

## Notice of the annual general meeting of Scandic Hotels Group AB

The shareholders of Scandic Hotels Group AB (556703-1702) are hereby invited to participate in the annual general meeting to be held on Thursday, May 12, 2016 at 1 p.m. at Scandic Anglais, Humlegårdsgatan 23, SE-102 44 Stockholm, Sweden. Registration commences at 12.00 (noon).

### Registration and notification

Shareholders who wish to participate in the annual general meeting must

- be recorded in the share register kept by Euroclear Sweden AB on Friday, May 6, 2016, and
- give notice to the company of their intent to participate not later than on Friday, May 6, 2016.

Shareholders who are private individuals may register on the Company's website [www.scandichotelsgroup.com](http://www.scandichotelsgroup.com), by phone +46 771 24 64 00, or in writing to the following address: Computershare AB, "Scandic Hotels Group AB's Annual General Meeting", P.O. Box 610, SE-182 16 Danderyd, Sweden.

Representatives for legal entities shall give notice to attend by phone at +46 771 24 64 00, or in writing to the following address: Computershare AB, "Scandic Hotels Group AB's Annual General Meeting", P.O. Box 610, SE-182 16 Danderyd, Sweden.

The notice of attendance should state the shareholder's name, personal or organization identification number, address, telephone number and the number of assistants attending (if any). Shareholders represented by proxy must issue a power of attorney. A template power of attorney in Swedish and in English is available on the company's website [www.scandichotelsgroup.com](http://www.scandichotelsgroup.com). A power of attorney issued by a legal entity must be accompanied by a certified copy of the legal entity's certificate of registration. A power of attorney is valid one year from its issue date or such longer time period as set out in the power of attorney, however not more than five years. The certificate of registration shall evidence the circumstances on the date of the annual general meeting and should not be older than one year at the time of the meeting. In order to facilitate the registration at the annual general meeting, powers of attorney in original, certificates of registration and other documents of authority should be sent to Computershare AB, "Scandic Hotels Group AB's Annual General Meeting", P.O. Box 610, SE-182 16 Danderyd, Sweden, well in advance of the meeting.

In order to be entitled to attend the annual general meeting, the following must be observed by shareholders who have their shares registered in the name of a bank or other nominee. In addition to giving notice of attendance, such shareholder must have their shares registered in their own names, to be entered into the share register on Friday, May 6, 2016. In such cases, the shareholder should instruct the bank or the nominee thereof well in advance of Friday, May 6, 2016. Such registration may be temporary.

### Proposed agenda

1. Opening of the meeting.
2. Election of a chairman of the meeting.
3. Preparation and approval of the voting list.
4. Approval of the agenda.
5. Election of one or two persons to approve the minutes.

6. Determination as to whether the meeting has been duly convened.
7. Presentation of the annual report and the audit report as well as the consolidated accounts and the audit report for the group.
8. Speech by the President and CEO, Frank Fiskers.
9. Presentation of the work of the Board of Directors and the work of the remuneration committee and the audit committee.
10. Presentation of the audit work.
11. Resolutions regarding:
  - a. the adoption of the income statement and the balance sheet and the consolidated income statement and the consolidated balance sheet,
  - b. allocation of the company's results in accordance with the adopted balance sheet, and
  - c. discharge from liability for the members of the Board of Directors and the President and CEO,
12. Resolution on amendment of the Articles of Association.
13. Presentation by the chairman of the nomination committee.
14. Determination of the number of members of the Board of Directors and the number of auditors.
15. Determination of fees for the members of the Board of Directors and the auditors.
16. Election of members of the Board of Directors, chairman of the Board of Directors and auditors.
17. Resolution on remuneration guidelines for senior management.
18. Adoption of a long term incentive program in accordance with (A) and hedging arrangements in respect thereof in accordance with (B).
19. Closing of the meeting.

**Proposal by the nomination committee (item 2)**

The nomination committee in respect of the 2016 annual general meeting consisted until 4 April 2016 of Caspar Callerström (Sunstorm Holding AB), Joel Lindeman (Provobis through Novobis AB), Katja Bergqvist (Handelsbanken Fonder) and Vagn Sørensen (chairman of the Board). On 4 April 2016, Handelsbanken Fonder announced that Magdalena Wahlqvist Alveskog has replaced Katja Bergqvist as representative for Handelsbanken Fonder in the nomination committee.

