Scandic

**PRESS RELEASE**

**December 8, 2020**

# Scandic comments on market development and ongoing rent negotiations

**In November, Scandic's average occupancy rate was approximately 20 percent due to extremely weak demand in all markets. Recently intensified rent negotiations have thus far led to agreements for rent reductions and offers for rent reductions from landlords totaling approximately 500 MSEK.**

In November, Scandic's average occupancy rate was approximately 20 percent, a decline compared with 36 percent during the third quarter and 33 percent in October. In November, market RevPAR is estimated to have gone down between 68 and 74 in the Nordic countries. Demand has been weak in all markets due to the increased spread of Covid-19 and more comprehensive government restrictions. The situation is particularly critical in the capitals where occupancy is less than one-third of what would be considered normal. Scandic expects continued low activity levels in December and the average occupancy rate for the fourth quarter is expected to be about 20 to 25 percent.

Scandic anticipates that the hotel market will recover slowly with continued low demand at the beginning of 2021 and that it will probably take several years for market RevPAR and occupancy to return to levels prior to the pandemic.

As announced earlier, Scandic recently intensified negotiations with its landlords and will consequently pay lower rents until agreements on new terms and conditions have been reached. So far, these negotiations have resulted in agreements for rent reductions and offers for rent reductions from landlords amounting to approximately 500 MSEK. These agreed reductions and offers involve approximately 20 property owners and apply mainly to 2020-2022.

A number of rent negotiations are still in the early stages and given the very weak market, further rent adjustments will be necessary. It is in the interest of both Scandic and the property owners to find solutions that enable profitable hotel operations. During the period January-September 2020, rental costs accounted for 41.6 percent of net sales and excluding state aid, the share of rent was as high as 47 percent. For many hotels, rent costs currently exceed the hotels' turnover, which is not sustainable. Given the current market situation, it is unlikely that Scandic will sign any new leases or that existing leases will be extended unless the terms are adapted to lower levels of activity.

Since the Covid-19 crisis began, Scandic has acted swiftly and forcefully. The company has reduced staffing by approximately 80 percent through a combination of comprehensive redundancies and furloughed employees. Scandic's cost base, excluding rent, has been halved in a short period of time.

With its significantly reduced costs, market-leading position and efficient operational model, Scandic has the prerequisites to be the most attractive long-term partner for hotel property owners in the Nordic region.

*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 08.00 CET on December 8, 2020*

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