000 rooms in six countries. Scandic has a diverse portfolio of hotels in a variety of locations, including city centers of capitals and other major cities, hotels in strategic non-metropolitan locations to offer scale and reach across larger regions, and hotels adjacent to major airports and convention sites.

The table below shows the number of existing hotels and rooms in operation for each country in which Scandic is active, along with their operating model, as of 31 March 2020. For further information concerning

<sup>1)</sup> Measured as market share.

<sup>2)</sup> Measured as market share.

<sup>3)</sup> Kantar SIFO 2019-2020.

<sup>4)</sup> Scandic Nordic Hotel Database.

## NUMBER OF HOTELS AND ROOMS IN OPERATION AS OF 31 MARCH 2020

	Lease		Management		Franchise		Owned		Total	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
Sweden	78	16,747	1	145	5	647			84	17,539
Norway	72	14,371			15	2,022	1	138	88	16,531
Denmark	26	4,745	1	210					27	4,955
Finland	63	12,261			1	67			64	12,328
Rest of Europe	6	1,718							6	1,718
<b>Total</b>	<b>245</b>	<b>49,842</b>	<b>2</b>	<b>355</b>	<b>21</b>	<b>2,736</b>	<b>1</b>	<b>138</b>	<b>269</b>	<b>53,071</b>

the various operating models, see the section “Types of hotel agreement and portfolio management”.

Since 2016, Scandic has established a number of signature hotels as a complement to the Scandic offering. The signature hotels are situated in a slightly higher price segment, are individually designed and more experience-based and therefore attracts a slightly different customer category than Scandic hotels. At present, Scandic has five signature hotels in Sweden, Norway and Finland, which are operated under separate brands. These are Haymarket by Scandic, Downtown Camper by Scandic, Hotel Norge by Scandic, Marski by Scandic and Grand Hotel Oslo by Scandic.

In Finland, Scandic also operates ten hotels under international brands. Scandic has for a longer time operated three Hilton hotels in Helsinki, and in conjunction with the acquisition of Restel, seven hotels were added which are operated under the IHG brands Holiday Inn, Crown Plaza and Indigo.

#### Announcement of Scandic GO

In February 2020, Scandic announced a new hotel concept within the growing economy hotel segment under the brand “Scandic GO”. Scandic GO is expected to significantly expand the Company’s addressable market and also offers advantages such as lower investment requirements per room. The concept is therefore expected to be a good complement to the Company’s offering in the mid-market segment. Initially, Scandic plans to convert five existing Scandic hotels in Stockholm, Oslo and Copenhagen to Scandic GO.

The Company assesses that in the current market situation caused by the spread of COVID-19, and particularly in the expected market situation after concerns regarding the further spread of the infection has decreased, a concept in the economy hotel segment such as Scandic GO, with an affordable offer to the Company’s guests, will become especially attractive. The concept has a lower investment cost and a higher percentage room revenue, which is expected to contribute to higher profitability compared with the Company’s other concepts. In addition, the Company expects to be able to increase its market share in the growing economy hotel segment by opening Scandic GO hotels in strategic locations and thereby becoming the first choice in key markets for guests on a limited budget.

#### Restaurant and conference services

The restaurant and conference services are included in the Company’s service offering. Revenue from food and beverages and conference services includes the sale of food and drinks at the restaurants, bars and lobby shops, as well as conference and meeting packages (including food and beverages and rental of meeting rooms).

Scandic believes that the food and beverage offering is a contributing factor when customers are selecting venues for accommodation and conferences. While food and beverages are an important part of the Company’s offering, this part of the business is less profitable and consequently Scandic has begun reviewing staffing, concepts and forms of operation in order to increase profitability.

During the period January to December 2019, revenue from restaurant and conference services accounted for 32.2 percent of total revenue for the period, and for the period January–March 2020, revenue from restaurant and conference services accounted for 34.3 percent of total revenues for the period.

#### Operating model

Scandic has structured its operations with the aim of achieving both flexibility from a financial perspective and control from an operational perspective. This overall aim drives the Company’s work on brand management, lease agreements and organizational structure. Scandic believes this operating model is one of the Company’s key strengths as it enhances efficiency and contributes to the Company’s operating margins. The model is focused on four core objectives: (i) retaining full control of the value chain; (ii) obtaining economies of scale; (iii) achieving a flexible and adaptable cost structure; and (iv) securing brand and service consistency.

Scandic owns and controls the “Scandic” brand, which allows the Company to fortify and develop the brand. Scandic extensively controls its own distribution and during the period January to December 2019, around 57 percent of all room nights were booked through Scandic’s own distribution channels. Also, Scandic operates most of its hotels under lease arrangements pursuant to which the Company generally has agreed with its landlords on capital expenditure commitments. Scandic has built long-term relationships with its landlords, and exercises a great degree of influence over the development of the hotels. In its operations, Scandic has centralized and standardized a number of key functions, such as IT and support systems, revenue optimization processes and procurement procedures, in order to optimize the way these functions are handled across the organization. As a result, Scandic is able to efficiently implement standardized concepts, strategies and cost-reducing initiatives across the hotel portfolio. Due to its significant size, Scandic believes that the Company has the leverage to negotiate competitive and unique solutions from suppliers across the value chain, including suppliers of goods and services, outsourcing partners and external distribution channels, as well as with the Company’s landlords with which Scandic has renegotiated the payment terms of 87 percent of the CRFM agreements in connection to COVID-19.

## TYPES OF HOTEL AGREEMENT AND PORTFOLIO MANAGEMENT

### Overview

Scandic’s hotels are mainly operated under lease agreements (approximately 94 percent<sup>1)</sup>). The Company believes that the benefits of lease agreements are stable profitability, control over the customer offering, economies of scale in both operation and distribution, as well as, interest-sharing with the property owners. Scandic primarily intends to continue to operate hotels under lease agreements in the future. Scandic’s hotels are also, to a lesser extent, operated under franchise or management agreements (approximately five and one percent<sup>2)</sup>

<sup>1)</sup> Based on the number of hotel rooms as of 31 March.

<sup>2)</sup> Based on the number of hotel rooms as of 31 March.

respectively), primarily as a result of acquired hotels abroad where franchise and management agreements are more common. In addition, Scandic partly owns one hotel.

### Lease agreements

Scandic has made a strategic choice to focus its portfolio on long-term lease agreements with property owners. The Company's average remaining contract duration is approximately 12 years as of the date of the Prospectus, and the average contract is usually about 15–20 years at the start of the contract. Most of the agreements provide for a variable rent based on the hotel's revenue. Under the lease agreements, Scandic shares capital expenditure commitments with its landlords. Generally, the landlords are responsible for the maintenance and improvement of the building structure itself, as well as the mechanical and electrical infrastructure of the building, while Scandic is responsible for the maintenance and improvement of the hotel furniture, fixtures and equipment.

Scandic believes that this model with lease agreements enables the Company to have full control over the offer that customers meet is in line with what is being marketed, while the Company can also draw benefits from economies of scale in both operation and distribution. Since Scandic does not tie up capital in property ownership, financial headroom to maintain a high growth in the project portfolio is also enabled. Scandic's lease agreements are to a large extent turnover-based, aligns interests between Scandic and the landlords, where increased sales for Scandic means higher rents and property value for the landlord. In addition, the variable rents give a flexible cost base, which helps to stabilize margins over time, even in periods of weaker market growth.

Scandic's main costs arising in relation to hotels operated under lease agreements are generally the fixed or variable rent paid to the property owner, personnel costs and other operating expenses. For the 2019 financial year, rental costs (excluding property tax) amounted to 26.7 percent of revenue for the period, corresponding to 29.0 percent of operating expenses for the period. As of 31 December 2019, Scandic's five biggest landlords accounted for 39 percent of the Company's total number of hotel rooms. Scandic considers its relations with its largest landlords to be good.

The rent clauses in Scandic's lease agreements are generally of one of the following types: variable rent with fixed minimum level (CRFM), variable rent or fixed rent. CRFM lease agreements include a variable rent clause under which Scandic is obligated to pay a variable amount based on a percentage of the total revenue generated by a hotel, including room revenue, food and beverage revenue and revenue from conferences.

These agreements also include a minimum fixed rent payment obligation, which is independent of the revenue generated by the hotel. Lease agreements with variable rent include only a variable rent payment obligation based on a percentage of the total revenue generated by a hotel, with no minimum fixed rent payment obligation, and the fixed lease agreements include only a fixed rent payment obligation. The fixed rent is typically adjusted annually to take into account changes in inflation according to a defined consumer price index.

Of the Company's lease agreements, as of 31 March 2020, 82.4 percent have variable, revenue-based rent, distributed among 20.0 percent with a fully variable rent and 62.4 percent with a variable rent with fixed minimum level (CRFM). Of the Company's total rental costs in 2019, 66 percent represented fixed rent and 34 percent represented variable rent. This results in lower profit risks since revenue losses are partly offset by reduced rental costs. As part of Scandic's efforts to reduce the Company's negative cash flow while its revenue is adversely affected by the difficult business environment caused by COVID-19, negotiations have taken place with Scandic's landlords. Through negotiations, the

Company has successfully achieved adjusted payment terms from the majority of the Company's landlords. The renegotiated payment terms in the Company's lease agreements apply in different periods from April 2020 to and including September 2020, after which the agreements return to ordinary payment terms. For the majority of CRFM agreements, the Company has agreed to pay the variable rent component for the period April 2020 to September 2020 based on actual turnover monthly in arrears instead of paying rent in advance based on turnover in 2019 or the Company's budget for 2020. For the majority of these agreements, the payment of the difference between rent paid and the fixed minimum level that should have been paid during the rental period of April to September 2020 has also been deferred until the beginning of 2021. For parts of the Company's agreements with fully variable rent, a similar agreement has been reached as for the variable component of the CRFM agreements, that is, the rent is paid in arrears based on actual outcome. Even for parts of the fixed lease agreements, the Company has agreed with the landlords to pay the rent in arrears rather than in advance. In the event the Company receives compensation from the government for rental costs, this portion will immediately be repaid to the landlord concerned. This repayment will reduce the liability to landlords that has been deferred until the beginning of 2021.

### Other types of agreement

#### *Franchise agreements*

Under Scandic's franchise agreements, the Company authorizes a third-party hotel operator to operate a hotel under the "Scandic" brand. Accordingly, under such agreements, Scandic neither owns, leases nor manages the hotel. The franchisee is solely responsible for any investments and for operating the hotel, while Scandic generates bookings for the hotel through its network and booking systems and gives the franchisee access to Scandic's brand and concepts. Scandic derives revenue from franchise fees which, under most of the Company's franchise agreements, are based on a percentage of total room revenue generated by a hotel, and from a marketing fee that the franchisee pays to gain access to the different concepts and programs associated with the brand. The franchisee also has to pay additional fees related to distribution, transaction costs and Scandic's loyalty program.

#### *Management agreements*

Scandic's perception is that management agreements are generally less common in the Nordic region. Under Scandic's management agreements, the Company provides hotel management services to third-party hotel owners. The third-party owners carry the entire risk and have the profit and loss responsibility for the hotel, including responsibility for investments and maintenance, insurance and provision of employees. Scandic derives revenue primarily from fixed base fees determined as a percentage of total hotel revenue and additionally, if Scandic meets certain agreed profitability levels, incentive fees based on a percentage of the gross operating profit of the hotel operations.

#### *Owned hotel properties*

Scandic currently has an indirect 50 percent ownership of one property. Scandic is responsible for matters that are typical for real estate ownership, such as insurance and maintenance. Scandic acquired the property through its 50 percent ownership of Scandic Hotels Gardermoen AS.

### Portfolio management and maintenance

Handling and maintaining the current hotel portfolio is a key part of Scandic's hotel operations. Major renovations and repositioning of existing hotels are performed by the team that is responsible for business development and technical services and that is responsible for Scandic's

development process for new hotels, carried out according to the same Scandic Program for Renovations and Openings and evaluated according to Scandic's internal guidelines in terms of rents, technical specifications, performance measures and net present value.

Scandic seeks to optimize the structure of its portfolio of hotels by continuously monitoring the performance of the hotel portfolio and the expiry dates of the Company's lease, management and franchise agreements. As the portfolio of hotels matures, Scandic seeks to maximize the performance of the existing hotels either by extending its lease, management and franchise agreements or by selectively deciding not to extend commitments to hotel properties that do not meet the financial or other targets that the Company has set. When an agreement expires, the Company actively assesses its return on investment by evaluating renewal versus other investment opportunities, thereby constantly refining its hotel portfolio and ensuring that the Company does not invest heavily in non-strategic or poorly performing properties. Scandic believes that managing its commitments to such properties is an important part of its business development activities and allows the Company to increase its profitability and to focus its resources more efficiently.

As of the date of the Prospectus, Scandic estimates itself having a well-invested hotel network. The Company therefore considers itself well equipped for a temporary period with a lower investment rate as part of the cash flow strengthening measures taken in connection with the impact of COVID-19 on the Company's business.

## HOTEL DEVELOPMENT

### Development process

The Company has a strong hotel portfolio handling and development organization with the relevant knowledge and experience available in-house for renovation and opening processes. Scandic believes that it is among the industry leaders in developing, opening and renovating hotels.

The Company considers new hotel developments on an ongoing basis and evaluates opportunities for entering into new hotel contracts and opening in new locations. Scandic's hotel development process is highly flexible and, as of the date of the Prospectus, its development work is largely aimed at ensuring that Scandic is well positioned to benefit from future opportunities – not least, opportunities that may arise as a result of the impact of COVID-19 on the competitive landscape – while at the same time restricting the investments begun in order to avoid unnecessary strains on liquidity while the business environment is adversely affected.

Scandic's decision to lease a new hotel is subject to a structured evaluation process. Scandic's internal guidelines for a new project in terms of rents, technical specifications, performance measures, earnings margins and net present value are coordinated by the business development department to ensure that the Company has a consistent approach to new projects across all markets, in line with Scandic's strategy. Thanks to Scandic's strong market position and revenue generation ability, the Company often enjoys access to new development projects and Scandic believes that the Company is the preferred partner of choice for many property owners.

### New hotels under development

As of 31 March 2020, the Company had gross 17 hotels in development which were expected to contribute 5,407 new rooms. In addition, the Company had extensions of existing hotels corresponding to 525 rooms and divestments corresponding to 330 rooms. The Company's net pipeline was thus 5,602 rooms.

The following table shows the number of Scandic hotels, their locations, the type of development, rooms under development or in extension projects as of 31 March 2020 and the opening year of the hotel. "Conversion" means hotels where Scandic is entering into agreements to take over existing hotels. The aggregate expected capital expenditure by Scandic associated with these developments is around SEK 1.2 billion.

### UPCOMING HOTELS AND EXTENSIONS PROJECTS AS OF 31 MARCH 2020

Pipeline, year	Hotel	Location	Type	No. of rooms	
2020	Q2	Scandic Pasila	Finland, Helsinki	Conversion	178
2021	Q1	Scandic Helsinki Railway Station	Finland, Helsinki	New	491
	Q1	Scandic by Copenhagen Airport	Denmark, Copenhagen	New	357
	Q1	Scandic Sortland	Norway, Sortland	New	130
	Q2	Scandic Landvetter Airport	Sweden, Gothenburg	New	223
	Q2	Scandic Nørreport	Denmark, Copenhagen	New	100
	Q4	Scandic Spectrum	Denmark, Copenhagen	New	632
	Q4	Scandic Hamburger Börs	Finland, Turku	Conversion	272
2022	Q1	Scandic Platinan	Sweden, Gothenburg	New	451
	Q1	Scandic Ferrum	Sweden, Kiruna	New	230
	Q1	Scandic Helsingborg Harbor	Sweden, Helsingborg	New	184
	Q1	Scandic Örebro Central	Sweden, Örebro	New	160
	Q2	Scandic Macherei	Rest of Europe, Munich	New	234
	Q3	Scandic Trondheim	Norway, Trondheim	New	425
	Q3	Scandic Avenue	Finland, Helsinki	New	350
2023	Q1	Scandic Hafenpark	Rest of Europe, Frankfurt	New	505
2024	Q3	Scandic Aarhus Harbor	Denmark, Aarhus	New	485
Extensions					525
Divestments					-330
<b>Total pipeline, net</b>					<b>5,602</b>

## Brand management

Scandic is the leading hotel brand in the Nordic region.<sup>1)</sup> The driver behind the strong Scandic brand is the consistent strategy where hotels are marketed under one single brand, which creates clarity in the market. Together with the advantage of owning and controlling the brand, this creates ample opportunities to further fortify and develop Scandic's strong brand. By owning the brand, the Company can ensure that the Scandic brand and offering is consistent throughout the chain and also ensure that concepts and campaigns are swiftly communicated to the market.

## SALES

### Distribution and sales

#### Overview

The main forms of distribution for Scandic are the Company's own distribution channels (bookings through the website, call centers or directly through the hotels), global distribution systems (GDS), online travel agencies (OTAs) and contracted distributors. During the period January to December 2019, around 57 percent of the Company's distribution was through its own channels. As international visitors start to make up an increasingly larger share of the market, it will become important for the Company to use various types of distribution partners to reach those customers not reached by its own channels. Although Scandic strives to achieve a high share of distribution through its own channels, an increased percentage from OTAs, for example, is not necessarily negative provided that these customers come from abroad and are thus not accessible through Scandic's own channels.

