



SCANDIC 2012

— STANDING STEADY WHEN HARSH WINDS ARE BLOWING

Scandic¹

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Revenue: + 9.6% (comparable hotels + 1%)

Revenue per room: + 2.8% (comparable hotels + 1%)

Operating profit (EBITDA): EUR 83.7 (72.9) million

Operating margin (EBITDA margin): 9.1% (8.7%)

Number of new hotels: 6

Investment in hotels: EUR 185 million in cooperation with Pandox (2011-2014)

Number of new, smart ecolabelled TVs: 25,000

LOOKING AHEAD TO 2013*

Presenting improved profits and higher margins despite a global downturn and amid major political and economic uncertainty isn't bad going. At the same time, we're continuing to grow thanks to major investments in new city hotels. This shows that Scandic's business concept is sound and worth building on further. And that's exactly what we intend to do.

Our aim is for our business to be recognised as much more than "just" hotel accommodation. Opening up Scandic's lobbies to people who aren't staying in the hotel is one way – come on in, pop into our living room for a coffee, hold a meeting, sit and work, visit the gym.... Not solely offering huge conferences, but also small meeting rooms for short-term hire is another.

Further raising the quality of our restaurants will see them become a genuine alternative to a local bar, serving high quality at reasonable prices. Rather than being content to simply be the biggest hotel chain in the Nordic countries we are continuing to expand – physically and in terms of quality.

Our focus on service and higher guest satisfaction has already paid off and that's something where our digital communication has definitely had an impact. This is an investment we'll continue.

It is also my conviction that the fact that Scandic is a trailblazer in its industry on sustainability and accessibility has helped to see us perform well against our competitors. The fact that nobody less than the UN has noticed our commitment to everyone – including the millions of people with various kinds of disability – receiving the same standard and treatment, is something that truly makes me proud.

*Anders Ehrling
President and CEO, Scandic*

* Or polishing the crystal ball, in other words.

"We are not content to simply be the biggest hotel chain in the Nordic countries"

*Anders Ehrling,
President and CEO, Scandic*



LOOKING BACK AT 2012

Higher revenue, bigger profits. Six newly opened hotels and extensive renovations in roadside hotels. New initiatives in Scandic's restaurants. Focus on greater digitalisation. Better accessibility and tougher sustainability requirements. And, not least, despite an international economic downturn and the Euro crisis, 2012 was a successful year for the largest hotel chain in the Nordic countries!

2012 was a very good year for Scandic and not only financially. We opened no fewer than five new, large city hotels:

- Scandic Aarhus City in Denmark, already ranked among the top 25 hotels in the country
- Trendy Scandic Tampere Station and Scandic Paasi in Finland – the later unique for incorporating the history of the building into the interior design
- Scandic Fornebu in Norway, our biggest hotel of all, with an award-winning design
- Scandic Hamburg Emporio in Germany, whose eco-certified sustainable building had won awards even before it opened
- In total Scandic has increased with 1,400 rooms.

– In principle, all our new city hotels have been profitable in their first year, which is fairly unique for the industry," says Martin Creydt, Scandic's Chief Development Officer. Scandic has also taken over and renovated hotel Ibis in Sundsvall, closing Scandic Sundsvall City at the end of the year. Scandic has also closed the following hotels: Scandic Lübeck in Germany, Scandic Rannahotell in Pärnu, Estonia and Scandic Lindesnes in Norway. Scandic Continental, Stockholm was closed and handed over to the owner for complete refurbishment. New opening is planned 2016.

"Scandic has launched what is perhaps the largest hotel investment ever in the Nordic countries"

Martin Creydt, Business Development

– It is always sad to say goodbye to a hotel but constantly revising the business portfolio in terms of new hotels, renovation work and closures is an incredibly important element of Scandic's business strategy. During the year we have also extended several major agreements with property owners up to 2027," Scandic's Chief Development Officer says Martin Creydt. This year also saw Scandic launching what is perhaps the largest hotel investment ever in the Nordic countries – renovating 40 hotels, 21 of which are roadside hotels, for about EUR 185 million in cooperation with Pandox. The renovation of the roadside hotels is not just about new wallpaper but about improving the hotel experience and meeting the needs of future guests bearing in mind changed family constellations, new travel patterns, etc. The pilot was Scandic in Upplands Väsby, where everything from hotel rooms to conference premises, lobby and restaurant has been completely renovated. – Today's hotel guests expect an experience, not just a bed. We have to develop everything – services, food and design – to exceed our guests' expectations," says President and CEO Anders Ehrling.