The nomination committee has proposed that attorney at law Andreas Steen, Mannheimer Swartling, be elected chairman of the annual general meeting.

**Proposal by the Board of Directors (item 11 b)**

According to Scandic's dividend policy, the company targets annual dividends of at least 50% of net income, commencing for the financial year ending December 31, 2016. Hence, the Board of Directors proposes that no dividend be distributed for the financial year 2015 and that the results for the year be carried forward.

**Proposal by the Board of Directors (item 12)**

The Board of Directors proposes that the maximum number of directors as set forth in § 6 of the Articles of Association be amended from ten to eleven directors, through an amendment of its current wording:

“The board of directors shall, to the extent elected by the shareholders’ meeting, consist of not less than three directors and not more than ten directors with not more than two alternate directors.”

to the following wording:

“The board of directors shall, to the extent elected by the shareholders’ meeting, consist of not less than three directors and not more than eleven directors with not more than two alternate directors.”

A valid resolution requires approval by shareholders representing not less than two-thirds of the votes cast as well as of the shares represented at the meeting.

#### **Proposals by the nomination committee (items 14–16)**

**Item 14** Eleven Board members and no deputies. One auditor and no deputies.

**Item 15** Fees to the directors elected by the annual general meeting and not employed by the company (including fees for committee work) in accordance with the following:

- Board member: SEK 320,000 (SEK 300,000)
- Chairman of the Board of Directors: SEK 700,000 (SEK 600,000)
- Board member who is a member of the audit committee: SEK 50,000 (SEK 50,000)
- Chairman of the audit committee: SEK 150,000 (SEK 100,000)
- Board member who is a member of the remuneration committee: SEK 50,000 (SEK 50,000)
- Chairman of the remuneration committee: SEK 100,000 (SEK 100,000)

Fees to the auditor shall be paid in accordance with approved invoices.

**Item 16** Election of Ingalill Berglund, Albert Gustafsson, Stephan Leithner and Christoffer Lundström as new Board members for a period until the end of the next annual general meeting. Re-election of Vagn Sørensen, Per G. Braathen, Grant Hearn, Lottie Knutsson, Eva Moen Adolfsson, Niklas Sloutski and Fredrik Wirdenius as Board members and re-election of Vagn Sørensen as chairman of the Board of Directors for a period until the end of the next annual general meeting. Caspar Callerström and Rikard Steiber, who have been members of the Board of Directors since 2007 and 2014, respectively, have declined re-election.

Re-election of PricewaterhouseCoopers AB as auditor for a period until the end of the next annual general meeting.

#### **Ingalill Berglund**

Born: 1964

Education: Advanced special course in Economics, Frans Schartau.

Main occupation: Self-employed. Previously CEO and CFO within the Atrium Ljungberg group. Twenty years’ experience from the real estate sector.

Other assignments: Member of the Board of Handelsbanken regional bank in Stockholm.

#### **Albert Gustafsson**

Born: 1977

Education: Bachelor in Economics, Gothenburg School of Economics.

Main occupation: Director in EQT Partners AB. Previously employee of Lehman Brothers International Europe Ltd.

Other assignments: Member of the Board of Frostbite Holding AB, GG Holding AB, Granngården AB and Dometic Group AB (publ).

### **Stephan Leithner**

Born: 1966

Education: PhD in Business Administration from St. Gallen University, Switzerland.

Main occupation: Partner of EQT Partners Germany. Previous experience from senior positions and directorships within Deutsche Bank AG and previously Partner of McKinsey & Co.

Other assignments: No current assignments. Previously member of the Board of BBUG Baden-Badener Unternehmersgespräche e.V. etc.

### **Christoffer Lundström**

Born: 1973

Education: Bachelor of Arts at Webster University and Hotel Management Diploma at HOSTA.

Main occupation: Owner and CEO of the investment company RCL Holding AB.

