Scandic

The largest Nordic hotel company

PRESS RELEASE

June 21, 2017

Scandic to acquire Restel's hotel portfolio and become the leading hotel operator in Finland

Scandic Hotels Group ("Scandic") has signed an agreement to acquire Restel's hotel operations in Finland. Through the acquisition, Scandic will strengthen its position as the leading hotel company in the Nordic countries and become the largest hotel operator in Finland. The transaction subject to regulatory approval.

Today, Scandic has 230 hotels in operation and under development, 28 of which are in Finland. Restel's portfolio includes 43 hotels in Finland. Following the acquisition, Scandic will have a nationwide hotel coverage in Finland.

- This is an important step forward for Scandic Hotels and one that will give us a strong network in the Finnish market. We look forward to operating and developing these hotels under the Scandic brand going forward and to welcome all of the Restel team members and customers to Scandic, says Frank Fiskers, President & CEO of Scandic.

Restel currently has about 7,600 rooms at 43 hotels with long-term lease agreements in its portfolio, seven of which are operated under franchise agreements with Intercontinental Hotels Group. Most of the hotels are operated under the Cumulus brand and over time, they will be converted into Scandic hotels. The seller will remain the landlord for four of the hotels.

- We've found an excellent partner in Scandic. Our hotel portfolio will be in safe hands and become part of Scandic's strong brand. At the same time, it will have access to their distribution capacity and significant customer base in the Nordic region, says Mikael Backman CEO of Restel.

- Our hotel portfolios complement each other very well. This deal will give us presence in 15 new locations in Finland and greater exposure in the growing leisure segment, says Aki Käyhkö, Managing Director of Scandic Hotels Finland.

The acquisition price of the transaction is EUR 114.5 million on a cash and debt-free basis and will be paid in cash. On a pro forma basis, as if the acquisition would have been performed January 1, 2016, the acquired operations might have contributed net sales of EUR 203.4 million in 2016 and adjusted EBITDA of EUR 13.7 million[1]. The transaction is expected to close late Q4

[1] Pro forma net sales and pro forma adjusted EBITDA for 2016 are based on statutory reports adjusted for assumed pre-deal structuring, presented according to Scandic's income statement format. The pre-deal structuring adjustments are

2017, subject to regulatory approval and other conditions customary for this type of transaction. In the event of an unsatisfactory regulatory outcome, Scandic may terminate the transaction agreement subject to payment of a EUR 5 million termination fee to the seller.

Scandic sees good opportunities for sales growth and margin improvement in the acquired hotel portfolio in the coming years. There is potential for increasing revenue through rebranding the hotels under the Scandic name and expanding Scandic's offering in the Finnish market. Additionally, costs are expected to decrease through coordinated administration and procurement. Overall, Scandic estimates that over time, the acquired operations have the potential to generate an adjusted EBITDA margin higher than the Group's long-term financial target of 11%.

Scandic's net debt/adjusted EBITDA might have increased from 1.8x to about 2.4x after pro forma adjustments, based on an acquisition date for net debt per December 31, 2016, and based on an acquisition date per January 1, 2016, for adjusted EBITDA[2]. This is well in line with Scandic's long-term target range of net debt of 2-3x adjusted EBITDA. The total integration and transaction costs are estimated to amount to approximately EUR 25 million. As a result, the transaction is expected to initially have a negative effect on Scandic's earnings per share.

The expected capital expenditure level in the acquired portfolio is estimated to be about 5% of sales in the coming years. Scandic also plans to invest an additional approximately EUR 10 million in renovations in 2018.

In the pro forma calculations, property lease agreements have been considered as operating leases. However, a preliminary assessment indicates that some agreements might qualify as financial leasing debt. The estimated preliminary effect would be an increased EBITDA of around SEK 125 million and an increased financial leasing debt of around SEK 1,800 million. There would be no effect on cash flow and a very limited effect on net equity and earnings per share.

As a result of the agreement, Scandic will hold a phone conference and webcast at 9:00 CET on June 21 at which Scandic's President & CEO Frank Fiskers and CFO Jan Johansson will be available to answer questions.

The presentation will be held in English.

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attributable to carve-in/out adjustments since the targets operations were operating in several legal entities in 2016 and included operations that are not part of the transaction. For the definition of Adjusted EBITDA and EBITDA refer to page 25 in Scandic's Interim Report Q1 2017.

[2] The pro forma net debt is based on the assumption that intra-group liabilities in target were converted to equity before the acquisition. The acquisition price is assumed to equal 114.5 million on a cash- and debt-free basis, not considering any net debt adjustments. For the definition of Net Debt please refer to the definition of Interest-bearing net liabilities on page 25 in Scandic's Interim Report Q1 2017.

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Time: 09.00 CET

Location: Webcast and phone conference

Phone: +46 8 5664 2693, +44 20 3008 9806

Please call in 5 minutes before the start.

The webcast and presentation slides will be available at **scandichotelsgroup.com.** Members of the public are welcome to listen in and ask questions.

Scandic was advised by Mannheimer Swartling Advokatbyrå AB, Hannes Snellman Attorneys Ltd, KPMG Transaction Services and Rothschild & Co.

Scandic Hotels Group (publ) is required to publish this information in accordance with the EU Market Abuse Regulation. The information was submitted for publication through the agency of the contact persons set out below on June 21, 2017 at 07:30 CET.

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