The Company is seeing increased dominance of digital channels in its distribution. During the 2019 financial year, the number of bookings via Scandic's own website increased by 12 percent and the number has doubled since 2013. In addition to the Company's own website, there is a continual increase in bookings via other types of digital distribution partners, while analog channels such as direct booking are declining.

#### Scandic's own distribution channels

The high share of bookings made through Scandic's own distribution channels puts the Company in a favorable position in the changeable hotel booking market. There are significant advantages to having a high share of bookings through the Company's own distribution channels, as these bookings have a lower distribution cost and from a customer relations perspective the Company "owns" the relationship with the customer. Scandic's own distribution channels consist of the following:

- **Website:** This category consists of bookings made via Scandic's website and mobile app. This is the main distribution channel for individual leisure customers and a particularly high share of this category consists of Scandic loyalty customers.
- **Call centers:** This category consists of bookings made by contacting the Company's call centers, which are established in all Scandic's markets. The call centers handle individual reservations (including those made to the hotels which are re-directed to the call centers), as well as loyalty membership services and internet support.
- **Bookings directly via the hotel:** This category consists of bookings made by customers contacting the relevant hotel directly.

#### External distribution channels

In addition to its own distribution channels, Scandic uses the following external distribution channels:

- **Online travel agencies (OTA):** OTAs mainly deliver individual leisure bookings from the Nordic region and international markets. Expedia, Booking and Hotels.com are examples of such OTAs.
- **Global distribution systems (GDS):** This category consists of bookings made through business travel agencies linked to Scandic's corporate agreements and is therefore mainly used for corporate travel.
- **Contracted distributors:** This category consists of bookings made through distributors that have contracts with Scandic. The distributors sell room nights to travel agencies and tour operators around the world, and these agencies and operators sell them on to end customers. This channel is important in reaching remote markets.

### Customers

Scandic has a broad range of customers, providing the Company with resilience and the opportunity to optimize revenue in different markets and under different local conditions and circumstances. The Company's customers consist of both corporate travelers and conferences and leisure travelers. The breakdown of Scandic's revenue between these two segments for the financial year 2019 amounted to around 70 percent attributable to corporate travelers and conferences and to around 30 percent attributable to leisure travelers.

The Nordic hospitality market is to a large extent a domestic and intra-Nordic market. During the period January to December 2019, around 80 percent of guest nights were sold to Scandic customers from the Nordic market, while around 20 percent were sold to international customers. Outside of the Nordic market, the bulk of the Company's customers are from Germany, the United Kingdom and the United States.

As a result of COVID-19, Scandic expects an accelerated digitalization trend among its customers, particularly among corporate customers, and the Company believes it will be important to offer these customers technical solutions for digital meetings from the Company's hotels. The Company is also experiencing greater demand for other digital solutions such as digital check-in and check-out. In the short term, the Company expects that once the impact of COVID-19 has decreased there may be greater demand for events, due to events having been restricted by the authorities during the first half of 2020.

### Pricing and revenue optimization

#### Overview

Pricing in the hotel market is becoming more and more dynamic and transparent. To maximize revenue and optimize RevPAR (average Revenue Per Available Room), it is critical to attract the right customer mix and to balance occupancy and room rates. An important element of revenue optimization is to attract the right customers through the right distribution channels. For Nordic customers, the majority of bookings are made through Scandic's own website and mobile app, while a greater share of foreign customers book through OTAs.

#### Pricing

The overall pricing strategy is to offer competitive prices. The prices vary depending on the hotel, product, season, day of the week and customer segment. Scandic offers a mix of fixed and variable prices. The fixed prices offered are determined based on, among other things, the purchased volume committed to by the customer. The aim of providing these large fixed price volumes is to establish a solid platform on which the Company can generate a return and optimize utilization of its hotels.

<sup>1)</sup> Kantar SIFO 2019–2020.

**Sustainability and corporate responsibility**

*Sustainability strategy*

Back in 1993, Scandic initiated development of what the Company believes has become the industry’s leading sustainability program. As of the date of the Prospectus, this program is now a natural and central feature of Scandic’s business and the Company always takes environmental, economic and social considerations into account in its everyday decisions. For Scandic, sustainability is linked to diversity and inclusion, health, CO<sub>2</sub> emissions and waste management. As well as contributing to a sustainable society, Scandic’s efforts in these areas also have a direct financial impact on the Company’s operations by reducing costs and increasing both revenue and general awareness of the “Scandic” brand. The Company is also seeing increased focus on these issues from guests. Results within these areas are among the performance measures on which the Company calculates the overall performance of the hotels, and the Company tracks and follows up on these measures in order to ensure that all Scandic hotels deliver in accordance with the Company’s standard. Work under the current sustainability strategy is divided into the four areas shown below.

- **Diversity and inclusion:** Scandic is a people-driven company and consequently the business should feel open and inclusive. Scandic is convinced that diversity and inclusion create stronger teams, which in turn results in better service. The Company strives to employ people who reflect society in general, and the Company’s efforts in 2019 were the reason why Scandic was nominated for the European Diversity Awards at the end of the year.
- **Health:** Scandic’s health goal aligns with the UN’s third Sustainable Development Goal<sup>1)</sup> and is of great importance, since Scandic believes that employees who feel well perform better in their jobs. Scandic monitors physical and psychosocial work environments through safety inspections, employee surveys and health examinations and personal dialogue with team members. In connection with the selection of suppliers, those who meet the criteria of the UN Global Compact are prioritized.
- **CO<sub>2</sub> emissions:** Scandic’s main goal is to reduce carbon emissions in relation to revenue to below 2.5 kg/KSEK, a goal that was reached in 2019, and the Company sees good opportunities to impact emissions by increasing awareness among employees, guests, partners and property owners. In 1999, the first Scandic hotel was awarded the Nordic Swan Ecolabel and now more than half of the hotels have this ecolabel, or the Green Globe and EU Ecolabel in Germany and Poland respectively.

- **Waste management:** Scandic’s efforts to reduce the amount of waste and increase the share of recycled waste supports two of the UN’s Sustainable Development Goals: 6. Clean Water and Sanitation, and 12. Responsible Production and Consumption<sup>2)</sup>. Scandic operates restaurants serving breakfast, lunch and dinner. In addition to the restaurants, the Company uses large quantities of consumables in the accommodation side of the business. Scandic therefore has a great opportunity to make a difference through good waste management. Scandic Norway is also co-founder of the organization Kutt Matsvinn 2020, which aims to drive the entire industry towards cutting food waste by 20 percent by 2020 and 50 percent by 2030.

**IT**

Scandic’s IT platform provides an integrated and centralized solution. This platform is deployed across all of Scandic’s operations, including all of its hotels, and provides both management and the Company’s hotels with a common system for distribution, booking, revenue management, hotel operations, operational reporting, forecasting, staff planning, performance measure benchmarking and follow-up. Scandic’s IT platform is a key tool for the Company’s operational excellence and cost management.

Scandic has invested significantly in hotel systems, back-office systems, distribution systems and communication systems and the Company has a modern and efficient IT platform. The hosting of the Company’s IT systems is outsourced to experienced and reliable IT service providers.

Scandic develops upgrades and modernizations in close cooperation with its guests and based on the expectations that they express, thereby improving the guests’ hotel experience and increasing the likelihood of repeat visits. Thanks to Scandic’s significant size, the Company also has the leverage to negotiate unique solutions from its technology suppliers – enabling the Company to adapt the technology to the specific needs of its operations and guests.

**Employees and training**

During the period January to December 2019, Scandic had an average of 11,666 full-time equivalent employees. The total number of employees amounted to 18,979 on 31 December 2019. Most of the support functions for the hotels are carried out by employees at the central level, including head office functions such as finance, revenue optimization, brand and marketing, human resources, procurement, business development and IT. In addition to centralized functions, the Company has employees that manage sales, operations and development of hotels at a national level. As most of Scandic’s functions are centralized, few back-office functions are handled at the local level. This allows reception, restaurant and breakfast staff, housekeepers and hotel management to focus on the guests’ experience. The table below shows the average

**EMPLOYEE DATA**

Breakdown by type of employment	Sweden		Norway		Finland		Denmark		Other		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
<b>Total number</b>	<b>7,919</b>	<b>8,070</b>	<b>5,606</b>	<b>5,481</b>	<b>2,799</b>	<b>2,854</b>	<b>2,179</b>	<b>2,021</b>	<b>476</b>	<b>481</b>	<b>18,979</b>	<b>18,907</b>
Permanent employees	4,075	4,061	3,179	3,105	1,872	2,073	1,419	1,311	411	433	10,956	10,983
Of which full-time	2,459	2,502	2,056	2,037	1,087	1,133	862	806	385	418	6,849	6,896
Of which part-time	1,614	1,557	1,122	1,066	785	941	557	505	26	16	4,104	4,085
Temporary employees	3,844	4,009	2,427	2,376	171	151	760	710	65	48	7,267	7,294
Contracted workers					756	630					756	630

<sup>1)</sup> United Nations Development Program, www.undp.org.

<sup>2)</sup> United Nations Development Program, www.undp.org.

number of full-time equivalent employees by location for the periods indicated (including employees from outsourced services, such as certain housekeeping staff).

As a result of the spread of COVID-19 and the temporary closure of Scandic's hotels, the Company made an extensive staffing reduction of approximately 80 percent during the first quarter of 2020. The staffing reduction have been conducted through a combination of furloughing, the ending of temporary employment and redundancies among permanent employees. As of 31 March 2020, the number of full-time employees corresponded to 9,259. In March 2020, approximately 6,300 employees with permanent employment (of which 3,700 full-time and 2,600 part-time employees) were laid off and approximately 2,100 employees with permanent employment were dismissed (of which 1,100 full-time and 1,000 part-time employees). In addition, approximately 4,300 employees with temporary employment were laid off in March (of which 100 full-time and 4,200 part-time employees).

Scandic foresees no great difficulties re-employing staff as occupancy at the Company's hotels increases again. The Company believes that when the market situation recovers and the Company, as a result, needs to re-employ staff, this can be done relatively easily and without major costs. The Company is also of the belief and hope that former employees will return to Scandic as an employer since the Company attaches great importance to employee satisfaction and personal development among the employees.

Scandic's approach to hiring and training its workforce is aligned with the Company's corporate goals. Scandic seeks to hire employees with the potential to grow in their roles and the ability to make guests feel at home, and who share the Company's core values. Moreover, Scandic firmly believes that training is a vital investment for the Company's organization as this creates conditions that contribute to sustainable growth and allows the Company to remain competitive in the market. Personal development is also a key component of Scandic's continual efforts to further enhance the Company's employer branding and attraction. Scandic seeks to be a leader in its industry as regards diversity and inclusion, which is essential for success since it boosts the Company's ability to expand its recruitment base and attract new employees. Scandic strives to offer a workplace where employees are given the opportunity to develop by taking on new challenges and where employees want to stay for a long time. Scandic understands that its team members represent the brand in every interaction with guests and each team member must therefore be allowed to make their own decisions within their area. Work to develop the Company's culture and team members is constant. Scandic believes that the strong culture among team members will make it easier for the Company to adapt back to a more normal business environment.

### INTELLECTUAL PROPERTY RIGHTS

In the highly competitive hospitality industry in which Scandic operates, trademarks, trade names and logos are very important to the success of the Company's business. The Company's material trademarks and trade names, including Scandic, and concept names such as Scandic GO and the Company's signature hotels (Haymarket by Scandic, Downtown Camper by Scandic, Hotel Norge by Scandic, Marski by Scandic and Grand Hotel Oslo by Scandic), are registered in various combinations of word and logo marks with the relevant registration authorities in the jurisdictions where the Company has operations.

### LAWS AND REGULATIONS

The Company operates in multiple countries and is subject to national and local government regulations in the locations where it operates, including those concerning relevant licensing requirements in relation to the operations of hotels, the preparation and sale of food and beverages (such as health and liquor license laws and regulations) and environmental, general building and zoning requirements. Scandic is also subject to labor laws governing the Company's relationship with its employees, including overtime, worker's compensation claims, working conditions and work permit requirements. In addition, Scandic processes personal data in its business – such as in the management of the Company's loyalty program, Scandic Friends. The processing of personal data by companies established within the European Union is governed by the General Data Protection Regulation (GDPR) (Regulation (EU) 2016/679). In addition, processing of credit card information is governed by the PCI Data Security Standard (PCI DSS).

### INSURANCE

Scandic has insurance policies under which the Company has insured itself against certain operational risks. The Company has property damage insurance in place against any damage to the properties the Company is responsible for under its existing agreements. Scandic also has business interruption insurance, general and product liability insurance, and property crime insurances. In addition, Scandic has insurance for the board of directors and management as well as travel and personal insurance for the Company's employees. Furthermore, pursuant to the Company's hotel agreements, hotel property owners are typically required to carry mandatory insurance covering the building and the property they own (e.g. technical installations), while franchisees and owners of managed hotels are typically required to carry mandatory insurance covering the buildings and movables of the franchised/managed hotel, as well as business interruption insurance and liability insurance. Scandic believes it has insurance coverage with limits appropriate for operations of its size within the hospitality industry.

### INDUSTRY AND MARKET INFORMATION

The Prospectus contains certain industry and market information sourced from third parties. These include a market report that Kantar Sifo AB has produced on behalf of the Company, issued on 31 March 2020, a report compiled by Benchmarking Alliance Nordic AB which is provided to the hotel operators who are members of the Benchmarking Alliance and a market survey from Statistics Finland (Tilastokeskus) commissioned by the industry organization Finnish Hospitality Association MaRa and provided to members of the organization, which is updated as of 4 May 2020. In addition, the Prospectus contains information from Scandic Nordic Hotel Database, which is Scandic's own database, which is updated as of 27 May 2020. The information in this database is collected by Scandic based on a number of different sources. Unless otherwise stated, the market and industry information included in the Prospectus emanates from Scandic's analysis of a number of sources, including sources listed above. Information sourced from third parties has been accurately reproduced and as far as Scandic is aware and is able to ascertain from information published by such third party, no facts have been omitted which would render the reproduced information inaccurate or misleading, but Scandic cannot guarantee that it is correct or complete.

# PRESENTATION OF FINANCIAL AND OTHER INFORMATION

## PRESENTATION OF SELECTED FINANCIAL INFORMATION

The following selected historical financial information for the financial years 2019 and 2018 is derived from the Company's consolidated financial reports for 2019 and 2018, which have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and has been audited by Scandic's auditor PricewaterhouseCoopers AB in accordance with what is stated in the audit report incorporated in the Prospectus by reference (see "*Documents incorporated by reference*" in the section "*Legal considerations and supplementary information*"). The selected historical financial information for the period 1 January-31 March 2020 and 2019 respectively presented below is derived from Company's unaudited consolidated interim report for the period 1 January-31 March 2020 (with comparative information for the corresponding period 2019) which has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act and reviewed by Scandic's auditor, PricewaterhouseCoopers AB, in accordance with the review report incorporated in the Prospectus by

reference (see "*Documents incorporated by reference*" in the section "*Legal considerations and supplementary information*"). Scandic's financial reports for the financial years 2019, 2018 and for the period 1 January-31 March 2020 are incorporated into the Prospectus by reference (see "*Documents incorporated by reference*" in the section "*Legal considerations and supplementary information*").

As of 1 January 2019, the Company applies IFRS 16 Leases forward without retroactivity, which has a substantial impact on the Company's income statement and balance sheet (see "*Effect of IFRS 16*" for more information). Scandic has chosen to apply the simplified approach using a retroactive calculation of right-of-use assets, which means that the part of the depreciation that is attributable to the time before the start date of the lease and the standard's entry into force has affected the accumulated profit or loss in the opening balance as of 1 January 2019, without restatement of comparative figures.

The following information should be read in conjunction with the Company's financial statements, including notes, which are incorporated into the Prospectus by reference.