Other assignments: Board member of Collector AB, Feelgood Svenska AB, Rasta Group AB, Provobis Invest AB, Harrys Pubar AB, RCL Holding AB, KL Capital AB, Future Pawnbroker AB and Tableflip Entertainment AB. Chairman of the board of AM Brands AB and member of the nomination committee of Betsson AB and NetEnt AB.

Information regarding the proposed Board members and the reasoned statement issued by the nomination committee are available at the company's website, [www.scandichotelsgroup.com](http://www.scandichotelsgroup.com).

### **Proposal by the Board of Directors on remuneration guidelines for Scandic's senior management (item 17)**

The Board of Directors proposes that the annual general meeting resolves to approve the Board of Directors' proposal regarding guidelines for remuneration for the senior management as set forth below which shall apply until the annual general meeting 2017. In this context, the senior management means the CEO of Scandic Hotels Group AB ("**Scandic**" or the "**Company**") and the executives in the Company and other group companies who, from time to time, are reporting to him and who are also members of the senior management, as well as members of the Board of Directors of the Company to the extent employment or consulting agreements are entered into.

#### *Policy*

Scandic shall offer a total remuneration in line with market conditions to enable the Company to recruit and retain the managers the Company needs to meet its short-term and long-term targets. The remuneration to the management may consist of fixed salary, variable salary, pension and other benefits. Long-term incentive programs may be offered in addition to the above and will in such case be submitted to the general meeting for approval.

#### *Fixed salary*

The fixed salary for the CEO and the other members of the senior management shall be in line with market conditions and mirror the demands and responsibility that the position entails as well as individual performance. The fixed salary for the CEO and the other members of the senior management is revised once every year, as per 1 January for the CEO and as per 1 April for the other members of the senior management.

To the extent a member of the Board of Directors carries out work for the Company or for another group company, in addition to the Board work, consulting fees and/or other remuneration for such work may be payable.

#### *Variable salary*

The variable salary for the CEO and the other members of the senior management shall be based on the Company's fulfillment of objectives determined in advance. These objectives are determined for the promotion of the Company's/the group's short-term and long-term targets, long-term development, value creation and financial growth and shall be designed in a way that does not encourage an excessive risk-taking. The variable salary may not amount to more than

60% of the fixed annual salary for the CEO and not more than 35–50% of the fixed annual salary for the other members of the senior management. In this context, fixed annual salary means cash salary earned during the year, excluding pension, supplements, benefits and similar.

*Long-term incentive programs*

The aim of having long-term incentive programs would be to create a long-term commitment to Scandic, to attract and retain members of the senior management and key employees and to ensure the shareholder perspective.

Long-term incentive programs, if any, may constitute a complement to the fixed salary and the variable salary, with participants to be nominated based on, among other things, competence and performance. The outcome shall be dependent on the fulfillment of certain predetermined competence or performance requirements.

*Pension*

The pension benefits for the CEO and the other members of the senior management shall preferably consist of premium based pension plans, but may also be defined benefits pursuant to collective agreements.

*Other benefits and compensation*

Fixed salary during notice periods and severance payment, including payments for any restrictions on competition, shall in aggregate not exceed an amount equivalent to the fixed salary for 18 months. The total severance payment shall for all members of the management be limited to the existing monthly salary for the remaining months up to the age of 65.

Other compensation may consist of other benefits that are customary and in line with market conditions, such as healthcare insurance, which shall not constitute a material portion of the total remuneration.

In addition thereto, additional compensation may be paid out in extraordinary circumstances, provided that such arrangement is made for management recruitment or retention purposes and is agreed on an individual basis. Such extraordinary arrangements may for example include a one-time cash payment, or a support package including relocation support, tax filing support, or similar.

*Deviation from the guidelines*

The Board of Directors may resolve to deviate from the guidelines if the Board of Directors, in an individual case, is of the opinion that there are special circumstances justifying that.

*Deviation from the 2015 guidelines*

The 2015 guidelines authorize the Board of Directors to deviate from the guidelines if there, in an individual case, are special circumstances justifying that. The Board of Directors has in connection with the initial public offering approved a deviation from the guidelines in the form of a non-recurring variable remuneration (so-called IPO bonus) to certain executives. The Board of Directors considered such deviation justified considering the involvement in the listing process of the persons concerned. Further information on this non-recurring remuneration may be found in note 06 in the annual report for 2015.