Denmark:

SCANDIC AARHUS CITY

in Århus with 228 rooms. The hotel already ranks among the top 25 hotels in Denmark.

Finland:

SCANDIC TAMPERE STATION

– 200 rooms and the trendiest hotel in Tampere.

SCANDIC PAASI

with 170 rooms in central Helsinki. The hotel is unique in that its interior design draws on the history of the building and its surroundings.

Norway:

SCANDIC FORNEBU

our largest hotel with 334 rooms and one of the biggest conference facilities in Oslo.

Germany:

SCANDIC HAMBURG EMPORIO

in Germany with 325 rooms, whose eco-certified sustainable building had won awards even before it opened.

EVEN TASTIER FOOD & DRINK

The fact that roadside meals in the Nordic countries rarely reach pinnacles of culinary excellence is a relatively well-established truth. For this reason, in recent years Scandic has focused heavily on highlighting food and drink, not least through our successful collaboration with Jamie Oliver.

New for 2012 are Scandic's Classics, four dishes served in the restaurants in all our Nordic hotels. The combination of popular

dishes, high quality ingredients, plenty of choice and value for money that's hard to beat is intended to attract people who aren't staying in the hotel too.

The new menu concept has been very successful, with the four dishes already among the top-selling menu choices at Scandic. In total, sales of food and beverage are up 9.7 percent compared with last year, largely thanks to Scandic Classics!

SCANDIC ★ ★ ★ KLASSIKER ★ ★ ★ SCANDIC CLASSICS



CAESAR SALAD — romaine lettuce with organic croutons and parmesan shavings served with chicken, prawns or bacon and Scandic's own Caesar dressing.



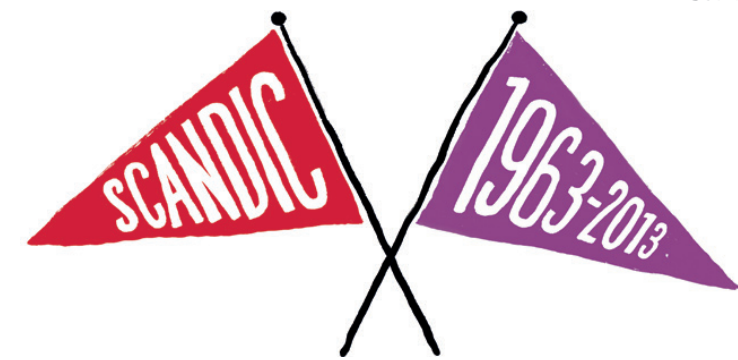
STEAK CAFÉ DE PARIS — grilled with oven-baked cherry tomatoes and served with Café de Paris butter, potatoes fried in butter tossed with rocket and sea salt plus a wide range of optional accompaniments.



BURGER AND FRIES — Black Angus burger in freshly baked, organic focaccia with a unique dressing classified top secret, served with optional cheese, bacon, onion rings and jalapeños.