## SELECTED INFORMATION FROM THE CONSOLIDATED INCOME STATEMENT

(MSEK)	1 January–31 March		For the financial year	
	2020	2019	2019	2018
	<i>(unaudited)</i>		<i>(audited)</i>	
<b>INCOME</b>				
Room revenue	2,121	2,553	12,416	11,721
Restaurant and conference revenue	1,145	1,431	6,095	5,862
Franchise and management fees	6	6	30	29
Other hotel-related revenue	71	76	404	395
<b>Net sales</b>	<b>3,343</b>	<b>4,066</b>	<b>18,945</b>	<b>18,007</b>
Other income	-	-	0	0
<b>TOTAL OPERATING INCOME</b>	<b>3,343</b>	<b>4,066</b>	<b>18,945</b>	<b>18,007</b>
<b>OPERATING COSTS</b>				
Raw materials and consumables	-290	-373	-1,634	-1,605
Other external costs	-894	-1,020	-4,335	-4,062
Personnel costs	-1,302	-1,410	-5,869	-5,620
Fixed and guaranteed rental charges	-19	-29	-74	-2,968
Variable rental charges	-186	-296	-1,696	-1,667
Pre-opening costs	-26	-16	-81	-92
Items affecting comparability	-184	169	169	-141
<b>EBITDA</b>	<b>442</b>	<b>1,091</b>	<b>5,425</b>	<b>1,853</b>
Depreciation, amortization and impairment losses	-3,771	-770	-3,281	-870
<b>TOTAL OPERATING COSTS</b>	<b>-6,672</b>	<b>-3,745</b>	<b>-16,801</b>	<b>-17,025</b>
<b>EBIT (Operating profit/loss)</b>	<b>-3,329</b>	<b>321</b>	<b>2,144</b>	<b>983</b>
Financial income	-	2	11	12
Financial expenses	-315	-303	-1,253	-185
<b>Net financial items</b>	<b>-315</b>	<b>-301</b>	<b>-1,242</b>	<b>-173</b>
<b>EBT (Profit/loss before tax)</b>	<b>-3,644</b>	<b>20</b>	<b>902</b>	<b>810</b>
Tax	-283	17	-177	-131
<b>PROFIT/LOSS FOR THE PERIOD</b>	<b>-3,927</b>	<b>37</b>	<b>725</b>	<b>678</b>
Profit/loss for the period attributable to:				
Parent Company shareholders	-3,928	36	722	674
Non-controlling interests	1	1	3	4
<b>PROFIT/LOSS FOR THE PERIOD</b>	<b>-3,927</b>	<b>37</b>	<b>725</b>	<b>678</b>
Earnings per share before dilution, SEK	-38.14	0.35	7.01	6.54
Earnings per share after dilution, SEK	-38.13	0.35	7.01	6.54

## SELECTED INFORMATION FROM THE CONSOLIDATED BALANCE SHEET

(MSEK)	As of 31 March		As of 31 December	
	2020	2019	2019	2018
	<i>(unaudited)</i>		<i>(audited)</i>	
<b>ASSETS</b>				
Intangible assets	6,988	9,975	9,941	9,899
Buildings & land	27,269	26,104	26,759	1,676
Equipment, fixtures and fittings	4,921	4,543	4,865	4,359
Financial fixed assets	216	589	616	333
<b>Total fixed assets</b>	<b>39,394</b>	<b>41,211</b>	<b>42,181</b>	<b>16,267</b>
Current assets	1,495	1,574	1,294	1,319
Derivative instruments	-	25	8	46
Assets held for sale	-	2	-	2
Cash and cash equivalents	19	80	26	103
<b>Total current assets</b>	<b>1,514</b>	<b>1,681</b>	<b>1,328</b>	<b>1,470</b>
<b>TOTAL ASSETS</b>	<b>40,908</b>	<b>42,892</b>	<b>43,509</b>	<b>17,737</b>
<b>EQUITY AND LIABILITIES</b>				
Equity attributable to the Parent Company shareholders	2,560	6,377	6,557	7,767
Non-controlling interests	39	41	43	38
<b>Total equity</b>	<b>2,599</b>	<b>6,418</b>	<b>6,601</b>	<b>7,805</b>
Liabilities to credit institutions	3,290	3,200	3,036	2,940
Lease liabilities	27,158	25,930	26,661	1,543
Other fixed liabilities	1,229	1,204	1,342	1,489
<b>Total fixed liabilities</b>	<b>31,677</b>	<b>30,335</b>	<b>31,039</b>	<b>5,972</b>
Derivative instruments	72	-	-	-
Current liabilities for leases	2,204	1,988	2,116	63
Commercial papers	979	1,075	487	1,000
Liabilities held for sale	-	1	-	1
Other current liabilities	3,377	3,076	3,266	2,895
<b>Total current liabilities</b>	<b>6,632</b>	<b>6,139</b>	<b>5,869</b>	<b>3,959</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>40,908</b>	<b>42,892</b>	<b>43,509</b>	<b>17,737</b>

## SELECTED INFORMATION FROM THE CONSOLIDATED CASH FLOW STATEMENT

(MSEK)	1 January–31 March		For the financial year	
	2020	2019	2019	2018
	<i>(unaudited)</i>		<i>(audited)</i>	
<b>OPERATING ACTIVITIES</b>				
EBIT (Operating profit/loss)	-3,329	321	2,144	983
Adjustment for items not included in cash flow, etc.	3,777	616	3,108	869
Paid tax	-81	-215	-343	-174
Changes in working capital	-24	-254	158	45
<b>Cash flow from operating activities</b>	<b>343</b>	<b>468</b>	<b>5,067</b>	<b>1,723</b>
<b>INVESTING ACTIVITIES</b>				
Net investments	-239	-201	-1,155	-1,216
Sale of operations	-	230	232	16
Acquisition of subsidiaries	-	-	-	-54
<b>Cash flow from investing activities</b>	<b>-239</b>	<b>29</b>	<b>-923</b>	<b>-1,254</b>
<b>FINANCING ACTIVITIES</b>				
Paid interest, credit institutions	-18	-18	-71	-77
Paid interest, leases	-286	-274	-1,143	-68
Dividends	-	-	-361	-352
Refinancing of loans	-	-	-6	-6
Dividend, share swap agreement	-	-	-14	-41
Net borrowings/amortization, credit institutions	288	214	52	-877
Amortization, leases	-540	-504	-2,147	-61
Issue of commercial papers	493	75	-513	1,000
<b>Cash flow from financing activities</b>	<b>-63</b>	<b>-507</b>	<b>-4,203</b>	<b>-482</b>
<b>CASH FLOW FOR THE PERIOD</b>	<b>41</b>	<b>-10</b>	<b>-59</b>	<b>-13</b>
Cash and cash equivalents at the beginning of the period	26	103	103	140
Translation differences in cash and cash equivalents	-48	-13	-18	-24
Cash flow for the period	41	-10	-59	-13
Cash and cash equivalents at the end of the period	19	80	26	103

**SELECTED PERFORMANCE MEASURES**

The Prospectus includes certain performance measures that are not defined according to IFRS (so-called alternative performance measures). As of the second quarter of 2016 Scandic applies the new ESMA (European Securities and Market Abuse Authority) guidelines for alternative performance measures.

Scandic's understanding is that these alternative performance measures are widely used by certain investors, securities analysts and other stakeholders as supplementary indicators of performance and financial position. These alternative performance measures are also used by the Company's management team for internal evaluation of operating activities as well as forecasting and budgeting. Since not all companies calculate these and other alternative performance measures in the same way, Scandic's alternative performance measures are not necessarily

comparable to similar measures presented by other companies and have certain limitations as analysis tools. They should therefore not be considered separately from, or as a substitute to, the Group's financial information which has been prepared in accordance with IFRS. The alternative performance measures have been derived from Scandic's annual reports for the financial years 2019 and 2018 and from the interim report for the period 1 January–31 March 2020, unless otherwise stated.

For definitions of and reasons for inclusion of the alternative performance measures, see "*Definitions of selected performance measures – Alternative performance measures*". For reconciliation tables for the alternative performance measures, see "*Reconciliation of alternative performance measures*".

(MSEK)	1 January–31 March		For the financial year	
	2020	2019	2019	2018
	<i>(unaudited)</i>		<i>(audited)</i>	
<b>FINANCIAL PERFORMANCE MEASURES</b>				
Net sales	3,343	4,066	18,945	18,007
Profit/loss before tax	-3,644	20	902	810
Profit/loss for the period	-3,927	37	725	678
Earnings per share after dilution, SEK	-38.13	0.35	7.01	6.54

(MSEK)	1 January–31 March		For the financial year	
	2020	2019	2019	2018
	<i>(unaudited)</i>			
<b>ALTERNATIVE PERFORMANCE MEASURES</b>				
Net sales growth, %	-17.8	7.3	5.2	23.5
Net sales growth, LFL %	-17.1	2.5	1.5	1.2
EBITDA	442	1,091	5,425	1,853
Adjusted EBITDA	-174	160	2,046	1,957
Adjusted EBITDA margin, %	-5.2	3.9	10.8	10.9
EBIT (Operating profit/loss)	-3,329	321	2,144	983
Profit/loss excl. effect of leases	-3,876	90	942	700
Working capital, net	-1,882	-1,501	-1,972	-1,575
Interest-bearing net debt	4,250	4,195	3,497	3,837
Interest-bearing net debt/adjusted EBITDA, times, LTM	2.5	2.1	1.7	2.0
Earnings per share, SEK, excl. effect leases	-37.63	0.87	9.15	6.80
Earnings per share, SEK, excl. effect leases & items affecting comparability	-36.23	-0.79	7.49	7.87
Equity/share, SEK	24.9	61.9	63.7	75.4
<b>HOTEL-RELATED PERFORMANCE MEASURES</b>				
RevPAR (Average Revenue Per Available Room), SEK	474	599	707	683
ARR (Average Room Rate), SEK	1,043	1,018	1,071	1,045
OCC (Occupancy), %	45.5	58.9	66.0	65.3
Number of rooms at end of period	53,071	51,808	52,755	51,693

## DEFINITIONS OF SELECTED PERFORMANCE MEASURES

## Alternative performance measures

PERFORMANCE MEASURE	DEFINITION	REASON FOR INCLUSION
Net sales growth, %	Growth in net sales for the period calculated as increase in net sales during the period compared with net sales during the corresponding period the previous year, expressed as a percentage.	Net sales growth allows Scandic to compare growth in net sales between different periods, and with the market in general and the Company's competitors.
Net sales growth, LFL %	Net sales growth for the period for the hotels that were in operation during the entire period as well as during the corresponding period of the previous year (no new hotels or hotel exits are included for the year).	New sales growth, LFL, allows Scandic to compare organic growth between different periods, and with the market in general and the Company's competitors.
EBITDA	Earnings before interest, taxes, depreciation and amortization.	EBITDA is a measure that shows the value the operating activities generate and is therefore of significance for Scandic's investors, analysts and the Company's management.
Adjusted EBITDA	Earnings before pre-opening costs, items affecting comparability and depreciation, amortization, interest and taxes, adjusted for the effect of leases.	Adjusted EBITDA is a measure used to present the underlying operating result. This performance measure is used by Scandic's investors, analysts and management to evaluate the Company's operating activities.
Adjusted EBITDA margin	Adjusted EBITDA as a percentage of net sales.	The adjusted EBITDA margin shows the underlying margin before items affecting comparability and pre-opening costs, as well as depreciation/amortization and impairment, which increases comparability in the presentation of result from Scandic's operating activities.
EBIT (Operating profit/loss)	Earnings before interest and taxes.	EBIT is a measure that shows what value the ongoing business generates and is thus of importance for Scandic's investors, analysts and the Company's management.
Profit/loss excl. effect leases	Result for the period adjusted for the effect of leasing.	This performance measure shows what profit/loss for the period would have looked like excluding the effect of leases, which increases comparability with earlier periods.
Working capital, net	Current assets, excluding derivative instruments and cash and cash equivalents, minus current liabilities, excluding derivative instruments, the current portion of lease liabilities and commercial papers.	Working capital gives an indication of the Company's short-term financial ability, because it indicates whether the Company has sufficient current assets to cover current liabilities.
Interest-bearing net debt	Liabilities to credit institutions and commercial papers, minus cash and cash equivalents.	Interest-bearing net debt is used to calculate the Company's indebtedness, which is one of Scandic's financial targets. The definition chosen corresponds to the definition used for the calculation of indebtedness according to Scandic's loan agreements.
Interest-bearing net debt/adjusted EBITDA, times, LTM	Interest-bearing net debt divided by adjusted EBITDA for the last twelve-month period.	Scandic has a financial target for indebtedness. The definition chosen corresponds to the definition used for the calculation of indebtedness according to Scandic's loan agreements.
Earnings per share, excluding effect leases	The profit/loss for the period attributable to Parent Company shareholders, divided by the average number of shares adjusted for the effect of leases.	This performance measure shows what earnings per share would have looked like excluding the effect of leases, which increases comparability with earlier periods.
Earnings per share, excluding effect leases and items affecting comparability	The profit/loss for the period related to the shareholders of the Parent Company, divided by the average number of shares, excluding effect of leases and items affecting comparability.	This performance measure shows what earnings per share would have looked like excluding the effect of leases and items affecting comparability, which is in line with how the Company's management team evaluates profit/loss for the period and provides a basis for dividend decisions. Comparability with earlier periods is also increased.
Equity per share	Equity related to the shareholders of the Parent Company, divided by the total number of shares outstanding at the end of the period.	This performance measure describes the size of the Company's net value per share.
Items affecting comparability	Items that are not directly related to the normal operations of the Group, for example, costs for transactions, integration, restructuring and capital gains/losses from sale of operations.	In order to provide an opportunity to evaluate Scandic's ongoing operations and profitability at a certain point in time and over time, it is of value to present items that are assessed as non-recurring.

## Hotel-related performance measures

PERFORMANCE MEASURE	DEFINITION
ARR (Average Room Rate)	Average room rate is an average of room revenue per sold room.
OCC (Occupancy)	Refers to sold rooms in relation to the number of available rooms. Expressed as a percentage.
RevPAR (Average Revenue Per Available Room)	Refers to the average room revenue per available room.
Pre-opening costs	Refers to costs for contracted and newly opened hotels before opening day.

## RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES

## EBIT, EBITDA, adjusted EBITDA and adjusted EBITDA margin

The table below shows the calculation for the measures EBIT, EBITDA, adjusted EBITDA and adjusted EBITDA margin.

(MSEK)		1 January–31 March		For the financial year	
		2020	2019	2019	2018
				<i>(unaudited)</i>	
<b>A</b>	<b>Profit/loss for the period</b>	<b>-3,927</b>	<b>37</b>	<b>725*</b>	<b>678*</b>
B	Taxes	283	-17	177*	131*
C	Net financial items	315	301	1,242*	173*
<b>A+B+C=D</b>	<b>EBIT (Operating profit/loss)</b>	<b>-3,329</b>	<b>321</b>	<b>2,144*</b>	<b>983*</b>
E	Depreciation, amortization and impairment losses	3,771	770	3,281*	870*
<b>D+E=F</b>	<b>EBITDA</b>	<b>442</b>	<b>1,091</b>	<b>5,425</b>	<b>1,853</b>
G	Items affecting comparability	184	-169	-169*	141*
H	Pre-opening costs	26	16	81*	92*
I	Effect of leases, fixed and guaranteed rental charges	-826	-778	-3,291	-129
<b>F+G+H+I=J</b>	<b>Adjusted EBITDA</b>	<b>-174</b>	<b>160</b>	<b>2,046</b>	<b>1,957</b>
K	Net sales	3,343	4,066	18,945*	18,007*
<b>J/K=L</b>	<b>Adjusted EBITDA margin, %</b>	<b>-5.2</b>	<b>3.9</b>	<b>10.8</b>	<b>10.9</b>

\* Audited

## Profit/loss for the period, excl. effect leases

The table below shows the calculation of profit/loss for the period excluding the effect of leases.

(MSEK)		1 January–31 March		For the financial year	
		2020	2019	2019	2018
				<i>(unaudited)</i>	
A	Profit/loss for the period	-3,927	37	725*	678*
B	Effect of leases	51	53	217	22
<b>A+B=C</b>	<b>Profit/loss for the period, excl. effect of leases</b>	<b>-3,876</b>	<b>90</b>	<b>942</b>	<b>700</b>

\* Audited

**Interest-bearing net debt**

The table below shows the calculation of interest-bearing net debt and interest-bearing net debt/adjusted EBITDA, LTM.

(MSEK)	1 January–31 March		For the financial year		
	2020	2019	2019	2018	
			<i>(unaudited)</i>		
A	Liabilities to credit institutions	3,290	3,200	3,036*	2,940*
B	Commercial papers	979	1,075	487*	1,000*
C	Cash and cash equivalents	-19	-80	-26*	-103*
<b>A+B+C=D</b>	<b>Interest-bearing net debt</b>	<b>4,250</b>	<b>4,195</b>	<b>3,497</b>	<b>3,837</b>
<b>E</b>	<b>EBITDA, LTM<sup>1)</sup></b>	<b>4,776</b>	<b>2,856</b>	<b>5,425</b>	<b>1,853</b>
F	Items affecting comparability, LTM <sup>1)</sup>	184	-52	-169*	141*
G	Pre-opening costs, LTM <sup>1)</sup>	91	75	81*	92*
H	Effect of leases, fixed and guaranteed rental charges, LTM <sup>1)</sup>	-3,339	-876	-3,291	-129
<b>E+F+G+H=I</b>	<b>Adjusted EBITDA, LTM<sup>1)</sup></b>	<b>1,712</b>	<b>2,003</b>	<b>2,046</b>	<b>1,957</b>
<b>D/I=J</b>	<b>Interest-bearing net debt/adjusted EBITDA, times, LTM<sup>1)</sup></b>	<b>2.5</b>	<b>2.1</b>	<b>1.7</b>	<b>2.0</b>

<sup>1)</sup> Last twelve months (LTM).

\* Audited

**Working capital, net**

The table below shows the calculation of working capital, net.

(MSEK)	As of 31 March		As of 31 December		
	2020	2019	2019	2018	
			<i>(unaudited)</i>		
A	Current assets, excl. cash and cash equivalents and derivative instruments	1,495	1,576	1,294	1,321
B	Other current liabilities <sup>1)</sup>	-3,377	-3,077	-3,266	-2,896
<b>A+B=C</b>	<b>Working capital, net</b>	<b>-1,882</b>	<b>-1,501</b>	<b>-1,972</b>	<b>-1,575</b>

<sup>1)</sup> Other current liabilities include liabilities held for disposal.

**Earnings per share**

The table below shows the calculation of earnings per share excluding the effect of leases as well as earnings per share excluding the effect of leases and items affecting comparability.