**Adoption of a long term incentive program in accordance with (A) and hedging arrangements in respect thereof in accordance with (B) (item 18)**

The Board of Directors of Scandic Hotels Group AB (publ) ("**Scandic**") proposes that the annual general meeting 2016 resolves on the implementation of a long-term incentive program (the "**Program**" or "**LTIP 2016**"). In November 2015, an extraordinary general meeting resolved on the implementation of a long-term incentive program that was launched in connection with the initial public offering ("**LTIP 2015**"). The Board considers LTIP 2015 to be structured in an attractive and appropriate way and notes that nearly all employees who were offered to participate accepted such offer. Therefore, the Board now proposes that the annual general

meeting 2016 adopts a long-term incentive program that, in all material respects, has the same terms and conditions as LTIP 2015. However, the Board proposes that LTIP 2016 shall contain an additional condition relating to Total Shareholder Return (TSR), to the effect that 50% of the Matching Shares (as defined below) shall be allotted subject to continued employment and an uninterrupted holding of Saving Shares (as defined below), while allotment of the remaining 50% of the Matching Shares in addition thereto shall be subject to a TSR related condition. The Program is proposed to be directed to the members of the Executive Committee, the Country Managing Directors and a number of key employees of the Scandic Group.

The overall purpose of the Program is to closely align the participants' interests with those of the shareholders and to create a long-term commitment to Scandic. The Program provides Scandic with a crucial component of a competitive total compensation package to attract and retain employees who are critical to Scandic's on-going success. The Board of Directors intends to propose that future annual general meetings of Scandic approve similar long-term incentive programs, since, for the above reasons, the Board of Directors considers that having recurring long-term incentive programs is a vital and important part of Scandic's total compensation program.

The Program shall be inspiring, achievable, easy to understand, cost effective to administrate and easy to communicate. Following implementation of the Program, the Board of Directors intends to carry out an evaluation thereof in order to systematically analyse the achieved results in relation to the aims outlined above. The purpose of the evaluation will be to determine whether the Program satisfies its purposes, and this will also include the review of the outcome and the costs for the Program.

#### **A. Implementation of the Program**

The Board of Directors proposes that the implementation of the Program shall be made in accordance with the principal terms and conditions set out below.

- (a) The Program is proposed to be open to no more than 40 permanent employees of the Scandic Group, who are divided into the following three groups: the Chief Executive Officer of Scandic ("**Group 1**"), no more than 11 members of the Executive Committee and the Country Managing Directors of the Scandic Group ("**Group 2**") and no more than 28 Country Managing Team members and Key Employees ("**Group 3**"). Participants in Group 1–3 are collectively referred to as "**Participants**". Scandic intends to provide an initial notice to the Participants of their admission to the Program shortly after the annual general meeting 2016.
- (b) The Program will allow the Participants to make investments of their own in common shares in Scandic or allocate already held common shares in Scandic to the Program ("**Saving Shares**"). For each Saving Share, the Participant will have the possibility to be allotted one Matching Share (as defined below) and a certain number of Performance Shares (as defined below), following the expiration of a three-year vesting period that ends in connection with the announcement of Scandic's interim report for Q1 2019 (the "**Vesting Period**").
- (c) For each Saving Share, the Participants will have the possibility to be allotted up to one common share in Scandic free of charge, from Scandic, another company within the Scandic Group or from a designated third party ("**Matching Share**"). Such Matching Shares will be allotted in accordance with the following: for each Saving Share, zero point five (0.5) Matching Shares will be allotted subject to certain conditions relating to continued employment and uninterrupted holding of Saving Shares (as further described in section (k) below), and zero point five (0.5) Matching Shares will be allotted subject to an additional condition according to which the Total Shareholder Return during the financial years 2016–2018 shall exceed a certain level pre-determined by the Board of Directors (the "**Matching Condition**").
- (d) Further, the Participants will, depending on satisfaction of certain Performance Conditions (as defined and described in paragraph (e) below), after the expiration of the