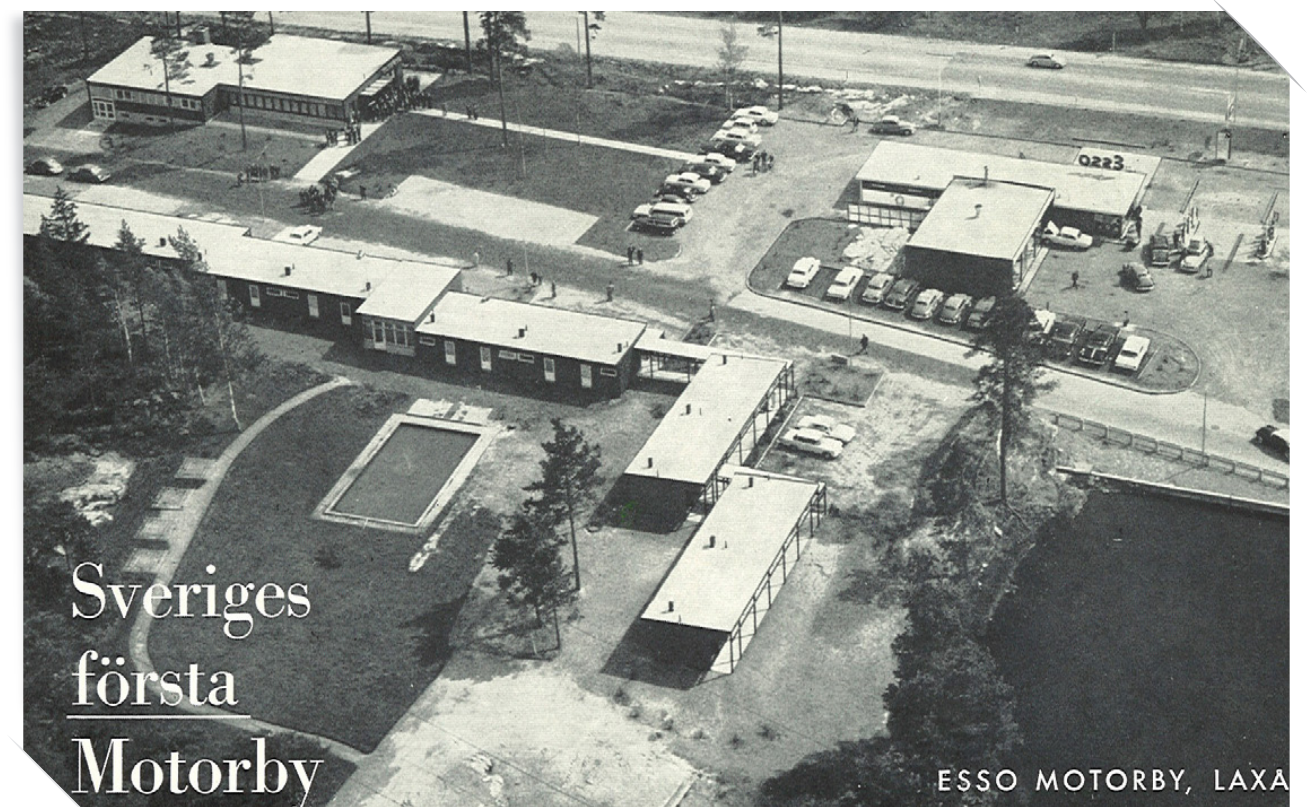
CHOCOLATE TRIFLE — light, airy chocolate mousse and white mascarpone mousse served with meringues and biscotti, strawberries and banana.



20 MAY 2013:

SCANDIC'S 50TH BIRTHDAY!

- Scandic's history began in 1963 with the completely new form of accommodation, the motel. The first was the Esso motel in Laxå, followed by Härnösand and Mölndal.
- In 1976 there were no fewer than 30 of these "motor villages" and Esso had suddenly become Scandinavia's largest hotel chain.
- In the early 1980s the American oil company wanted to focus on selling petrol and in 1984 the motels were rebranded as Scandic Hotels. Expansion continued across the Nordic countries.
- In 2001 Scandic was bought by Hilton, which sold it six years later to the venture capital company EQT.
- Today Scandic has 156 hotels in eight countries, 7,500 employees and approximately 20,000 guests per night.



A WINNING CONCEPT

A year of distinguished awards and top first prizes for Scandic.

- Scandic Victoria Tower won first prize in the hotel/leisure category at the World Architecture Festival, which highlights and praises good architecture.
- Scandic Victoria Tower was named the fourth most beautiful skyscraper in the world in the Emporis Skyscraper Award 2012.
- Scandic Victoria Tower was the first Scandic hotel in Sweden to be certified for its fire protection, which involves working systematically in terms of technology and organisation. All Scandic hotels must be certified.
- Scandic won first prize in the class “Best Out of Home” in the Fairtrade Challenge, which involves serving as many cups of Fairtrade coffee as possible on a particular day. Scandic won with 28,800 cups.
- Scandic was once more voted the most sustainable hotel chain by the 8,000 Swedish consumers who took part in the annual Sustainable Brands survey which ranks how companies work on their environmental responsibility and social responsibility. In total across all sectors Scandic came in 19th place out of 200.

