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Scandic

PRESS RELEASE

April 29, 2020

Scandic decides on a rights issue of approximately SEK 1.75billion and agrees on a SEK 1.15billion credit facility

Scandic Hotels Group AB (publ) (“Scandic” or the “Company”) is taking a comprehensive set of initiatives to strengthen its capital structure and liquidity position, in addition to the significant cost saving and cash flow management measures already announced. These initiatives are designed to help the company sustain a period of extremely low occupancy and further strengthen its competitive position as the leading and responsible Nordic hotel company in the longer term.

The Board of Directors of Scandic has today decided on a rights issue (the “Rights Issue”) of approximately SEK 1.75bn before transaction costs. The Rights Issue has strong support from the Company’s largest shareholders and is subject to approval by an extraordinary general meeting (the “EGM”). The Rights Issue is further supported by DNB and Goldman Sachs International as underwriting banks, subject to customary conditions.

In addition, Scandic has today agreed a new SEK 1.15bn credit facility (the “Credit Facility”). To secure its liquidity headroom until the Rights Issue and the Credit Facility are in place, Scandic has also agreed a short term bridge credit facility of SEK 250m (the “Bridge Facility” and together with the Credit Facility and the Rights Issue, the “Financing Arrangement”). The Credit Facility and the Bridge Facility are subject to final documentation and satisfaction of customary conditions precedent including, but not limited to, that the Rights Issue will be fully underwritten.

Summary

- Starting from the end of February, occupancy at Scandic’s hotels began to fall due to the COVID-19 outbreak. In March, like-for-like sales dropped 47 percent

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compared to 2019. The occupancy level at the Scandic group level is expected to be around 7-11 percent during second quarter of 2020.

- The Financing Arrangement of approximately SEK 2.9bn (before transaction costs) is estimated to provide substantial liquidity headroom even under a pessimistic recovery scenario. This means that liquidity with a significant margin is secured to the end of 2021. Liquidity needs are expected to peak during the first half of 2021 due to the seasonal build-up of working capital and settlement of certain deferred rent, tax and fees payments.
- Final terms and conditions in the Right Issue, including the subscription price, are expected to be announced on May 25, 2020. Provided that the Rights Issue is approved at the EGM on May 28, 2020, the record date for the Rights Issue will be June 1, 2020, and the subscription period will run from and including June 3, 2020, up to and including June 17, 2020. A notice to the EGM will be announced separately.
- Certain of the Company's largest shareholders, Stena Sessan, AMF and Formica Capital, have, subject to customary conditions, committed to subscribe for their pro rata share of the Rights Issue of 19.9 percent, 16.5 percent, and 5.3 percent, respectively, in aggregate 41.6 percent of the Rights Issue and also to vote in favour of the Rights Issue at the EGM. In addition, AMF will, subject to customary conditions, subscribe for an additional SEK 500m of the Rights Issue, equivalent to approximately 28.6 percent of the Right Issue, subject to not becoming an owner of more than 29.9 percent of the Company after the Rights Issue. Furthermore, Swedbank Robur has expressed its intention to subscribe for its pro rata share of the Rights Issue of 5.7 percent and also to vote in favour of the Rights Issue at the EGM. The CEO, CFO and Chairman of the Board of Directors have expressed their intention to participate in the Rights Issue as well.
- DNB and Goldman Sachs International have confirmed their commitment, subject to customary conditions, to enter into an underwriting agreement in connection with the Rights Issue, pursuant to which DNB and Goldman Sachs International would act as underwriters and underwrite a number of shares in equal proportion up to a maximum amount corresponding to the amount of the Rights Issue which is not covered by the subscription undertakings of Stena Sessan, AMF and Formica Capital.
- The SEK 1.15bn Credit Facility has been agreed with DNB, Handelsbanken and Nordea (the "**Lenders**") and will not be made available to the Company until completion of the Rights Issue. In addition, a SEK 250m Bridge Facility will, conditional on the satisfaction of customary conditions precedent, be provided

About Scandic Hotels Group

Scandic is the largest hotel company in the Nordic countries with more than 280 hotels, in operation and under development, in more than 130 destinations. The company is the leader when it comes to integrating sustainability in all operations and its award-winning Design for All concept ensures that Scandic hotels are accessible to everyone. Well loved by guests and employees, the Scandic Friends loyalty program is the largest in the Nordic hotel industry and the company is one of the most attractive employers in the region. Scandic Hotels is listed on Nasdaq Stockholm. www.scandichotelsgroup.com

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by the Lenders as a bridge facility once the Rights Issue has been fully underwritten and until completion of the Rights Issue. The facilities are subject to final documentation and are conditional on the satisfaction of customary conditions precedent (including, but not limited to, that the Rights Issue will be fully underwritten).