Vesting Period have the possibility to be allotted additional common shares in Scandic free of charge from Scandic, another company within the Scandic Group or from a designated third party (the “**Performance Shares**”). For each Saving Share, the Participants may be allotted Performance Shares in accordance with the following:

- Participants in Group 1 may be allotted no more than five (5) Performance Shares (no more than two (2) Performance Shares based on the fulfilment of Performance Condition 1, as defined below, no more than two (2) Performance Shares based on the fulfilment of Performance Condition 2, as defined below, and no more than one (1) Performance Share based on the fulfilment of Performance Condition 3, as defined below);
  - Participants in Group 2 may be allotted no more than four (4) Performance Shares (no more than one point six (1.6) Performance Shares based on the fulfilment of Performance Condition 1, no more than one point six (1.6) Performance Shares based on the fulfilment of Performance Condition 2, and no more than zero point eight (0.8) Performance Share based on the fulfilment of Performance Condition 3); and
  - Participants in Group 3 may be allotted no more than three (3) Performance Shares (no more than one point two (1.2) Performance Shares based on the fulfilment of Performance Condition 1, no more than one point two (1.2) Performance Shares based on the fulfilment of Performance Condition 2, and no more than zero point six (0.6) Performance Share based on the fulfilment of Performance Condition 3).
- (e) The allotment of Performance Shares shall depend on the degree of fulfilment of the Performance Conditions for the Program. The Performance Conditions shall be established by the Board of Directors and be based on Program specific financial targets related to the accumulated EBITDA<sup>1</sup> for the financial years 2016–2018 (“**Performance Condition 1**”), the accumulated cash flow<sup>2</sup> for the financial years 2016–2018 (“**Performance Condition 2**”) and the accumulated RGI<sup>3</sup> gap development vs. competitive set for the financial years 2016–2018 (“**Performance Condition 3**” jointly referred to as the “**Performance Conditions**”). In connection with the expiry of the Vesting Period, the Board of Directors will publish the Performance Conditions levels and to what extent these have been fulfilled.
- The number of Performance Shares that may be allotted shall be calculated in accordance with the following:
- A condition for any allotment of Performance Shares to occur is that a certain starting point be exceeded (the “**Minimum Level**”). If the Minimum Level is not exceeded, no Performance Shares will be allotted.
  - For maximum allotment of Performance Shares to occur, a certain higher level must be reached (the “**Maximum Level**”).
  - Should the degree of fulfilment exceed the Minimum Level but be between the Minimum Level and the Maximum Level, the Participants will receive a linear allotment of Performance Shares.
- (f) The number of Matching Shares and Performance Shares that a Participant is entitled to be allotted shall be increased to compensate for any dividend relating to the financial

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<sup>1</sup> Defined as earnings before interest, taxes, depreciation and amortization, adjusted for non-recurring items not related to the ordinary business such as transactions and integration costs for acquisitions.

<sup>2</sup> Defined as EBITDA plus/minus changes in working capital minus capex (maintenance, IT and development), excluding extraordinary investments not included in budget, such as new hotel acquisitions.

<sup>3</sup> Defined as room revenue generation index.

years 2016–2018 on the Scandic shares during the Vesting Period in order to further align the Participants' interests with those of the shareholders.