(MSEK)	1 January–31 March		For the financial year		
	2020	2019	2019	2018	
			<i>(unaudited)</i>		
A	Earnings per share, SEK	-38.13	0.35	7.01*	6.54*
B	Effect of leases per share	0.50	0.51	2.11	0.26
<b>A+B=C</b>	<b>Earnings per share, SEK, excl. effect leases</b>	<b>-37.63</b>	<b>0.87</b>	<b>9.15</b>	<b>6.80</b>
D	Items affecting comparability per share	1.40	-1.66	-1.66	1.07
<b>C+D=E</b>	<b>Earnings per share, SEK, excl. effect leases and items affecting comparability</b>	<b>-36.23</b>	<b>-0.79</b>	<b>7.49</b>	<b>7.87</b>

\* Audited

**Equity per share**

The table below shows the calculation of equity per share.

(MSEK)	As of 31 March		As of 31 December		
	2020	2019	2019	2018	
			<i>(unaudited)</i>		
A	Equity attributable to the Parent Company shareholders	2,560	6,377	6,557*	7,767*
B	Number of shares at end of period	102,985,075	102,985,075	102,985,075*	102,985,075*
<b>A/B=C</b>	<b>Equity per share, SEK</b>	<b>24.9</b>	<b>61.9</b>	<b>63.7</b>	<b>75.4</b>

\* Audited

**EFFECT OF LEASES AS A RESULT OF IFRS 16**

As of 1 January 2019, the Group applies IFRS 16 Leases. The new accounting principle means that lease agreements with fixed or minimum rent are recognized in the balance sheet as a right-of-use asset and a lease liability. IFRS 16 has a substantial impact on Scandic's income statement and balance sheet.

Scandic has chosen to apply the simplified approach using a retroactive calculation of right-of-use assets, which means that the part of the depreciation that is attributable to the time before the start date of the lease and the standard's entry into force has affected the accumulated profit or loss in the opening balance as at 1 January 2019, without restatement of comparative figures. The effect as of 1 January 2019, increased the right-of-use assets within buildings and land by SEK 24.8 billion and within furniture, fittings and equipment by SEK 109 million. In addition, lease liabilities increased by SEK 26.6 billion and equity decreased by SEK 1.4 billion, including the effect of deferred taxes of SEK 394 million.

Reported EBITDA increases as the cost of leases falls while depreciation of right-of-use assets and interest expenses for the lease liability increases. With the current portfolio of lease agreements at the end of 2019, net profit after tax for 2020 is expected to be negatively impacted by about SEK 180 million (217). With an unchanged portfolio of lease agreements and unchanged assumptions, the negative effect on results is expected to diminish over time and affect the net result positively from 2026. The reason for this is that interest expenses for the lease debt decrease over time as the debt is constantly amortized. The definition of adjusted EBITDA has not changed compared with the previous year and excludes the effect of leases. The year 2018 includes leases according to IAS 17 from the right-of-use asset and corresponding lease liability from the acquisition of Restel. The effect of leases for the full year 2018 on EBITDA was SEK 129 million and the effect on net profit after tax was SEK -22 million.

**Table presenting the effect of leasing as a result of IFRS 16 on the Group's income statement**

The table below shows the bridge between the income statement excluding the effect of leases to the reported income statement presented according to IFRS for the period 1 January–31 March and for the financial year 2019. The table is included to explain the effect leasing has had on Scandic's reported profit/loss and which adjustments are made for the effect of leases according to IFRS 16 to arrive at figures that are more comparable with how the Company reported corresponding figures excluding the effect of leasing before the transition to IFRS 16 Leases.

(MSEK)	1 January–31 March 2020		
	Excl. effect leases	Effect leases	Reported
	<i>(unaudited)</i>		
<b>Net sales</b>	<b>3,343</b>	<b>0</b>	<b>3,343</b>
<b>EBITDAR</b>	<b>857</b>	<b>0</b>	<b>857</b>
Total rental charges	-1,031	826	-205
<b>Adjusted EBITDA</b>	<b>-174</b>		
Pre-opening costs	-26	0	-26
Items affecting comparability	-184	0	-184
<b>EBITDA</b>	<b>-384</b>	<b>826</b>	<b>422</b>
Depreciation, amortization and impairment losses	-3,166	-605	-3,771
<b>EBIT (Operating profit/loss)</b>	<b>-3,550</b>	<b>221</b>	<b>-3,329</b>
Net financial items	-29	-286	-315
<b>EBT (Profit before tax)</b>	<b>-3,579</b>	<b>-65</b>	<b>-3,644</b>
Tax	-296	13	-283
<b>Profit/loss for the period</b>	<b>-3,876</b>	<b>-51</b>	<b>-3,927</b>
Earnings per share, SEK	-37.63	-0.50	-38.13

\* Audited

(MSEK)	For the financial year 2019		
	Excl. effect leases	Effect leases	Reported
	<i>(unaudited)</i>		
<b>Net sales</b>	<b>18,945</b>	<b>0</b>	<b>18,945*</b>
<b>EBITDAR</b>	<b>7,107</b>	<b>0</b>	<b>7,107</b>
Total rental charges	-5,061	3,291	-1,770
<b>Adjusted EBITDA</b>	<b>2,046</b>		
Pre-opening costs	-81	0	-81
Items affecting comparability	169	0	169
<b>EBITDA</b>	<b>2,134</b>	<b>3,291</b>	<b>5,425</b>
Depreciation, amortization and impairment losses	-859	-2,421	-3,281*
<b>EBIT (Operating profit/loss)</b>	<b>1,275</b>	<b>869</b>	<b>2,144*</b>
Net financial items	-99	-1,143	-1,242*
<b>EBT (Profit before tax)</b>	<b>1,176</b>	<b>-274</b>	<b>902*</b>
Tax	-234	57	-177*
<b>Profit/loss for the period</b>	<b>942</b>	<b>-217</b>	<b>725*</b>
Earnings per share, SEK	9.15	-2.11	7.01*

\* Audited



**Table presenting the Group's result excluding the effect of leases**

The table below shows the Group's income statement excluding the effect of leasing for the respective periods, for increased comparability between periods.

(MSEK)	1 January–31 March		For the financial year	
	2020	2019	2019	2018
			<i>(unaudited)</i>	
<b>Net sales</b>	<b>3,343</b>	<b>4,066</b>	<b>18,945*</b>	<b>18,007*</b>
<b>EBITDAR</b>	<b>857</b>	<b>1,263</b>	<b>7,107</b>	<b>6,720</b>
Total rental charges	-1,031	-1,103	-5,061	-4,764
<b>Adjusted EBITDA</b>	<b>-174</b>	<b>160</b>	<b>2,046</b>	<b>1,957</b>
Pre-opening costs	-26	-16	-81*	-92*
Items affecting comparability	-184	169	169*	-141*
<b>EBITDA</b>	<b>-384</b>	<b>313</b>	<b>2,134</b>	<b>1,724</b>
Depreciation, amortization and impairment losses	-3,166	-199	-859	-781
<b>EBIT (Operating profit/loss)</b>	<b>-3,550</b>	<b>114</b>	<b>1,275</b>	<b>943</b>
Net financial items	-29	-27	-99	-105
<b>EBT (Profit before tax)</b>	<b>-3,579</b>	<b>87</b>	<b>1,176</b>	<b>838</b>
Tax	-296	3	-234	-138
<b>Profit/loss for the period</b>	<b>-3,876</b>	<b>90</b>	<b>942</b>	<b>700</b>
Earnings per share, SEK	-37.63	0.87	9.15	6.8

\* Audited

# CAPITAL STRUCTURE AND OTHER FINANCIAL INFORMATION

The tables in this section present the Company's capitalization and indebtedness at the Group level as of 31 March 2020. See the section "*Share capital and ownership structure*" for further information on the Company's share capital and shares. The tables in this section should be read in conjunction with the section "*Presentation of financial and other information*" and the Company's financial information, with accompanying notes, which are incorporated into the Prospectus by reference, see ("*Documents incorporated by reference*" in the section "*Legal considerations and supplementary information*").

## CAPITALIZATION

Scandic's capitalization as of 31 March 2020 is presented in the table below, i.e. before the implementation of the Rights Issue and the New Facilities Agreement. For further information on Scandic's financial arrangements, see "*Material agreements - Financial arrangements*" in the section "*Legal considerations and supplementary information*".

(MSEK)	As of 31 March, 2020
<b>Equity and liabilities</b>	
Current liabilities (including the current portion of non-current liabilities)	
Guaranteed	-
Secured	-
Not guaranteed//secured	3,183
Non-current interest-bearing liabilities	
Guaranteed	-
Secured	-
Not guaranteed//secured	30,448
Equity	
Share capital	26
Other contributions	7,865
Translation reserve/retained earnings	-5,330
Non-controlling interest	39

## NET INDEBTEDNESS

Scandic's net debt as of 31 March 2020 is presented in the table below, i.e. before the implementation of the Rights Issue and the New Facilities Agreement. For further information on Scandic's financial arrangements, see "*Material agreements - Financial arrangements*" in the section "*Legal considerations and supplementary information*".

(MSEK)	As of 31 March, 2020
<b>Net indebtedness</b>	
A Cash	19
B Other cash equivalents	-
C Readily realizable securities	-
<b>D Total liquidity A + B + C</b>	<b>19</b>
<b>E Current financial receivables</b>	<b>-</b>
F Current bank loans	-
G Current portion of non-current liabilities <sup>1)</sup>	2,204
H Other current liabilities <sup>2)</sup>	979
<b>I Total current financial liabilities F + G + H</b>	<b>3,183</b>
<b>J Net current financial indebtedness I - E - D</b>	<b>3,164</b>
K Non-current bank loans <sup>3)</sup>	3,290
L Bonds issued	-
M Other non-current loans <sup>4)</sup>	27,158
<b>N Non-current financial indebtedness K + L + M</b>	<b>30,448</b>
<b>O Net financial indebtedness J + N <sup>5)</sup></b>	<b>33,612</b>

<sup>1)</sup> Current portion of liabilities for leasing.

<sup>2)</sup> Commercial papers.

<sup>3)</sup> Liabilities to credit institutions.

<sup>4)</sup> Liabilities for leasing.

<sup>5)</sup> Net financial indebtedness excluding leasing liabilities amounts to SEK 4,250 million.

As of 31 March 2020, Scandic's direct and indirect contingent liabilities on a consolidated basis amounted to SEK 56 million. For further information see "*Material agreements - Financial arrangements*" in the section "*Legal considerations and supplementary information*".

## STATEMENT ON WORKING CAPITAL

It is Scandic's assessment that the existing working capital as of the date of the Prospectus (i.e. before the implementation of the Rights Issue) is not sufficient for the Company's current needs during the upcoming twelve-month period. As a consequence of the spread of COVID-19, Scandic has experienced a serious decline in demand and significantly reduced occupancy, which have had effects on the Company's operations, cash flow and liquidity. Since late February 2020, Scandic has taken a range of immediate and extensive measures aimed at reducing the Company's costs and adapting the business to the current market situation resulting from COVID-19. The measures that the Company has taken have mitigated, and will continue to mitigate, the negative effects of the spread of COVID-19 on the Company's business, partly by lowering the Company's costs excluding rents by more than 70 percent (approximately 60 percent including rents) during the second quarter 2020. In addition to lowering the Company's cost base, measures have also been made to defer rental costs, tax expense and certain other charges to a later date.

The Company projects that the business environment will be very weak with an estimated occupancy rate of 7–11 percent up to and including the second quarter 2020 and with a gradual recovery during the second half of 2020. During 2021, RevPAR is estimated to 15–25 percent below the levels of 2019. Based on these assumptions, Scandic is estimated to have a liquidity deficit during 2020 which is expected to continue to increase in the first half of 2021 as a result of, among other things, deferred rental and tax payments falling due, and as a result of the Company's working capital tied up during this period. For more information on Scandic's strategy for managing the impact of COVID-19 see "Strategy" in the section "Business overview".

To meet the upcoming working capital requirements, Scandic has agreed on a New Revolving Credit Facility of SEK 1,150 million and a Short-Term Revolving Credit Facility of SEK 250 million has been provided to the Company. The Short-Term Revolving Credit Facility is to be repaid on the earliest of the finalization of the Rights Issue or 15 July 2020. The New Revolving Credit Facility will be available to the Company after the completion of the Rights Issue and will mature in December 2021. The New Revolving Credit Facility and the Rights Issue together amounts to no more than approximately SEK 2,915 million and is expected to satisfy the operational liquidity need and a requisite safety margin up until the end of 2021. For more information regarding the new financing see "Material agreements – Financial arrangements" in the section "Legal considerations and supplementary information".

Scandic assess that the Group's working capital requirement, including a requisite safety margin, over the next twelve-month period amounts to SEK 2,900 million. The working capital requirement is expected to be met by cash and cash equivalents from the Rights Issue as of the date of its implementation, cash flow from operating activities and the New Revolving Credit Facility. The Rights Issue is fully underwritten through the subscription and underwriting commitments. It should be noted, however, that no security has been provided for the subscription and underwriting commitments. The existing working capital is expected to last until 15 July 2020, when the Short-Term Revolving Credit Facility mature. Working capital here refers to Scandic's ability to access cash and cash equivalents to meet its payment obligations as and when they fall due for payment.

Should the Rights Issue not be fully subscribed, and the parties who made subscription and underwriting commitments do not fulfil their respective commitments, and the Rights Issue thereby, does not bring in sufficient funds to repay the Short-Term Revolving Credit Facility, there may be a working capital deficit of no more than SEK 250 million as of 15 July 2020. If this is the case, Scandic will need to look for alternative financing, such as additional share capital or other bank financing, to repay the outstanding amount that is due for payment or that Scandic may

be forced to renegotiate the terms of the New Revolving Credit Facility. If Scandic does not succeed in obtaining alternative financing or reach an agreement regarding the New Revolving Credit Facility, Scandic could be forced to divest part of its operations or, ultimately, cancel the payments.

## CREDIT FACILITIES AND COMMERCIAL PAPERS

The Company's credit facilities and commercial papers are described in "Material agreements – Financial arrangements" in the section "Legal considerations and supplementary information".

## INVESTMENTS

The table below summarizes Scandic's combined investments during the financial years 2017–2019 and for the first quarter of 2019 and 2020. Investments were primarily made in renovations, new hotels and expansions and IT.

(MSEK)	1 January–31 March		For the financial year		
	2020	2019	2019	2018	2017
	<i>(unaudited)</i>		<i>(audited)</i>		
Renovations	182	117	717	708	618
New hotels and expansions	34	69	367	415	291
IT	23	15	71	93	55
<b>Total</b>	<b>239</b>	<b>201</b>	<b>1,155</b>	<b>1,216</b>	<b>964</b>

Scandic has during the period 2013–2019 historically had an investment rate for maintenance and upgrading of approximately 4 percent of the Company's net sales, and given that these maintenance investments relate to furniture, fixtures and fittings while the property owners at the same time are responsible for other investments, the Company considers itself having a well-invested hotel network as of the date of the Prospectus. Responsibility for investments is regulated in the lease agreements. Scandic is normally responsible for the maintenance and improvement of the hotel furniture, fixtures and equipment, while the landlords are responsible for the maintenance and improvement of the buildings and bathrooms, as well as the mechanical and electrical infrastructure of the building. Accordingly, the landlords are responsible for most investments made in the hotel.

During the calendar year 2019, Scandic received the final purchase consideration of SEK 232 million for the sale of Scandic Hasselbacken.

## Ongoing and approved investments

Scandic's ongoing and approved investments are mainly renovations and development of new hotels. Scandic's capital expenditure for ongoing renovations and contracted development projects is expected to be financed by future cash flow from operating activities, cash and cash equivalents from the Rights Issue and bank financing. Expected investments for contracted development projects during the period 2020–2024 amount to approximately SEK 1,200 million and approximately 4 percent of the Company's net sales have historically been invested in ongoing renovations. For more information about new hotels and developments, please see "Hotel development – New hotels under development" in the section "Business Overview". Scandic has not made any significant investments since 31 December 2019. Nor has Scandic entered into any firm undertakings regarding significant investments since that time, although the Company does have undertakings regarding ongoing renovations. However, under the current circumstances relating to the spread of COVID-19 the Company expects the amounts invested to be lower than for the financial year 2019.

## MANAGING FINANCIAL RISK AND CAPITAL RISK

### Currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Currency risk arises through future business transactions, reported assets and liabilities and net investments in foreign operations.

Currency risk arises when future business transactions or reported assets and liabilities are denominated in a currency other than the entity's functional currency. The operations of the Scandic Group companies are mainly local, with revenues and expenses denominated in domestic currencies, and intra-group sales are low. This means that exchange rate exposure related to transactions is limited. According to the Group's Financial Policy, which requires Group companies to manage their foreign exchange risk against their functional currency, the Group companies shall hedge their foreign exchange risk in larger future business transactions via Group Finance. To manage the foreign exchange risk arising from future commercial transactions, the Group companies use forward contracts signed with Group Finance.