Background and reason

Starting from the end of February 2020, occupancy at Scandic's hotels began to fall due to the COVID-19 outbreak. In March, like-for-like sales dropped 47 percent compared to 2019. The occupancy level at the Scandic group level is expected to be around 7-11 percent during the second quarter 2020. As of today, more than half of Scandic's hotels are temporarily closed.

Scandic has acted quickly to implement comprehensive measures to adjust its operations to this business environment and to protect its cash flows. Staffing levels were reduced by more than 80 percent, through a combination of furlough, termination of temporary and permanent employment contracts. The Executive Management Team decided to decrease their fixed remuneration by 20 percent. Scandic estimates that the total cost base, excluding rents, has been reduced by more than 70 percent from April, supported by measures implemented by governments in Scandic's markets in order to support companies.

In addition, at a Board meeting held on March 16, 2020, the Board of Directors of Scandic decided to withdraw its earlier dividend proposal of SEK 381m to protect the Company's cash position. Furthermore, Scandic proactively initiated discussions with its landlords to adapt payment terms to the new business environment. In addition, investments and ongoing projects have been reduced.

The Financing Arrangement of approximately SEK 2.9bn is estimated to provide substantial liquidity headroom even under a pessimistic recovery scenario and including settlement of deferred rent payments. This means that liquidity with a significant margin is secured to the end of 2021. Liquidity needs are expected to peak during the first half of 2021 due to the seasonal build-up of working capital and settlement of certain deferred rent, tax and fees payments.

Scandic's recovery scenario assumes that activity levels will remain at the current low level during the second quarter before they gradually recover during the second half of 2020 and RevPAR levels to be 15-25 percent below the 2019 level during 2021.

Commenting on this announcement, Jens Mathiesen, President & CEO of Scandic said:

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"The COVID-19 outbreak is an unprecedented challenge and is having a severe negative impact on the hotel sector. I would like to sincerely thank everyone at Scandic for their continued support and commitment in these challenging times. We have seen a very sharp drop in occupancy levels and this has heavily impacted our business as a whole. We have had to take rapid and comprehensive actions to reduce our cost level while doing everything we could to limit the impact on our colleagues and business partners. These decisions have not been taken lightly and I look forward to re-opening our hotels and to welcome team-members back as soon as possible.

We welcome the actions announced by local governments in our geographies to support businesses through the COVID-19 outbreak. This, together with the significant cost saving measures taken to date, the comprehensive funding arrangements announced today, as well as our competitive positioning and ongoing strategic initiatives, will put us in a strong position to manage through this period and enable us to return to profitable growth as quickly as possible."

The Financing Arrangement

The Board of Directors of Scandic has today decided on a rights issue offering of approximately SEK 1.75bn before transaction costs. The Rights Issue is conditional upon approval by the EGM meeting to be held on May 28, 2020. Those who are registered shareholders in the share register held by Euroclear Sweden AB on the record day, June 1, 2020, will have a preferential right to subscribe for new shares in proportion to the number of shares that the holder already owns. Application to subscribe for shares without the use of subscription rights will also be possible.

Detailed terms and conditions for the Rights Issue, including the capital increase and the number of shares to be issued are expected to be decided upon by the Board of Directors and announced on May 25, 2020 at the latest. The subscription period is expected to run from and including June 3, 2020, to and including June 17, 2020, or such later date as decided by the Board of Directors. For more information, please see the notice for the EGM that will be announced in a separate press release.

Certain of the Company's largest shareholders, Stena Sessan, AMF and Formica Capital, have, subject to customary conditions, committed to subscribe for their pro rata share of the Rights Issue of 19.9 percent, 16.5 percent, and 5.3 percent, respectively, in aggregate 41.6 percent of the Rights Issue and also to vote in favour of the Rights Issue at the EGM. In addition, AMF will, subject to customary conditions, subscribe for an additional SEK 500m of the Rights Issue, equivalent to approximately 28.6 percent of the Right Issue, subject to not becoming an owner of more than 29.9 percent of the Company after the Rights Issue. Furthermore, Swedbank Robur has expressed its intention to subscribe for its pro rata share of the Rights Issue of 5.7 percent and also to vote in favour of the Rights Issue at the EGM. The CEO, CFO and Chairman of the

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Board of Directors have expressed their intention to participate in the Rights Issue as well. The net proceeds of the Rights Issue will be used to strengthen the Company's balance sheet, working capital and liquidity position during this period of unprecedented disruption and to reset Scandic on a profitable growth path once the environment stabilizes.