- (g) The maximum value per each right to receive a Matching Share or a Performance Share (or such number of Matching Shares or Performance Shares as follows from an adjustment for dividend as described in paragraph (f) above) shall be limited to 300 per cent of the volume weighted average price of the Scandic share during the last five trading days in March 2016 (the “**Cap**”). Should the value of such right (calculated based on the volume weighted average price of the Scandic share during the five trading days immediately following the day of publication of the interim report for Q1 2019, after deduction of dividend approved by the general meeting of shareholders, where the share is still traded including the right to such dividend) exceed the Cap, a proportional reduction in the number of Matching Shares and Performance Shares to be allotted shall be made. For the avoidance of doubt, after such reduction, the value of each such right shall correspond to the Cap.
- (h) The maximum number of Saving Shares each Participant may invest in or allocate to the Program depends on the Participant category that he/she belongs to in the Program, in accordance with the following:
- Each Participant in Group 1 and in Group 2 may invest in or allocate Saving Shares of a value (determined based on a share price of SEK 59.92, i.e. the volume weighted average price during the last five trading days in March 2016) corresponding to no more than 10 per cent of their respective individual gross annual fixed salary as of 31 March 2016.
  - Each Participant in Group 3 may invest in or allocate Saving Shares of a value (determined based on a share price of SEK 59.92, i.e. the volume weighted average price during the last five trading days in March 2016) corresponding to no more than SEK 50,000.
- (i) Participants must invest in Saving Shares (or, if Scandic shares are already held, must allocate such shares to the Program) no later than on 10 June 2016, unless the period for investment is extended by the Board of Directors in an individual case.
- (j) Matching Shares and Performance Shares may normally be allotted only after the expiration of the Vesting Period.
- (k) In order for a Participant to be allotted any Matching Shares or Performance Shares, as applicable, it is a condition that, with certain specific exemptions, he/she has been permanently employed within the Scandic Group for the duration of the whole Vesting Period and that the Participant, until the expiration of the Vesting Period, has retained the Saving Shares invested in or allocated to the Program. Saving Shares disposed of prior to the expiration of the Vesting Period will not be included in the calculation to determine any allotment of Matching Shares or Performance Shares.
- (l) If significant changes in the Scandic Group or in the market occur which, in the opinion of the Board of Directors, would result in a situation where the conditions for allotment of Performance Shares under the Program become unreasonable, the Board of Directors shall be entitled to make adjustments to the Program, including, among other things, be entitled to resolve on a reduced allotment of Performance Shares, or that no Performance Shares shall be allotted at all.
- (m) The Board of Directors shall be authorised to establish the detailed terms and conditions for the Program. The Board of Directors may, in that regard, make necessary adjustments of these general terms and conditions to satisfy certain regulations or market conditions outside Sweden. The Board of Directors may also approve, in its absolute discretion in an individual case, that a Participant shall be permitted to invest in Saving Shares (or to allocate already held Scandic Shares to the Program) through a legal entity wholly-owned by such Participant.



- (n) Participation in the Program presupposes that such participation is legally possible in the various jurisdictions concerned and that the administrative costs and financial efforts are reasonable in the opinion of the Board of Directors.
- (o) The Program shall comprise no more than 400,000 common shares in Scandic (Matching Shares, Performance Shares and dividend compensation included).
- (p) The number of Matching Shares and Performance Shares will be subject to recalculation as a result of intervening bonus issues, splits, rights issues and/or other similar corporate events.

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#### *Costs for the Program etc.*

The costs for the Program, which are charged in the profit and loss account, are calculated according to the accounting standard IFRS 2 and distributed over the Vesting Period. The calculation has been made based on the quoted closing price of the Scandic share as of 31 March 2016, i.e. SEK 61.00 per share, and based on the following assumptions: (i) an annual dividend yield of 3 per cent, (ii) an estimated annual turnover of personnel of 10 per cent, (iii) fulfilment of the Matching Condition, (iv) an average fulfilment of each of the Performance Conditions of 50 per cent, and (v) a total maximum of 400,000 Matching Shares and Performance Shares eligible for allotment. In addition to what is set forth above, the costs for the Program have been based on that the Program comprises approximately 40 Participants and that each Participant makes a maximum investment. In total, the costs according to IFRS 2 for the Program are estimated to approximately SEK 8.7 million excluding social security costs (SEK 14.7 million if average fulfilment of each of the Performance Conditions is 100 per cent). The costs for social security charges are calculated to approximately SEK 3.6 million, based on the above assumptions, and also assuming an annual share price increase of 10 per cent during the Program and a social security tax rate of 27 per cent (SEK 5.9 million if average fulfilment of each of the Performance Conditions is 100 per cent).

The expected annual costs of SEK 4.1 million, including social security charges, correspond to approximately 0.1 per cent of the Scandic Group's total employee costs for the financial year 2015 (0.2 per cent if average fulfilment of each of the Performance Conditions is 100 per cent).