Exchange rate effects in the Group arise from the translation of foreign subsidiaries' income statements and balance sheets to SEK. For the financial year 2019, 33 percent of the Group's sales were in SEK, 28 percent in Norwegian krona ("**NOK**") and 39 percent in euro ("**EUR**") and other currencies. Borrowings in EUR and NOK are matched by the Parent Company's loans to subsidiaries. The currency exposure arising from internal loans to the Group's foreign operations is reduced by borrowing in the corresponding currencies, which is referred to as a natural hedge. The Group's borrowings broken down by currency are shown in the table below. The board has decided that other currency risks for assets and liabilities should not be hedged.

Group borrowings by currency	As of 31 December		
	2019	2018	2017
SEK, %	72	64	70
EUR, %	10	21	15
NOK, %	18	15	15

The carrying amount of liabilities to credit institutions is exposed to currency risk to the extent that borrowing is in a foreign currency. The sensitivity analysis below shows how changes in relevant foreign currencies affect the carrying amount of liabilities to credit institutions as well as net debt as of 31 December 2019.

### Sensitivity analysis by currency as of 31 December, 2019

Exposure from liabilities to credit institutions with a change of:	Change, %	Effect on net
		indebtedness, MSEK
NOK/SEK	+/- 1	+/- 6
EUR/SEK	+/- 1	+/- 4

### Interest rate risk

Interest rate risk arises from changes in market interest rates that can have a negative effect on the Group's revenue, cash flow and interest-bearing assets and liabilities.

Since the Group has no significant interest-bearing assets, the Group's revenues and cash flow from operating activities are essentially independent of changes in market interest rates. The Group's interest rate risk arises from long-term borrowing. Loans issued at variable interest rates expose the Group to interest rate risk in respect of cash flow. Loans issued at fixed interest rates expose the Group to interest rate risk in respect of fair value. The Group's financial policy stipulates that 25–75 percent of borrowing must have fixed interest rates. Deviations from this

must be approved by the board. As needed, the Group uses interest rate swaps to manage this. The Group's borrowings on the balance sheet date are shown below. The Group normally takes long-term loans at variable interest rates and converts them into fixed interest rates using interest rate swaps. Interest rate swaps are where the Group agrees with other parties to swap, at specified intervals, the difference between the agreed fixed and variable interest rates, calculated based on the agreed nominal value.

Borrowing broken down by fixed and variable interest	As of 31 December		
	2019	2018	2017
Fixed interest, %	37	39	39
Variable interest, %	63	61	61

All external borrowing at fixed interest rates has been achieved by using interest swaps.

### Credit risk

Credit risk refers to the risk that counterparties cannot fulfill their obligations. Credit risk arises from cash and cash equivalents, derivative instruments and deposits with banks and financial institutions as well as credit exposure to customers, including outstanding receivables and agreed transactions.

Credit risk is managed at the Group level. Only banks and financial institutions that have received an independent minimum S&P rating of A-1 are accepted. In cases where no independent credit rating exists, a risk assessment of the customer's creditworthiness is carried out taking into account the customer's financial position, past behavior and other factors. The use of credit limits is monitored regularly. Sales within the Company's operations are primarily settled by cash or credit card, although invoicing is also used. Credit losses relating to customers as of 31 December 2019 amounted to SEK 2 million.

Maturity analysis financial liabilities, MSEK	As of 31 December 2019			
	<1 year	1–3 years	3–5 years	>5 years
Liabilities to credit institutions <sup>1)</sup>	74	3,178	-	-
Commercial papers	487	-	-	-
Derivative instruments <sup>2)</sup>	-	0	-	-
Accounts payable and other liabilities	767	-	-	-

<sup>1)</sup> Liabilities to credit institutions refer to future cash flows relating to liabilities, which include interest payments in the coming years.

<sup>2)</sup> Market value as of 31 December 2019.

Remaining leases are included in the table below for 2019 in accordance with IFRS 16.

Maturity analysis leases	As of 31 December 2019
Year 1–3	9,551
Year 3–5	5,457
Year 5–10	11,573
Year 10–15	7,211
Year <15	5,316
<b>Total payments</b>	<b>39,108</b>
Discounting effect	-10,331
<b>Total liability according to the balance sheet</b>	<b>28,777</b>
<b>Classified as:</b>	
Non-current liabilities	26,661
Current liabilities	2,116

### Liquidity risk

Liquidity risk is the risk that the Group does not have sufficient liquidity to pay its debts and meet its commitments.

Liquidity risk is managed by maintaining within the Group sufficient cash and cash equivalents and short-term investments with a liquid market, available financing through agreed credit facilities and the ability to close market positions. The Group's liquidity in the form of cash and cash equivalents and short-term investments is monitored and projections made on a daily basis by Group Finance. The Group's liquidity reserve as of 31 December 2019 amounted to SEK 1,973 million. For further information on the Group's liquidity, see the section "Statement on working capital" and for further information on the Group's financing, see the section "Legal considerations and supplementary information – Material agreements – Financial arrangements".

### Sensitivity analysis interest rate swaps

	As of 31 December 2019	
	Change, %	Effect on profit, MSEK
Interest expense with current fixed interest rates, changed interest rate profile	+/- 1	+/- 23
Interest expense with change in average interest rate	+/- 1	+/- 36

If the variable market rate differs from the current fixed interest rate for interest rate swaps, a theoretical over- or undervaluation of the financial instrument will occur. Interest rate swaps are reported on an ongoing basis in "Other comprehensive income" and the change in value not affecting cash flow is recognized in profit/loss for the year. A sensitivity analysis is calculated for net indebtedness.

### Electricity derivatives

Since 1 July 2018, cash flow hedging has been used by the Group to hedge against electricity price exposure. The electricity derivatives used by the Group have been identified as cash flow hedges. The relationship between the hedging instrument and the hedged risk is documented when the cash flow hedge is set up. Effectiveness testing is carried out at the start date and then on a monthly basis during the term of the hedge. The effective portion of the change in the value of the derivative that meet the requirements for hedge accounting is recognized in "Other comprehensive income." The ineffective portion of the change in the value of the derivative is recognized in other external expenses. The effective portion of the hedge is recognized in other external expenses when the hedged item affects the income statement. For 2019, the ineffective portion of the change in the value of electricity derivatives amounted to SEK -2 million.

### Capital risk

The Group's capital structure goal is to safeguard the Group's ability to maintain its operations so that it can continue to generate returns for shareholders and benefits for other stakeholders, as well as to maintain an optimal capital structure to keep capital costs down. The managed

capital is made up of the Group's recognized equity. To maintain or adjust the capital structure, the Group may change the dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce liabilities. In the same way as other companies in the industry, the Group assesses its capital on the basis of the debt/equity ratio. This key ratio is calculated as interest-bearing net debt divided by equity. The interest-bearing net debt is calculated as liabilities to credit institutions and commercial papers minus cash and cash equivalents.

(MSEK)	As of 31 December		
	2019	2018	2017
Total borrowings	32,300	5,546	5,434
Excluding: leases	-28,777	-1,606	-1,665
Excluding: cash and cash equivalents	-26	-103	-140
Interest-bearing net debt	3,497	3,837	3,630
Total equity	6,601	7,805	7,356
Debt/equity ratio	0.5 x	0.5 x	0.5 x

Due dates, (MSEK)	As of 31 December					
	2019		2018		2017	
Liabilities due for payment	Liabilities to credit institutions	Com-mercial papers	Liabilities to credit institutions	Com-mercial papers	Liabilities to credit institutions	Financial leasing
– within 1 year	-	487	-	1,000	-	121
– between 1 and 5 years	3,036	-	2,940	-	3,769	437
– later than 5 years	-	-	-	-	-	1,107
<b>Total</b>	<b>3,036</b>	<b>487</b>	<b>2,940</b>	<b>1,000</b>	<b>3,769</b>	<b>1,665</b>

Revolving credit facility, (MSEK)	As of 31 December		
	2019	2018	2017
Utilized amount	2,053	2,478	2,318
Unutilized amount	1,947	1,522	1,182
<b>Total revolving credit facility</b>	<b>4,000</b>	<b>4,000</b>	<b>3,500</b>

For further information on the Group's financing, see "Material agreements – Financial arrangements" in the section "Legal considerations and supplementary information".

### SIGNIFICANT TRENDS

Other than that which is described in the sections "Risk factors", "Business overview" and "Significant changes since 31 March 2020", as of the date of the Prospectus the Company is not aware of any trends, factors of uncertainty, potential claims or other demands, commitments or events that could be expected to have a material impact on Scandic's business outlook in the current financial year. Other than as stated in the "Risk factors" section and above, the Company is not aware of any public, economic, tax policy, monetary policy or other political measures that have had or could have a direct or indirect material impact on Scandic's operations.

## PROSPECTS

Scandic is planning for operations based on the expectation that activity levels will remain at low levels of occupancy of around 7–11 percent during the second quarter 2020 before gradually recovering during the second half of the year. The gradual recovery in occupancy level is expected to be driven by Scandic's high exposure to domestic and intra-regional travel and, according to the Company's assessment, its affordable and contemporary offering. For the financial year 2020, Scandic expects to generate less than half the revenues it generated in 2019.

When the market recovers Scandic is expected to benefit from leaner and more efficient operations, enabling a high cash conversion. In the longer term, Scandic believes it has the potential to reach adjusted EBITDA margins of more than 11 percent even with average revenues per available room being below 2019 levels.

In the longer term, Scandic reiterates its intention to achieve its financial targets, including an organic growth of 5 percent per year in average over a business cycle, and it intends to reinstate a payout ratio of more than 50 percent whilst maintaining a solid capital structure with a net debt 2–3 times adjusted EBITDA. For more information on the Company's financial targets, see "*Financial targets*" in the section "*Business overview*".

Scandic expects to be well placed to come out stronger when the current environment improves. Scandic's customer base is made up of around 80 percent of Nordic customers travelling within the Nordic region. The demand for hotel nights in the Nordic region has shown a long-term growth trend historically. In addition, Scandic expects, according to the Company's assessment, its affordable and contemporary value proposition to be particularly appealing to cost conscious leisure and corporate customers. Scandic's close connection with its customers through its loyalty program "Scandic Friends" with more than 2.5 million members reinforces the local proximity that has marked the Company since 1963. Furthermore, Scandic expects, once the Company is well-capitalized, to be able to benefit from attractive growth opportunities in well-known and well-tested geographies where it has historically operated.

## SIGNIFICANT CHANGES SINCE 31 MARCH 2020

In April, Scandic's occupancy rate hit a record low of 6 percent. Both occupancy level and the booking trend have improved since mid-April 2020. From the end of May, the Group plan to gradually reopen more hotels. The Company expect a gradual increase in occupancy of a few percentage points per month in May and June 2020. During the summer 2020, Scandic expect further improvement as national tourism flows resume. That said, the level of uncertainty remains high and the Group is preparing for a slow recovery in demand with continued cost reductions and cash flow enhancing measures determining our success. For 2020, Scandic expect sales to be more than halved compared with 2019.

In 2021, the Company expects RevPAR to be 15–25 percent lower than in 2019. Combined with measures taken to cut costs and strengthen cash flow, this has resulted in a need for additional liquidity including a requisite safety margin, corresponding to an operational liquidity need of SEK 2,900 million in total until the end of 2021. The need is expected to be greatest in the first six months of 2021 due to the seasonal increase in working capital and the payment of deferred taxes and fees. In the end of April 2020, a solution to the liquidity needs was presented when the board of directors resolved on a SEK 1.750 million rights issue with preferential rights for shareholders and also entered into an agreement for a New Revolving Credit Facility of SEK 1,150 million. For more information on the Company's working capital needs, see the section "*Working capital statement*" above. Even if it is still highly uncertain how long COVID-19 will continue and how Scandic's business will be affected, it is highly likely that the measures described above, combined with continued good business practices regarding managing revenue, expenses and cash flow, will suffice to ensure liquidity and continuity both this year and the next.

Apart from the above, no significant changes in Scandic's financial position or earnings have occurred since 31 March 2020.

# BOARD OF DIRECTORS, EXECUTIVE MANAGEMENT AND AUDITOR

## CURRENT BOARD OF DIRECTORS

As of the date of the Prospectus, Scandic's board of directors consists of eight ordinary members, elected by the shareholders' meeting, including the chairman of the board, with no deputy board members, all of whom are elected for the period up until the end of the annual shareholders' meeting 2020, and one employee representative and one deputy employee representative, appointed by employee organisations. The table below sets forth the members of the board of directors, when they were first elected and whether they are considered to be independent of the Company and/or the major shareholders.

Name	Position	Member since	Independent of	
			The Company and executive management	The major shareholders
Per G. Braathen	Chairman	2007	Yes	Yes
Ingalll Berglund	Board member	2016	Yes	Yes
Grant Hearn	Board member	2014	Yes	Yes
Christoffer Lundström	Board member	2016	Yes	Yes <sup>1)</sup>
Susanne Mørch Koch	Board member	2019	Yes	Yes
Riitta Savonlahti	Board member	2019	Yes	Yes
Martin Svalstedt	Board member	2017	Yes	No
Fredrik Wirdenius	Board member	2015	Yes	Yes
Marianne Sundelius	Employee representative	2017	No	Yes
Andrew Derek Routh	Deputy employee representative	2017	No	Yes

<sup>1)</sup> Independent since 24 March 2020 due to the disposal of Rolf Lundström's direct and indirect holding in Scandic.

## PER G. BRAATHEN

<i>Born 1960. Chairman of the board since 2018.</i>	
<b>Education:</b>	MBA from Schiller University London, UK.
<b>Other current assignments:</b>	Chairman of the board of Bramora Ltd, Braathens Travel Group AB, Braathens Education AB and Kullaflyg AB. Chairman of the board & CEO of Braganza AB. Board member of Gotlandsflyg AB, Bralanta AB, Wayday Travel AS, Escape Travel AS, BRABank ASA, Parque Reunidos SA and Braganza II AB.
<b>Previous assignments:</b>	Chairman of the board of Braathens Aviation AB, Escape Travel A/S and SunHotels AG. Board member of Ticket Leisure Travel AB and Ticket Biz AB.
<b>Shareholding in the Company:</b>	771,781 shares.

**INGALILL BERGLUND**

<i>Born 1964. Board member since 2016.</i>	
<b>Education:</b>	Special advanced course in economics, Frans Schartau Business Institute.
<b>Other current assignments:</b>	Chairman of the board and CEO of Management for Sail AB. Board member of AxFast AB (publ), Veidekke ASA, Kungsleden AB (publ), Bonnier Fastigheter AB, Fastighets AB Stenvalvet (publ), Balco Group AB, Juni Strategi och Analys AB and Stiftelsen Danviks Hospital. Advisory board member of Handelsbanken Regionbank Stockholm.
<b>Previous assignments:</b>	Chairman of the board and CEO of Walls Fastighetsaktiebolag, Jupiter Fastighets Aktiebolag, Fastighetsaktiebolaget Österbotten, Atrium Ljungberg Fatburssjön AB, Handelsaktiebolaget Vox, Fastighetsaktiebolaget Stadsgården, Impluvium Nio AB, Fastighets AB Taktäckaren, Fastighets AB Brogatan, Impluvium Tio AB, Aktiebolaget Farsta Centrum, Fastighetsaktiebolaget Blästern, Farsta Centrumledning Aktiebolag, Fastighets AB Mäster Mikael, Fastighetsaktiebolaget Celtica, Årstalunden Aktiebolag, Dragarbrunn 23:1 Fastighets AB, Grånby Centrum Aktiebolag, Mobilia Shopping Centre AB, AxCity Jakob 11 Fastighets AB, AxCity Fastighets AB, Atrium Ljungberg Stora Katrineberg AB, Dragarbrunn 23:3 Fastighets AB, AxRealEstate NordOst AB, Glasburken 1 Fastighets AB, AxReal Estate Sydost AB, Nedra Runby 1:57 Fastighets AB, Fatburstrappan Väst AB, Atrium Ljungberg Dimman AB, LjungbergGruppen Holding AB, LjungbergGruppen Svindersvik AB, LjungbergGruppen Fastighets AB TX31, AxCity Pilen 18 Fastighets AB, AxCity Vildmannen 10 AB, Castellum Rådhuset AB, AxCity Jordbromalm 3:3 AB, Sagax Konsumentvägen AB, Atrium Ljungberg Holding 2 AB, LjungbergGruppen Aktiebolag, Atrium Ljungberg Grånby Köpstad AB, Vrangelsro 5:4 Fastighets AB, Suhob Fastighets AB, Fastighetsaktiebolaget Stockholm Sporren 16, Gyllenblästern 6 AB, Mobilia Nord AB, Atrium Ljungberg Kista NOD AB, Atrium Ljungberg Holding 1 AB, Atrium Ljungberg Uddvägen AB, Atrium Ljungberg Sickla Station AB, Atrium Ljungberg Kyrkviken AB, Atrium Ljungberg Grånby Entré AB, Impluvium Tretton AB, Atrium Ljungberg Holding 3 AB, Immobilien Europa Direkt Rotundan AB, Igor Fastighets AB, Mittpunkten Fastighets AB, Atrium Ljungberg Planivägen AB, Atrium Ljungberg Hälsingegatan AB, Bryggmästaren Fastighets AB, Atrium Ljungberg S:t Eriksgatan AB, Orminge Handel AB, Atrium Ljungberg Resan AB, Atrium Ljungberg Skotten AB, Atrium Ljungberg Tomtmark AB, Torgvägen AB, Umeå Logistiken 3 Fastighets AB, Jakob Mindre 5 AB, Atrium Ljungberg Citadellet AB, Atrium Ljungberg M2 AB and Boksexan Fastighets AB. Board member and CEO of AxFast AB (publ). CEO of Atrium Ljungberg AB. Board member of Aktiebolaget FB-Sjön Komplementär and Balco Invest AB. Deputy board member of Ruter Consulting AB.
<b>Shareholding in the Company:</b>	5,000 shares.