DNB Markets, a part of DNB Bank ASA, Sweden branch, acting as joint global coordinator and joint bookrunner and Goldman Sachs International, acting as joint global coordinator and joint bookrunner have confirmed their commitment, subject to customary conditions, to enter into an underwriting agreement in connection with the Rights Issue, pursuant to which DNB and Goldman Sachs International would act as underwriters and underwrite a number of shares in equal proportion up to a maximum amount corresponding to the amount of the Rights Issue which is not covered by the subscription undertakings of Stena Sessan, AMF and Formica Capital.

Scandic has also agreed a new SEK 1.15bn Credit Facility with the Lenders. In addition, a Bridge Facility of SEK 250m will, conditional on the satisfaction of customary conditions precedent, be provided by the Lenders as a bridge facility once the Rights Issue has been fully underwritten and until completion of the Rights Issue. The facilities are subject to final documentation and are conditional on the satisfaction of customary conditions precedent (including, but not limited to, that the Rights Issue will be fully underwritten). The Bridge Facility will be available to Scandic from the date all conditions precedent thereto have been fulfilled and matures on completion of the Rights Issue. The Credit Facility will not be available to the Company until the completion of the Rights Issue and will mature in December 2021. Scandic intends to limit the use of the Credit Facility and fully repay it no later than end of 2021.

Prospectus

Comprehensive information regarding the Rights Issue will be included in the prospectus which is expected to be published on or around June 1, 2020.

Rights Issue Timetable

This timetable is preliminary and may be subject to change.

- May 25, 2020 Planned publishing date of the detailed terms and conditions, including subscription price and number of shares to be issued
- May 28, 2020 Extraordinary general meeting to approve the Board of Directors decision on the Rights Issue
- May 28, 2020 Last day of trading in Scandic's shares, including the right to participate in the Rights Issue

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June 1, 2020 Planned publishing date of the prospectus

June 1, 2020 Record date for participation in the Rights Issue, i.e. holders of shares who are registered in the share register on this day will receive subscription rights for participation in the Rights Issue

June 3, 2020 - June 15, 2020 Trading in subscription rights

June 3, 2020 - June 17, 2020 Subscription period

June 24, 2020 Expected press release of the outcome of the Rights Issue

Outlook

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 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 RevPAR below 2019 levels.

In the longer term, Scandic reiterates its intention to achieve its financial targets, including an organic growth of 5 percent, and it intends to reinstate a payout ratio of more than 50 percent whilst maintaining a solid capital structure of 2-3x leverage.

Scandic expects to be well placed to come out stronger when the current environment improves. The COVID-19 outbreak stresses the attractive positioning of Scandic and relevance of its recent strategic initiatives. 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 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 "Scandic Friends" loyalty program with more than 2.5 million members reinforces the local proximity that has marked the Company since 1963. Furthermore, Scandic expects, once well-capitalized, to be able to benefit from attractive growth opportunities in well-known and well-tested geographies where it has historically operated.

Upcoming publications

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As a result of the work to secure Scandic's financing, the Board of Directors has decided to postpone the publishing of the Company's Annual Report for 2019 from April 30 to May 25, 2020. Scandic has also decided to change the publication of the complete interim report for the period January to March 2020 from May 29, 2020 to 20 May, 2020 at 07:30 CEST in order to make it available before the planned publication of the detailed terms and conditions for the Rights Issue.

Advisers

Goldman Sachs International and DNB Markets, a part of DNB Bank ASA, Sweden Branch, are acting as Joint Global Coordinators and Joint Bookrunners; Svenska Handelsbanken AB (publ) and Nordea Bank Abp, Sweden Branch, are acting as Joint Bookrunners; and Vinge and Nord Advokater are acting as legal advisors to the Company in connection with the Rights Issue.

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This information is information that Scandic Hotels Group AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above, at 08.45 CEST on April 29, 2020.

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