Assuming that the Cap (for this purpose calculated as 300 per cent of the volume weighted average price of the Scandic share during the last five trading days in March 2016, i.e. SEK 180) is reached and that all Participants are entitled to allotment of the maximum number of Matching Shares and Performance Shares in the Program and remain in the Program until the end of the Vesting Period, the maximum cost according to IFRS 2 for Scandic will amount to SEK 20.0 million and the maximum social security charges will amount to SEK 16.4 million.

#### *Dilution*

Upon maximum allotment of Matching Shares and Performance Shares and assuming a buffer for dividend compensation, the number of shares to be allotted under the Program amounts to 400,000 common shares in Scandic, corresponding to approximately 0.39 per cent of the share capital and the votes (calculated based on 102,985,075 outstanding common shares in Scandic on 7 April 2016).

#### *Effect on key ratios*

If the Program had been introduced in 2015 with the assumptions above, the impact on basic earnings per share on a full year basis would have resulted in a dilution of 3.6 per cent or a decrease from SEK 1.43 to SEK 1.37 on a pro forma basis. The impact on the EBITDA margin and EBIT margin would be insignificant.

#### *Hedging arrangements*

The Board of Directors proposes that the general meeting resolves that the expected financial

exposure of shares to be allotted under the Program shall be hedged, by Scandic being able to enter into an equity swap agreement with a third party on terms in accordance with market practice, whereby the third party in its own name shall be entitled to acquire and transfer common shares in Scandic to the Participants, in accordance with item B below.

*Preparations of the proposal*

The proposed Program has, pursuant to the guidelines issued by Scandic's Board of Directors, been prepared by the Compensation Committee of Scandic with the assistance of external advisors. The Compensation Committee has informed the Board of Directors of the work, who has subsequently resolved that the Program shall be proposed to the annual general meeting.

**B. Hedging arrangements in respect of the Program**  
***Equity swap agreement with a third party***

The Board of Directors proposes that the general meeting resolves that the expected financial exposure of shares to be allotted under the Program shall be hedged by Scandic being able to enter into an equity swap agreement with a third party. Such swap agreement shall be on terms in accordance with market practice, whereby the third party against a fee undertakes to, in its own name, acquire and transfer common shares in Scandic to the Participants in accordance with the terms and conditions of the Program.

*Conditions*

The resolution to adopt the proposed long-term incentive program in accordance with item A above is conditional upon that the annual general meeting resolves on the hedging arrangements in accordance with item B.

*Previous incentive programs in Scandic*

The extraordinary general meeting held on November 15, 2015 resolved to implement a long-term incentive program, LTIP 2015, which in all material respect is based on the same terms and conditions as the above proposed LTIP 2016 with the exception that LTIP 2015 does not contain any Matching Condition. LTIP 2015 is further described in note 06 of Scandic's annual report for the financial year 2015.

**Shares and votes**

There are in total 102,985,075 shares in the company. The company has only one series of shares and the total number of votes in the company thus amounts to 102,985,075. The company does not hold any treasury shares.

**Information at the annual general meeting**

The Board of Directors and the President and CEO shall, if any shareholder so requests and the Board of Directors believes that it may be done without material harm to the company, at the annual general meeting provide information regarding circumstances that may affect the assessment of an item on the agenda, circumstances that can affect the assessment of the company's or its subsidiaries' financial situation and the company's relation to other companies within the group. Shareholders wishing to submit questions in advance may send them in writing to Scandic Hotels Group AB, Attn: Ann-Charlotte Johansson, Sveavägen 167, SE-102 33, Stockholm, Sweden or by e-mail to [ir@scandichotelsgroup.com](mailto:ir@scandichotelsgroup.com).

**Further information**

The annual report, the auditor's report and the auditor's statement pursuant to Chapter 8, Section 54 of the Swedish Companies Act regarding the remuneration guidelines for the senior management will be available at the company, Scandic Hotels Group AB, Sveavägen 167, SE-102 33, Stockholm, Sweden and on the website [www.scandichotelsgroup.com](http://www.scandichotelsgroup.com), as from April 21, 2016. The documents will also be sent to shareholders who so request and state their address.

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Stockholm in April 2016

**Scandic Hotels Group AB (publ)**  
*The Board of Directors*