**GRANT HEARN**

<i>Born 1958. Board member since 2014.</i>	
<b>Education:</b>	Diploma in Hotel and Tourism Management, Shannon College of Hotel Management, Ireland.
<b>Other current assignments:</b>	Chairman of the board of UKHospitality Ltd.
<b>Previous assignments:</b>	Chairman of the board of The Hotel Collection, Amaris Hospitality and Specialist Leisure Group. Board member of Poundland Plc. Director of Eudemon Ltd.
<b>Shareholding in the Company:</b>	3,000 shares.

**CHRISTOFFER LUNDSTRÖM**

<i>Born 1973. Board member since 2016.</i>	
<b>Education:</b>	Bachelor of Arts, Webster University and Hotel Management Diploma, HOSTA.
<b>Other current assignments:</b>	Chairman of the board of Aktiebolaget för Pantbelåning i Göteborg, AM Brands AB, Brooklands AB and Future Pawnbroker in Scandinavia AB. Board member and CEO of RCL Holding AB and Inter Leisure i Göteborg AB. Board member of KAYAB Aktiebolag, Feelgood Svenska Aktiebolag (publ), Harrys Pubar AB, NetEnt AB (publ), Collector AB, KL Capital Aktiebolag, Svenska Äldreboende Aktiebolag, StrategiQ Företagspartner AB, Katjing Göteborg Näset 132:3 AB, Katjing AB, L2 Sävenäs 747:209 AB, Tableflip Entertainment AB, Inter Leisure i Göteborg Invest AB and Collector Bank AB. Deputy board member of Reneé Boutique & Casino Aktiebolag, ECR Hospitality AB and Hotel Invest in Scandinavia AB.
<b>Previous assignments:</b>	Chairman of the board of Nystrand Förvaltning AB. Board member of StrategiQ Capital AB, Marincentralen i Lysekil AB, Provobis Invest AB, Rasta Group AB, Time to Performance Europe AB, Nystrand Förvaltning AB, KL Ventures AB, Boatmanager Näset AB, Boatmanager Mitab AB, Boatmanager Holding AB, L2 Shopping Centers Vinden AB, Samsa Stenung 3:331 AB, Pegroco Venture AB and Katjing Lysekil Södra Hamnen 1:123 AB.
<b>Shareholding in the Company:</b>	230,000 shares.



**SUSANNE MØRCH KOCH**

<i>Born 1973. Board member since 2019.</i>	
<b>Education:</b>	Master of Science in International Business Administration and Modern Languages from Copenhagen Business School.
<b>Other current assignments:</b>	CEO of Danske Spil A/S and Tivoli A/S. Board member of Coop Danmark A/S.
<b>Previous assignments:</b>	Chairman of the board of CEGO, Elite Gaming and DSB Kiosker. Deputy board member of Rejsekortet.
<b>Shareholding in the Company:</b>	Susanne Mørch Koch does not hold any shares in the Company.

**RIITA SAVONLAHTI**

<i>Born 1964. Board member since 2019.</i>	
<b>Education:</b>	Master of Science in Economics, University of Vaasa, Finland.
<b>Other current assignments:</b>	Member of Ilmarinens Supervisory Board.
<b>Previous assignments:</b>	Board member of Posti Group Oyj and Management Institute of Finland.
<b>Shareholding in the Company:</b>	Riita Savonlahti does not hold any shares in the Company.

**MARTIN SVALSTEDT**

<i>Born 1963. Board member since 2017.</i>	
<b>Education:</b>	Bachelor of Science in Business Administration and Law from the University of Karlstad, Sweden.
<b>Other current assignments:</b>	Chairman of the board of Gunnebo Aktiebolag, Ballingslöv International AB and Stena Renewable AB. Board member and CEO of Stena Adactum AB. Board member of Svedbergs i Dalstorp AB and Envac AB.
<b>Previous assignments:</b>	Chairman of the board of Meda Aktiebolag, Envac AB, MPP MediaTec Group AB and Stena Sessan Fastighets AB. Board member & CEO of Stena Sessan Investment Aktiebolag. CEO of Stena Sessan AB. Board member of Stena Sessan Uppsala AB, Flatås Byggnads Aktiebolag, Stena Sessan Nacka AB, Stena Sessan Slätta Damm AB, Sing-Song AB, Stena Sessan Kallebäck Smörgatan AB, Stena Sessan Sannegården AB, Stena Sessan Backa Brunnsbo Bostäder AB, Stena Sessan Backa Brunnsbo Parkering AB, Stena Sessan Kvilleled AB and Stena Sessan Fyrklövern AB.
<b>Shareholding in the Company:</b>	80,000 shares.

**FREDRIK WIRDENIUS**

<i>Born 1961. Board member since 2015.</i>	
<b>Education:</b>	Master of Science in Engineering, KTH Royal Institute of Technology, Stockholm, Sweden.
<b>Other current assignments:</b>	Chairman of the board of HällBo AB. Board member of AxFast AB (publ), Fredrik Wirdenius AB, 3E Entertainment AB, 3E Property AB and Kungsleden AB.
<b>Previous assignments:</b>	Chairman of the board of Fastighetsaktiebolaget Gesimsen Grön, Fastighets Aktiebolaget Bodega, NACKA STRAND FÖRVALTNINGS Aktiebolag, Vasakronan Uppsala City AB, Fastighetsaktiebolaget Luxor, Wihlborgs Nya Vattentornet 2 och 4 AB, Aktiebolaget Nepos, Uppsala Science City Aktiebolag, Fastighets AB Svava, Vasakronan Boländerna 7:4 AB, Mabrabo Aktiebolag, Ankarskrub 1 AB, Allmänna Pensionsfondens Fastighetsaktiebolag, Vasakronan Malmöfastigheter Aktiebolag, AP Fastigheter AB, Civitas Holding Aktiebolag, Vasakronan Fastigheter AB, Fastighetsaktiebolaget Gesimsen, Vasakronan IC Aktiebolag, Vasakronan Fastighetsutveckling AB, Järvatorget Aktiebolag, Position Stockholm AB, Fastighets AB Telefonfabriken, Vasakronan Vattenled AB, Vasakronan Holdingfastigheter Aktiebolag, AB Studentskrapan, Vasakronan Utvecklings AB, Brotorp Utvecklings AB, Vasakronan Ängen AB, Vasakronan Ankarspik 57 Aktiebolag, Vasakronan Ankarspik 56 AB, Vasakronan Jungmannen 1 AB, Vasakronan Kista Science Tower AB, Vasakronan Uppsalafastigheter AB, Agilia Förvaltnings AB, Vasakronan Markholding AB, Vasakronan Priorinnan 2 AB, Vasakronan Magasinet 1 AB, Vasakronan Bassängkajen AB, Kungspinnen I AB, Frösunda Hus III AB, Frösunda Hus II AB, Frösunda Hus I AB, Gothic AB, Vasakronan Trähus AB, Ullevi Park 1 i Göteborg AB, Ullevi Park Holding 1 i Göteborg AB, Vasakronan Ullevifastigheter AB, Vasakronan Ullevifastigheter Holding AB, Vasakronan Stapelbädden 3 AB, Vasakronan Kaninen 30 AB, Vasakronan Kaninen 32 AB, FSG Nitsew 3 AB, Vasakronan Hakberget AB, Ankarspik 41 AB, Tmpl Work AB, Vasakronan Hammarby Gård 12 AB, Fastighet 3 DPL 4 AB, Fastighet 4 DPL 4 AB, Vasakronan Starkströmmarna AB, Vasakronan Älgen AB, Vasakronan Ankarspik 47 AB, Vasakronan Nedo AB, Vasakronan Stockholmsstuten AB, Vasakronan Blåmannen AB, Hemsö Benzelius AB, Vasakronan Heden 22:19 AB, Vasakronan Inom Vallgraven 22:16 AB, Vasakronan Nordstaden 10:20 AB, Vasakronan Inom Vallgraven 20:14 AB, Råstaparkhallen AB, Vasakronan Skånegatan AB, Vasakronan Nordstaden 21:1 AB, Vasakronan Inom Vallgraven 22:3 AB, Vasakronan Diktaren 1 AB, Klövern Kungshörnet AB, Fastighets AB Teprot 1, Vasakronan Värtan Exploatering AB, Fastighets AB Teprot 5, Fastighets AB Teprot 6, Fastighets AB Teprot 3, Fastighets AB Teprot 4, Fastighets AB Teprot 2, Prim Property AB, Remulus Regndroppen 1 AB, Fastighets AB Uppfinnaren 1, Stena Fastigheter Knopen AB, Idun Real Estate Solutions AB, Stena Fastigheter Apotekaren AB, Ankarspik 100 AB, Vasakronan Magasin X AB, Stena Fastigheter Kultingen AB, Beyond Us AB, Telefonparken Mark 3 AB, Telefonparken Mark 1 AB, Telefonparken Mark 2 AB, Niam VI Neapel 3 AB, Oiger Boländerna 14:2 Aktiebolag, Norama Sandryggen AB, Fastighetsaktiebolaget Sthlm Diamant 11, Telefonparken Mark 4 AB, Telefonparken Mark 5 AB, Slussgården Sandbacken AB, Vasakronan Priorinnan 5 AB, Sigillet Skytten 2 AB, Vasakronan Hekla AB, Vasakronan Hekla Fastigheter AB, Ankarspik 115 AB, AB Platzer Gårda 18:24, Vasakronan Invest AB, Telefonplanbo AB and Einar Mattsson Telefonplan Holding AB. CEO of Vasakronan AB (publ). Board member of Kymlinge Utvecklings AB, Balder Sunstorm AB and Building Green in Sweden AB.
<b>Shareholding in the Company:</b>	3,134 shares.

**Employee representatives****MARIANNE SUNDELIUS**

<i>Marianne Sundelius has been a board member since 2017 as employee representative for Scandic. Marianne Sundelius represents The Hotel and Restaurant Workers' Union.</i>	
<b>Shareholding in the Company:</b>	Marianne Sundelius does not hold any shares in the Company.

**ANDREW DEREK ROUTH**

<i>Andrew Derek Routh has been a board member since 2017 as employee representative for Scandic. Andrew Derek Routh represents The Hotel and Restaurant Workers' Union.</i>	
<b>Shareholding in the Company:</b>	Andrew Derek Routh does not hold any shares in the Company.

## PROPOSED BOARD OF DIRECTORS

If the annual general meeting 15 June 2020 resolves in accordance with the proposal of the nomination committee, Scandic's board of directors will comprise six board members elected by the annual general meeting, including the chairman of the board of directors, for the time period until the annual general meeting 2021, and one employee representative appointed by an employee organization. The table below sets forth the members of the board of directors proposed by the nomination committee and the employee representative appointed by the employee organization, when they were first elected and whether they are considered to be independent of the Company and/or the major shareholders.

Name	Position	Member since	Independent of	
			The Company and executive management	The major shareholders
Per G. Braathen	Chairman	2007	Yes	Yes
Ingalill Berglund	Board member	2016	Yes	Yes
Grant Hearn	Board member	2014	Yes	Yes
Kristina Patek	Board member	Proposed	Yes	No
Martin Svalstedt	Board member	2017	Yes	No
Fredrik Wirdenius	Board member	2015	Yes	Yes
Marianne Sundelius	Employee representative	2017	No	Yes

For information regarding the chairman of the board of directors, Per G. Braathen, the board members Ingalill Berglund, Grant Hearn, Martin Svalstedt and Fredrik Wirdenius and the employee representative Marianne Sundelius, please see the information under the section "Current board of directors" above.

### KRISTINA PATEK

<i>Born 1969. Proposed board member.</i>	
<b>Education:</b>	Master of economics, Uppsala university.
<b>Other current assignments:</b>	Board member of Didner & Gerge Fonder.
<b>Previous assignments:</b>	–
<b>Shareholding in the Company:</b>	1,745 shares.

## EXECUTIVE MANAGEMENT

### JENS MATHIESEN

<i>Born 1969. President and CEO since 2019.</i>	
<b>Education:</b>	Shipping Broker, Transocean Shipping, Denmark.
<b>Other current assignments:</b>	Chairman of the board of Dansk Erhverv.
<b>Previous assignments:</b>	CEO of Fountain Scandinavia A/S.
<b>Shareholding in the Company:</b>	80,070 shares.

### NIKLAS ANGERGÅRD

<i>Born 1971. Chief Customer Officer since 2018.</i>	
<b>Education:</b>	Master of Science in Business Administration from Stockholm School of Economics.
<b>Other current assignments:</b>	
<b>Previous assignments:</b>	Board member of Sista versen 21119 AB.
<b>Shareholding in the Company:</b>	2,700 shares.

### SØREN FAERBER

<i>Born 1970. Head of Denmark since 2019.</i>	
<b>Education:</b>	Business diploma in Finance from Copenhagen Business School.
<b>Other current assignments:</b>	–
<b>Previous assignments:</b>	–
<b>Shareholding in the Company:</b>	8,331 shares.

**PETER JANGBRATT**

<i>Born 1967. Head of Sweden since 2015.</i>	
<b>Education:</b>	Education through Scandic Business School and Hilton.
<b>Other current assignments:</b>	Board member of Visita and Svenskt Näringsliv.
<b>Previous assignments:</b>	Board member and CEO of Rica Hotels AB and Hotell Hasselbacken AB.
<b>Shareholding in the Company:</b>	19,072 shares.

**JAN JOHANSSON**

<i>Born 1962. Chief Financial Officer since 2016.</i>	
<b>Education:</b>	Bachelor of Science in Economics from Uppsala University, Sweden.
<b>Other current assignments:</b>	–
<b>Previous assignments:</b>	Board member of Scandic Hotels Europe AB, Apoteksinformation AB, Apoteksbolaget AB, Rica Hotels AB, Miljömärkning Sverige AB, Apoteket International AB, Apoteket Farmaci AB, Apoteksakademien i Sverige AB, Snabboteket AB, Apoteket Svanen AB, FarmaciFamiljen Malmö AB and Hotell Hasselbacken AB.
<b>Shareholding in the Company:</b>	13,872 shares.

**AKI KÄYHKÖ**

<i>Born 1968. Head of Finland since 2012.</i>	
<b>Education:</b>	Bachelor of Business Administration in International Business and Management, Schiller International University, London.
<b>Other current assignments:</b>	Board member of the Finnish Hospitality Industry Association. Deputy board member Elo Mutual Pension Insurance Company.
<b>Previous assignments:</b>	Board member of Rototec Oy.
<b>Shareholding in the Company:</b>	16,191 shares.

**JAN LUNDBORG**

<i>Born 1962. Chief Commercial Optimization Officer since 2018.</i>	
<b>Education:</b>	Bachelor degree in Business Administration from Uppsala University, Sweden.
<b>Other current assignments:</b>	–
<b>Previous assignments:</b>	–
<b>Shareholding in the Company:</b>	9,577 shares.

**MICHEL SCHUTZBACH**

<i>Born 1961. Head of Europe since 2009.</i>	
<b>Education:</b>	Diploma from Hotels Management School, Glion, Switzerland, Language diploma from Ecole Lémania, Lausanne, Switzerland, Baccalaureat in modern languages, Freies Gymnasium, Basel, Switzerland.
<b>Other current assignments:</b>	–
<b>Previous assignments:</b>	–
<b>Shareholding in the Company:</b>	20,993 shares.

**SVEIN ARILD STEEN-MEVOLD**

<i>Born 1967. Chief Portfolio Officer since 2020.</i>	
<b>Education:</b>	Bachelor's in service management, Norwegian School of Hotel Management.
<b>Other current assignments:</b>	Chairman of the board of Scandic Gardermoen AS. Board member of Forum for Reiseliv, Guma Sport Ltd and Grand Hotel Driftsselskap AS, NHO, 3v3 Norge AS and Scandic Hotels AS.
<b>Previous assignments:</b>	–
<b>Shareholding in the Company:</b>	12,540 shares.

**ASLE PRESTEGARD**

<i>Born 1968. Acting Head of Norway since 2020.</i>	
<b>Education:</b>	Norwegian School of Hotel Management.
<b>Other current assignments:</b>	–
<b>Previous assignments:</b>	Board member of Visit Bergen.
<b>Shareholding in the Company:</b>	5,000 shares.

**OTHER INFORMATION ABOUT THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT**

There are no family ties between any of the members of the board of directors or executive management.

There are no conflicts of interest or potential conflicts of interest between the obligations of members of the board of directors and executive management of the Company and their private interests and/or other undertakings. No special agreement has been reached between major shareholders, customers, suppliers or other parties according to which any board member or senior executive has been elected to the current position.

During the last five years, none of the members of the board of directors or the members of the executive management have (i) been sentenced for fraud-related offences, (ii) represented a company which has been declared bankrupt or filed for liquidation, or been subject to administration under bankruptcy (including ongoing or any forthcoming procedures that the Company is aware of), (iii) been the subject to accusations and/or sanctions by any agency authorized by law or regulation (including approved professional organisations) or (iv) been prohibited by a court of law from being a member of any company's administrative, management

or supervisory body or from holding a senior or overarching position of any company.

All members of the board of directors and the members of the executive management are available through the Company's address: Box 6197, SE-102 33 Stockholm.

**AUDITOR**

PricewaterhouseCoopers AB has been the Company's auditor since 2012 and was, at the annual shareholders' meeting 2019, re-elected until the end of the annual shareholders' meeting 2020. Sofia Götmar-Blomstedt (born 1969) is the auditor in charge. Sofia Götmar-Blomstedt is an authorized public accountant and a member of FAR (professional institute for authorized public accountants). PricewaterhouseCoopers AB's office address is Torsgatan 21, SE-113 97 Stockholm. Sofia Götmar-Blomstedt has been auditor throughout the entire period which the historic financial information in the Prospectus covers.

# SHARE CAPITAL AND OWNERSHIP STRUCTURE

## GENERAL INFORMATION

Pursuant to the Company's articles of association, the Company's share capital may not be less than SEK 12,500,000 and not more than SEK 50,000,000, and the number of shares may not be less than 50,000,000 and not more than 200,000,000. As of 31 December 2019, Scandic's registered share capital amounted to SEK 25,746,268.75, divided on 102,985,075 shares. There has been no change in the number of shares since 31 December 2019 until the date of the Prospectus. The shares are denominated in SEK and the quota value of each share is SEK 0.25. The company has only one outstanding class of shares.

The shares in Scandic have been issued pursuant to Swedish law. All issued shares have been fully paid and are freely transferrable.

As far as the board of directors is aware, there are no shareholder agreements or other agreements between the Company's shareholders aimed at exercising joint control over the Company. As far as the board of directors is aware, there are no further agreements or similar arrangements that may result in any changes in the control over the Company.

## THE RIGHTS ISSUE

The Rights Issue will, if fully subscribed, result in an increase of the number of shares in Scandic from 102,985,075 shares up to 191,257,993 shares, representing an increase of up to approximately 86 percent.

### Dilution

Shareholders who choose to not participate in the Rights Issue will have their ownership diluted by up to approximately 46 percent by the issuance of up to 88,272,918 new shares (corresponding to an increase in the number of shares of up to approximately 86 percent).

### Net asset value

The table below sets forth the net asset value per share before and after the Rights Issue, respectively, based on equity as of 31 March 2020 and the maximum number of shares that may be issued in the Rights Issue. The subscription price in the Rights Issue is SEK 20 per new share.

	Before the Rights Issue (as of 31 March 2020)	After the Rights Issue
Equity <sup>1)</sup> , MSEK	2,599	4,365 <sup>2)</sup>
Number of shares	102,985,075	191,257,993
<b>Net asset value per share, SEK</b>	<b>25.2</b>	<b>22.8</b>

<sup>1)</sup> Refers to the Group's equity (including minority interests).

<sup>2)</sup> Refers to the Group's equity as of 31 March 2020 increased with the issue proceeds before deduction of proceed costs.

## CERTAIN RIGHTS ASSOCIATED WITH THE SHARES

The offered shares are all of the same class. The rights associated with the shares issued by the Company, including those pursuant to the articles of association, can only be amended in accordance with the procedures set out in the Swedish Companies Act (2005:551).

### Voting rights

Each share in the Company entitles the holder to one vote at shareholders' meetings and each shareholder is entitled to cast votes equal in number to the number of shares held by the shareholder in the Company.

### Preferential rights to new shares etc.

If the Company issues new shares, warrants or convertibles in a cash issue or a set-off issue, shareholders shall, as a general rule, have preferential rights to subscribe for such securities proportionally to the number of shares held prior to the issue.

### Rights to dividends and balances in case of liquidation

All shares in the Company give equal rights to dividends and the Company's assets and possible surpluses in the event of liquidation.

Resolutions regarding dividend are passed by shareholders' meetings. All shareholders registered as shareholders in the share register maintained by Euroclear Sweden on the record date adopted by the shareholders' meeting shall be entitled to receive dividends. Dividends are normally distributed to shareholders as a cash payment per share through Euroclear Sweden, but may also be paid out in a manner other than cash (in-kind dividend). If shareholders cannot be reached through Euroclear Sweden, such shareholder still retains its claim on the Company to the dividend amount, subject to a statutory limitation of ten years. Upon the expiry of the period of limitations, the dividend amount shall pass to the company.

Neither the Swedish Companies Act nor Scandic's Articles of Association contains restrictions on dividends to shareholders outside Sweden. Subject to any restrictions imposed by banks or clearing systems in relevant jurisdictions, payments to such shareholders are made in the same manner as for shareholders resident in Sweden.

The tax legislation in Sweden and in the shareholder's home country may affect the income received from any dividend. Please refer to "Terms and conditions – important tax information".

### Information regarding takeover offers and redemption of minority shares

Pursuant to the Swedish Stock Market (Takeover Bids) Act (Sw. *lagen (2006:451) om offentliga uppköpserbjudanden*) anyone who don't hold any shares, or hold shares representing less than three tenths of the number of votes of all shares in a Swedish limited liability company whose shares are admitted to trading on a regulated market (the "Target"), and through acquisition of shares in the Target, alone or together with a related party, reach a shareholding representing at least three tenths of the number of votes of all shares in the Target, immediately disclose the size of his or her shareholding in the Target and, within four weeks thereafter, make a takeover offer for the remaining shares in the Target (mandatory offering).

A shareholder who solely or through subsidiaries holds more than 90 percent of the shares in a Swedish limited liability company (the "Majority Shareholder") has the right to call for redemption of the remaining shares in the Target. Owners of the remaining shares (the "Minority Shareholders") has a corresponding right to have their share subject to redemption from the Majority Shareholder. The procedure for the

redemption of the Minority Shareholders shares is further regulated in the Swedish Companies Act (2005:551).

The offered shares in Scandic are not subject to a mandatory offering, redemption rights or sell-out obligation. No public takeover bid has been made for the offered shares during the current or preceding financial year.

### CENTRAL SECURITIES REGISTER

The Company's shares are registered in a CSD register in accordance with the Swedish Central Securities Depositories and Financial Instruments Accounts Act (1998:1479). This register is managed by Euroclear Sweden AB, Box 191, SE-101 23 Stockholm. No share certificates have been issued for the Company's shares. The account operator is Svenska Handelsbanken AB (publ). The ISIN-code for the shares is SE0007640156.

### CONVERTIBLES, WARRANTS, ETC.

Subject to what is stated below under "– Incentive programmes" there are no outstanding warrants, convertibles or other share-related instruments issued by Company.

### INCENTIVE PROGRAMMES

Since the IPO in 2015 the annual shareholders' meeting has annually resolved to launch a share-based long-term incentive programme. The Company's long term incentive programmes enables participants to receive matching shares and performance shares, provided they make their own investments in shares or allocate shares already held to the program.

For each such savings share, the participants in the long term incentive programme resolved on at the annual shareholders' meeting 2017 ("LTIP 2017"), at the annual shareholders' meeting 2018 ("LTIP 2018") and at the annual shareholders' meeting 2019 ("LTIP 2019") may, free of charge, be assigned matching shares, where 50 percent are subject to the meeting of a requirement related to the total return on the Company's shares (TSR) and 50 percent are free of charge. In addition, the participants may receive a number of performance shares, free of consideration, depending on the extent to which certain performance criteria adopted by the board of directors are met for which criteria are related to EBITDA, cash flow and RGI (Revenue Generation Index = RevPAR in relation to the RevPAR of the competition group) for the financial years 2017–2019 (LTIP 2017). For LTIP 2018 and LTIP 2019 the performance conditions are connected to EBITDA and cash flow. Matching shares and performance shares will be allotted after the end of a vesting period, which runs until the date of publication of Scandic's interim report for the first quarter of 2020, the first quarter of 2021 and the first quarter of 2022 respectively, subject to the participant remaining a permanent employee within the Group and retaining the savings shares.

The expected financial exposure to shares that may be allotted under LTIP 2017, LTIP 2018 and LTIP 2019 and the delivery of shares to the participants has been hedged by Scandic's entering into a share swap agreement with a third party on market terms. As of 31 December 2019, the total amount of share that may be allotted under LTIP 2017, 2018 and 2019 amounts to 614,867 shares, for further information kindly refer to note 6 in the annual & sustainability report for the financial year 2019.

### OWNERSHIP STRUCTURE

As of 31 March 2020, Scandic had approximately 32,000 shareholders. A summary of the Company's ownership structure as of 31 March 2020, and thereafter known changes, is presented below. As far as the Company is aware, there is no known direct or indirect ownership of the Company that may lead to changed control of the Company.

#### LARGEST SHAREHOLDERS AS OF THE DATE OF THE PROSPECTUS

Shareholder	Number of shares	Shares (%)	Votes (%)
Stena	20,447,735	19.9	19.9
AMF Försäkring & Fonder	17,343,112	16.8	16.8
Swedbank Robur Fonder	5,895,502	5.7	5.7
Handelsbanken Fonder AB	5,494,013	5.3	5.3
Formica Capital AB	5,410,000	5.3	5.3
Periscopos AS	5,138,955	5.0	5.0

### DIVIDEND POLICY

In accordance with the dividend policy adopted by the board of directors 14 September 2015, Scandic aims to distribute at least 50 percent of the net profit with start from the financial year 2016. Decisions regarding dividend proposals are made with regard to the Company's future earnings, financial position, capital requirements and macroeconomic conditions. There is no guarantee that a dividend for a given financial year will be proposed or decided upon.

#### 11.8.1 Historical dividends

SEK	2019 <sup>1)</sup>	2018	2017	2016
Dividend per share	–	3.50	3.40	3.15

<sup>1)</sup> At an extra board meeting on March 16 2020, Scandic's board of directors decided to withdraw the previous dividend proposal to the annual general meeting of SEK 3.70 per share, as a result of COVID-19 and the greatly deteriorated business situation.

# LEGAL CONSIDERATIONS AND SUPPLEMENTARY INFORMATION

## APPROVAL OF THE PROSPECTUS

The prospectus has been approved by the SFSA, as the competent authority in accordance with Regulation (EU) 2017/1129, the SFSA approves the Prospectus only to the extent that it meets the requirements for completeness, comprehensibility and consistency as set out in Regulation (EU) 2017/1129. This approval shall not be regarded as any kind of support for the issuer referred to in the Prospectus. This approval should also not be regarded as any kind of support for the quality of the securities referred to in the Prospectus and investors should make their own assessment of whether it is appropriate to invest in these securities. The Prospectus has been prepared as a simplified prospectus in accordance with Article 14 of Regulation (EU) 2017/1129.

The Prospectus was approved by the SFSA on 1 June 2020. The period of validity of the Prospectus expires on 1 June 2021. The obligation to provide supplements to the Prospectus if new circumstances of significance, material errors or material inaccuracies occur, will not apply when the Prospectus is no longer valid.

## GENERAL CORPORATE AND GROUP INFORMATION

The legal name of the company, and its commercial name, is Scandic Hotels Group AB (publ). Scandic's registration number is 556703-1702 and the registered office of the board of directors is situated in Stockholm's municipality, Sweden. The Company was founded in Sweden on 27 March 2006 and was registered with the Swedish Companies registration Office on 3 May 2006. The Company is a Swedish public limited liability company and its business is conducted in accordance with the Swedish Companies Act (2005:551). Scandic's LEI-code is 529900JY9ZBGUXGRKQ86. The Scandic share is, since 2 December 2015, listed on Nasdaq Stockholm. The share is traded on Nasdaq Stockholm under the ticker SHOT. The webpage of the Company is [www.scandichotelsgroup.com](http://www.scandichotelsgroup.com). The information on the webpage does not constitute a part of the Prospectus.

## MATERIAL AGREEMENTS

The material agreements (exempting the agreements entered into as a part of the ordinary course of business) of the Company or its subsidiaries which has been entered into during the two years preceding the publication of the Prospectus is presented below, including a summary of other agreements (which have not been entered into as a part of the ordinary course of business) which either Scandic or its subsidiaries have entered into which contains rights or obligations that, at the time of the publication of the Prospectus, is of material significance for the Group.

### Financial arrangements

As of the date of the Prospectus Scandic's debt financing mainly consists of credit facilities, commercial papers and financial leases.

#### *Credit facilities and commercial papers*

On 22 June 2017, Scandic entered into a facilities agreement of SEK 5,000 million and on 15 February 2018, an addition to the facilities agreement was agreed upon, which extended the total facilities limit by SEK 500 million. As of December 2018, the addition is included in the ordinary facilities agreement, which thus amounts to SEK 5,500 million and which is valid until 22 June 2022 (the "**Existing Facilities**

**Agreement**"). The Existing Facilities Agreement consists of (i) a term loan facility of SEK 1,500 million with a 5-year maturity and (ii) a revolving credit facility in several currencies of SEK 4,000 million in total with a 5-year maturity (the "**Existing Revolving Credit Facility**"). On 20 May 2020, Scandic entered into a new facilities agreement of SEK 1,400 million (the "**New Facilities Agreement**" and together with the Existing Facilities Agreement, the "**Facilities Agreements**"), which are valid until 31 December 2021. The New Facilities Agreement consists of (i) a revolving credit facility of SEK 250 million with maturity to the earlier of the completion of the Rights Issue or 15 July 2020 (the "**Short-Term Revolving Credit Facility**") and (ii) a revolving credit facility in several currencies of SEK 1,150 million in total with maturity to 31 December 2021 (the "**New Revolving Credit Facility**"). Interest is paid under the Facilities Agreements on term loans and revolving loans with base interest (for example, STIBOR for loans in SEK) +1.00 to 4.50 percentage points. Except for loans under the Short-Term Revolving Credit Facility which has a fixed margin of 1 percentage point, the margin for all loans within the range is dependent on the Company's indebtedness.

The terms and conditions of the loans require that the following financial metrics be within certain thresholds up to and including 30 September 2021: adjusted EBITDA and liquid assets. The terms and conditions in the Existing Facilities Agreement require that the following key ratios (financial covenants) be within certain thresholds after 30 September 2021: interest coverage and net debt in relation to adjusted EBITDA. The Facilities Agreements contain restrictions on Scandic's ability to pay dividends depending on the Company's indebtedness and other customary conditions. Scandic's obligations under the Facilities Agreements are guaranteed and secured by (i) collaterals from Scandic Hotels Holding AB, Scandic Hotels AB, Scandic Hotels Oy, Scandic Hotels Holding A/S, Scandic Hotel A/S and Scandic Hotels AS, (ii) a pledge of the shares in Scandic Hotels Holding AB and (iii) a pledge of certain internal loans provided by Scandic to the companies that provided the collaterals under the Facilities Agreements.

With the unused part of the Existing Revolving Credit Facility as a backup, a SEK 2,000 million commercial paper program was established. As of 31 March 2020, the Group had SEK 19 million in cash and cash equivalents.

#### *Financial leasing*

As of 1 January 2019, the Group applies IFRS 16 Leases. The new accounting principle means that lease agreements with fixed or minimum rent are recognized in the balance sheet as a right-of-use asset and a finance lease liability. IFRS 16 has a major impact on Scandic's income statement and balance sheet. Reported EBITDA increases as the cost of leases falls while depreciation of right-of-use assets and interest expenses for the finance lease liability grow. With the portfolio of lease agreements as of 31 December 2019, net profit after tax for 2020 is expected to be negatively affected by approximately SEK 180 million (217). The portfolio of finance lease agreements and unchanged assumptions, the negative effect on results is expected to diminish over time and affect the net result positively from 2026. The reason for this is that interest costs related to the finance lease debt is reduced over time.



## SUBSCRIPTION AND UNDERWRITING COMMITMENTS

### Subscription and lock-up commitments

The Company's shareholders, Stena, owner of 19.9 percent of the number of shares and votes in Scandic as of 31 March 2020, AMF Pensionsförsäkring, owner of 16.5 percent of the number of shares and votes in Scandic as of 31 March 2020, and Formica Capital, owner of 5.3 percent of the number of shares and votes in Scandic as of 31 March 2020, has undertaken to subscribe for new shares corresponding to their pro rata share of the Rights Issue in the Company, i.e. new shares corresponding to their shareholding in the Company, 41.6 percent in total (the "**Subscription Commitments**").

Stena, AMF Pensionsförsäkring and Formica Capital have, in addition, committed to not sell or otherwise dispose of their respective holdings in the Company during a certain period, a so-called lock-up commitment. These commitments comprise the period up to and including two (2) weeks from the date that the outcome of the Rights Issue is announced.

In addition, AMF Pensionsförsäkring has, in addition to its Subscription Commitment, undertaken, subject to customary conditions, to subscribe for shares to a value of an additional SEK 500 million in the Rights Issue, corresponding to 28.3 percent of the Rights Issue, (the "**Extended Subscription Commitment**"), subject to AMF Pensionsförsäkring not becoming an owner of more than 29.9 percent of the shares in the Company after completion of the Rights Issue, calculated including any holdings of other entities within the group in which AMF Pensionsförsäkring is included, (the "**AMF Ownership Limit**"). The Subscription Commitments and the Extended Subscription Commitment amounts to a maximum of 69.9 per cent of the Rights Issue. For the Extended Subscription Commitment, the Company will pay a fee up to an amount equivalent to 1.13 percent of the Extended Subscription Commitment.

### Underwriting commitments

DNB Markets and Goldman Sachs International have, in equal proportion, underwritten the share of the Rights Issue that is not covered by the Subscription Commitment and the Extended Subscription Commitment up to an amount of approximately SEK 530,754,480 in total, which constitutes approximately 30.1 percent of the Rights Issue (each an "**Underwriting Commitment**"). If, AMF's Ownership Limit results in AMF Pensionsförsäkring not subscribing for shares to a value of SEK 500 million in the Rights Issue, the Underwriting Commitments of DNB Markets and Goldman Sachs International increases from SEK 530,754,480 in total to an amount corresponding up to 45 percent of the Rights Issue. For these Underwriting Commitments, the Company will pay a fee up to an amount corresponding to 1.13 percent of the respective Underwriting Commitment. Compensation for the Underwriting Commitments and the Extended Subscription Commitment amount to approximately SEK 12 million in total. In addition, the Company will compensate DNB Markets and Goldman Sachs International for costs of legal advisers and other expenses arising in relation to the Rights Issue. The underwriting agreement between the Company, DNB Markets and Goldman Sachs International was entered into on 25 May 2020. Allotment of shares subscribed for in accordance with an Underwriting Commitment will be made in accordance with the principles described in "*Allotment of new shares subscribed for without subscription rights*" under the section "*Terms and Conditions*".

The Company has provided customary warranties and indemnities for DNB Markets and Goldman Sachs International's respective Underwriting Commitment, subject to customary terms and conditions. The Underwriting Commitments are further subject to Stena, AMF Pensionsförsäkring and Formica Capital, who as described above have committed to exercise their pre-emption right in the Rights Issue, fulfilling

their Subscription Commitment and, as regards AMF Pensionsförsäkring, the Extended Subscription Commitment (within the AMF Ownership Limit) by the date on which the Company announces the final results of the Rights Issue at the latest. DNB Markets and Goldman Sachs International's Underwriting Commitments are, in addition, subject to customary termination provisions whereby they, respectively, are entitled to terminate the agreement with the Company and thus refrain from fulfilling the Underwriting Commitments if the Company breaches the terms of the underwriting agreement or if the conditions set for the Underwriting Commitments are not met. The Company has also subject to customary conditions, undertaken not to carry out a capital increase, issue or similar action, sell shares or certain equity-related instruments, conduct a transaction with derivative or synthetic instruments or other similar measures, which would result in the transfer of economic rights associated with the shares (with some exceptions), without the prior written consent of DNB Markets and Goldman Sachs International during a period of 180 days from the day of the Underwriting Commitments.

DNB Markets and Goldman Sachs International have entered into Underwriting Commitments and together the Subscription Commitments, the Extended Subscription Commitment and the Underwriting Commitments amount to 100 percent of the Rights Issue.

### Non-secured commitments

The Subscription Commitments, the Extended Subscription Commitment and the Underwriting Commitments are not secured. Consequently, there is a risk that one or more parties will not be able to fulfil its commitment, in whole or in part. See further "*Unsecured subscription and underwriting commitments*" under the section "*Risk factors*".

### Total commitments

Altogether, the Subscription Commitments, the Extended Subscription Commitment and the Underwriting Commitments amount to 100 percent of the Rights Issue.

## AUTHORITY PROCEDURES AND DISPUTES

In addition to the processes mentioned below Scandic is not, and has not been, involved in any litigations or governmental procedures (including any procedure not yet decided and procedures the Company believe could occur) during the last twelve months, which have had or could have had a considerable effect on the financial position or profitability of Scandic.

On 19 October 2017, Scandic announced that the Finnish Tax Administration had decided that the Finnish branch of Scandic is subject to supplementary taxation for the years 2007-2017. Scandic appealed the decision and on 9 April 2020 Scandic announced that the Administrative Court in Finland had rejected Scandic's appeal regarding the supplementary taxation. The supplementary tax corresponds to about SEK 400 million, which is marginally lower than what the Company has already paid to the Finnish Tax Administration. Scandic will appeal the Administrative Court's verdict to the Supreme Administrative Court in Finland.

## RELATED PARTY TRANSACTIONS

There have been no related party transactions that, solely or in total, are significant for Scandic during the period from 31 March 2020 until the date of the Prospectus.

For further information regarding related party transactions, please refer to page 23 in the interim report for the period January-March 2020 and note 32 in Scandic's annual report for the financial year 2019 and, as regards members of the executive management and the board of directors, note 06.

## SUMMARY OF INFORMATION ANNOUNCED IN ACCORDANCE WITH MAR

The information that Scandic during the past 12 months has announced in accordance with the Market Abuse Regulation (596/2014) (“MAR”) and that is relevant as of the date of the Prospectus is set forth below.

### Financial reports

- On 19 July 2019, Scandic published its interim report for the period January-June 2019.
- On 24 October 2019, Scandic published its interim report for the period January-September 2019.
- On 18 February 2020, Scandic published its year-end report for 2019.
- On 20 May 2020, Scandic published its interim report for the period January-March 2020.

### New hotel brand

- On 18 February 2020, Scandic published the launch of “Scandic GO”, a new hotel brand that offers a playful, slimmer hotel concept within the growing economy segment.

### Impact of COVID-19

- On 9 March 2020, Scandic published that Scandic revises the sales forecast for the first quarter due to the spread of COVID-19.
- On 12 March 2020, Scandic published a continuing worsening of the business situation due to COVID-19 and gave notice of termination.
- On 16 March 2020, Scandic published that Scandic’s board of directors proposed to cancel dividend for 2019 in order to improve the financial position.
- On 23 March 2020, Scandic published that Scandic is adapting operations to a temporary period of significantly lower occupancy.
- On 9 April 2020, Scandic published an update on the financial development and the extensive cost-saving measures being made.

### Rights Issue and New Facilities Agreement

- On 29 April 2020, Scandic published its intent to implement the Rights Issue with preferential right for the Company’s shareholders of approximately SEK 1,750 million before deduction of transaction costs and to enter into a New Facilities Agreement, including a New Revolving Credit Facility of SEK 1.15 billion.
- On 25 May 2020, Scandic published the terms and conditions for the Rights Issue, including subscription price and subscription ratio.

### ADVISERS ETC.

Scandic’s advisers in relation to the Rights Issue are DNB Markets, Handelsbanken Capital Markets and Nordea (and their affiliates) and the Joint Financial Advisers have acted as financial advisors to Scandic in respect of the Company’s financings options, and who have provided, and may in the future provide, financial advice and other services to Scandic for which they have, and may respectively be, compensated. DNB Sweden AB, Svenska Handelsbanken AB (publ) and Nordea, and their affiliates, have in addition, provided and/or intermediated granted loans to Scandic,

including the Short-Term Revolving Credit Facility, which is intended to be repaid with, *inter alia*, the net issue proceeds.

Advokatfirman Vinge KB has been legal counsel in connection with the Rights Issue.

### DOCUMENTS INCORPORATED BY REFERENCE

Scandic’s financial reports for the financial year 2018 and 2019 and for the period 1 January–31 March 2020 are incorporated by reference and consequently constitutes a part of the Prospectus and should be read as a part thereof. These financial reports are found in Scandic’s annual consolidated report for the financial year 2018 and Scandic’s annual consolidated report for the financial year 2019 and Scandic’s interim report for the period 1 January–31 March 2020, with references as follows:

- **Annual report 2018:** administrative report (p. 72–77), the consolidated income statement (p. 94), the consolidated statement of comprehensive income (p. 94), the consolidated balance sheet (p. 95), the consolidated cash flow statement (p. 96), the consolidated changes in equity (p. 97), the notes (p. 102-127), and the auditor’s report (p. 130–133).
- **Annual report 2019:** administrative report (p. 78–83), the consolidated income statement (p. 100), the consolidated statement of comprehensive income (p. 100), the consolidated balance sheet (p. 101), the consolidated cash flow statement (p. 102), the consolidated changes in equity (p. 103), the notes (p. 108–133), and the auditor’s report (p. 136-139).
- **Interim report 1 January–31 March 2020:** the consolidated income statement (p. 17), the consolidated statement of comprehensive income (p. 18), the consolidated balance sheet (p. 18), the consolidated cash flow statement (p. 20), the consolidated changes in equity (p. 19), and the notes (p. 23–27), and the auditor’s report (p. 29).

The consolidated annual report for 2018 and 2019 has been audited by the Group’s auditor. The Group’s interim report for the period 1 January-31 March 2020 has been reviewed by the Group’s auditor. Other information in the Prospectus has not been audited by an auditor if not otherwise stated. The parts of each financial report that to which no reference is made contains information included in other parts of the Prospectus or that is not considered relevant for investors in relation to the Rights Issue. The documents incorporated by reference are available on Scandic’s website throughout the validity period of the Prospectus, [www.https://www.scandichotelsgroup.com/investors/financial-reports/](https://www.scandichotelsgroup.com/investors/financial-reports/). Apart from the information that is incorporated in the Prospectus by references, the information on Scandic’s website, or any other specified website, is not included in the Prospectus and has not been reviewed or approved by the competent authority.

### DOCUMENTS AVAILABLE FOR INSPECTION

Scandic’s articles of association and certificate of registration is electronically available on Scandic’s website ([www.scandichotelsgroup.com/sv/bolagsstyrning/bolagsordning/](http://www.scandichotelsgroup.com/sv/bolagsstyrning/bolagsordning/)).

# SELLING AND TRANSFER RESTRICTIONS

## SELLING RESTRICTIONS

Other than with respect to the admission to listing, trading and/or quotation by the Nasdaq Stockholm exchange, no action has been or will be taken in any country or jurisdiction by the Company or the Underwriters that would permit a public offering of the new shares, or possession or distribution of the Prospectus or any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands the Prospectus comes are required by the Company and the parties who have undertaken an Underwriting Commitment to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver the new shares or have in their possession or distribute the Prospectus or such other offering material, in all cases at their own expense.

## UNITED STATES

The subscription rights and the new shares have not been and will not be registered under the Securities Act and may not be offered or sold within the United States. The subscription rights and the new shares will be offered and sold only outside the United States in accordance with Rule 903 of Regulation S under the Securities Act. Notwithstanding the foregoing, independently from and without the participation of the Underwriters, the Company may allow existing shareholders in the United States who are qualified institutional buyers as defined in Rule 144A under the Securities Act to exercise their subscription rights in reliance on exemptions provided for private placements under Section 4(a)(2) of the Securities Act.

In addition, until the expiration of the period beginning 40 days after the commencement of the global offering, an offer or sale of subscription rights or new shares within the United States by a broker-dealer (whether or not it is participating in the Rights Issue or the global offering) may violate the registration requirements of the Securities Act.

## TRANSFER RESTRICTIONS

Each holder of subscription rights or new shares, by accepting delivery of the Prospectus, will be deemed to have represented, agreed and acknowledged that, among other things (terms used in this paragraph that are defined under Regulation S under the Securities Act ("**Regulation S**") are used herein as defined therein):

1. It is, and at the time of any exercise by it of subscription rights will be, outside the United States and is exercising such subscription rights in an "offshore transaction" (and not in a pre-arranged transaction resulting in the resale of such subscription rights or new shares into the United States).
2. It understands and acknowledges that neither the subscription rights nor any new shares issuable upon exercise of the subscription rights have been or will be registered under the Securities Act, and that they may not be offered, sold or exercised, directly or indirectly, in the United States, other than in accordance with paragraph 5 below.
3. It understands that the subscription rights may only be transferred, assigned or resold outside the United States in reliance on Regulation S under the Securities Act.
4. It is acquiring the new shares as principal for its own account or for the account of one or more other persons who are outside the United States and exercising such rights in an "offshore transaction" for which it is acting as duly authorised fiduciary or agent with sole investment discretion with respect to each such account and with full authority to make the acknowledgments, representations and agreements herein with respect to each such account, in each case for investment and not with a view to distribute and resell such new shares.
5. It understands and agrees that if in the future it decides to offer, sell, deliver, hypothecate or otherwise transfer any subscription rights or new shares issued upon the exercise of subscription rights, it and such other persons will do so only (i) pursuant to an effective registration statement under the Securities Act, (ii) outside the United States pursuant to Rule 904 under Regulation S under the Securities Act in an "offshore transaction" (and not in a pre-arranged transaction resulting in the resale of such subscription rights or new shares into the United States) or (iii) in the case of new shares issued upon the exercise of subscription rights, in accordance with Rule 144 or another available exemption under the Securities Act or any other securities laws and, in each case, in accordance with any applicable securities laws of any state or territory of the United States and of any other jurisdiction. It understands that no representation can be made as to the availability of any exemption under the Securities Act or any other securities laws for the resale of the new shares.
6. It understands that an investment in the new shares involves certain risks, including the risk of loss of all or a substantial part of its investment. It has received a copy of the Prospectus and has had access to such financial and other information concerning the Company as it has deemed necessary in connection with making its own investment decision to purchase or exercise subscription rights. It acknowledges that neither the Company nor the Underwriters nor any person representing the Company or the Underwriters has made any representation to it with respect to the Company or the offering or sale or exercise of any subscription rights (or new shares issuable upon the exercise of subscription rights) other than as set forth in the Prospectus which has been delivered to it, and upon which it is relying solely in making its investment decision with respect to the subscription rights and such new shares. It has held and will hold any offering materials, including the Prospectus, it receives directly or indirectly from the Company or the Underwriters in confidence, and it understands that any such information received by it is solely for it and not to be redistributed or duplicated by it. It acknowledges that it has read and agreed to the matters stated in the section entitled "*Selling and transfer restrictions*" in the Prospectus.

7. It, and each other person, if any, for whose account it is acquiring subscription rights or new shares, in the normal course of business, invests in or purchases securities similar to the subscription rights and the new shares issuable upon the exercise of subscription rights, has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of purchasing any of the subscription rights and such new shares and is aware that it must bear the economic risk of an investment in each subscription right and any new share into which such subscription right may be exercised for an indefinite period of time and is able to bear such risk for an indefinite period.
8. It understands and acknowledges that the Company, the Underwriters and each of their respective affiliates and agents, and others, will rely upon the truth and accuracy of the foregoing representations, warranties, acknowledgements and agreements.

In addition, each person exercising subscription rights or otherwise subscribing for new shares offered hereby will be deemed to have acknowledged and agreed that:

- (a) it is relying on the Prospectus in conducting its examination of the Company and the terms of the Rights Issue, including the merits and risks involved, and in making an investment decision regarding the subscription rights or new shares; and
- (b) no person is authorized to give any information or make any representations other than those contained in the Prospectus and, if given or made, such information or representations will not be relied upon as having been authorized by the Company or the Underwriters, nor will the Company or the Underwriters have any liability or responsibility therefore.

# DEFINITIONS

<b>AMF Pensionsförsäkring</b>	AMF Pensionsförsäkring AB, SE-113 88 Stockholm.
<b>BTA</b>	Paid subscribed shares.
<b>DNB Markets</b>	DNB Markets, part of DNB Bank ASA, Sweden branch, 105 88 Stockholm.
<b>EUR</b>	Euro.
<b>Euroclear Sweden</b>	Euroclear Sweden AB.
<b>Formica Capital</b>	Formica Capital AB, Box 7024, SE-402 31 Göteborg.
<b>Goldman Sachs International</b>	Goldman Sachs International, Plumtree Court, 25 Shoe Lane, London EC4A 4AU, United Kingdom.
<b>Handelsbanken Capital Markets</b>	Handelsbanken Capital Markets, part of Svenska Handelsbanken AB (publ).
<b>Joint Bookrunners</b>	DNB Markets, Goldman Sachs International, Nordea and Handelsbanken Capital Markets.
<b>Joint Financial Advisers</b>	DNB Markets, Goldman Sachs International, Nordea and Handelsbanken Capital Markets.
<b>Joint Global Coordinators</b>	DNB Markets and Goldman Sachs International.
<b>The Short-Term Revolving Credit Facility</b>	The revolving credit facility of SEK 250 million with maturity to the earliest of the Rights Issue's completion and 15 July 2020, made available under the New Facilities Agreement.
<b>The Facilities Agreements</b>	The Existing Facilities Agreement together with the New Facilities Agreement.
<b>Nasdaq Stockholm</b>	The regulated market operated by Nasdaq Stockholm AB.
<b>Nordea</b>	Nordea Bank Abp, filial i Sverige.
<b>The New Facilities Agreement</b>	The facilities agreement of SEK 1,400 million, which include the Short-Term Revolving Credit Facility and the New Revolving Credit Facility that Scandic entered into on 20 May 2020 and which is valid until 31 December 2021.
<b>The New Revolving Credit Facility</b>	The revolving credit facility in several currencies of SEK 1,150 million in total with maturity until 31 December 2021, made available under the New Facilities Agreement.
<b>Scandic, the Company or the Group</b>	Scandic Hotels Group AB (publ), the group in which Scandic is the parent company of, or a subsidiary of the Group, as the context may require.
<b>Securities Act</b>	The United States Securities Act of 1933, as amended.
<b>SEK</b>	Swedish krona.
<b>Stena</b>	Stena Sessan AB, Box 2182, SE-403 13 Göteborg.
<b>The Prospectus</b>	This Prospectus.
<b>Prospektförordningen</b>	Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC.
<b>USD</b>	US dollar.

# ADDRESSES

## THE COMPANY

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## AUDITOR

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**Scandic**