- Scandic was appointed “Trailblazer of the Year” in the Congrex major conference awards 2012 for its work on sustainability. The jury stated: “Scandic Hotels are true pioneers in the area of CSR and over almost 20 years have made major investments in the areas of the environment, sustainability and accessibility.”

Scandic's three values

- Caring = We care, always try to help out and show genuine consideration.
- Casual = Our guests must feel comfortable and at home in our hotels. And that goes for those of us who work there too.
- Creative = We take responsibility and have the courage to sometimes offer an unexpected or alternative four children solution for the benefit of the guest. (A single father of four children will probably be delighted to hear that it's perfectly fine for his children to race down the corridors.)



DID YOU KNOW

- The Scandic Friends frequent guest programme now has over 900,000 members?
- From 15 November 2012 Scandic's frequent guests have been able to use their points at the exotic Lapland Hotel chain?
- Earned points can also be used at our partners Wallmans salonger and Tallink Silja Line?



WE DON'T WANT DISABLED PEOPLE IN OUR HOTELS

These are the words of Magnus Berglund, Scandic's Accessibility Ambassador, who has a disability himself.



Most people are taken aback when they hear Magnus Berglund say he doesn't want disabled people at Scandic. That is, until they understand what he means. He means that Scandic mustn't put obstacles in anyone's way. Everyone, young and old and people with or without different kinds of disability, is equally welcome at Scandic.

Magnus Berglund was on sick leave from his job as a chef at Scandic for many years and was told that he could never again have a normal job. In autumn 2003 he walked into the head office with his rehab dog Ada. His aim and his message was that Scandic would gain more guests if we focused on improving accessibility – after all, everyone's money is worth the same. Magnus has been Scandic's Accessibility Ambassador ever since, working to ensure that all hotels are accessible to everyone – whether or not they have a disability.

Scandic's unique accessibility standard contains 110 points, 81 of which are compulsory for all hotels, and the whole list is met in new and renovated hotels.

In his search to determine what limits and improves accessibility, Magnus Berglund has stayed in more hotels than most.

"It might be anything from a mirror being able to be used by children, short adults and someone in a wheelchair, to making sure there are seats and tables at reception so people can sit down while checking in.

"But it's also about things that make the hotel stay easier for everyone, like our website with links to museums, entertainment, taxis, recommendations for conference hotels, personal advice and ideas, plus detailed accessibility information on all of our 156 hotels.

"Anyone who has looked for information on accessibility knows how much time it can take up and how complicated it can be to find out how far it is to walk from the gate at the airport to the taxi rank, for example, or whether you'll be able to visit the local entertainment venues if you find walking difficult."

Last year Scandic's groundbreaking work on accessibility made it onto BBC World News in a report on Victoria Tower, which attracted the attention of other international media. The UN has also noticed Scandic's focus on accommodation for guests with disabilities.

"We are clearly seeing that this is a hot topic," says Magnus Berglund.

DID YOU KNOW

- 70 percent of all disabilities are invisible?
- Over 2.5 million people in the Nordic countries have some form of disability?
- Over 50 million Europeans have a disability?

25,000 NEW TVS & A MOBILE WEBSITE

In the past year Scandic has started to replace 25,000 old TVs with new energy-efficient, eco-labelled LED screens. This not only means fantastic picture quality for the new, expanded range of channels with free film and sport channels, but the screens can also be connected to computers, phones, tablets and USB memory sticks so that guests can view films they have brought with them or listen to their favourite music.

– We've managed to make it really simple, guests don't have to fiddle with lots of different settings. The new entertainment system also means it's easy for us to add more themed or seasonal

channels in the future," says Pelle Ekman, Senior Vice President Group Commercial.

In 2012 work began on a website for mobile devices. Digital development is the key to developing guest services.

– Smart phone usage took off rapidly and to make things as easy as possible for our guests, we have chosen to develop a mobile interface instead of an app. Now you can go into the website on your mobile and book rooms, use your free nights, like the site and suggest new functions for the future," says Pelle Ekman.

SO MUCH BETTER

Scandic is growing but our footprint is decreasing.

Energy consumption per guest night

1996	2012	
52,85 Kwh	40,23 kwh	-24 %

Water consumption per guest night

1996	2012	
248 Liter	196 liter	-21 %

Unsorted waste per guest night

1996	2012	
0,83 Kg	0,45	-46 %

Emissions of fossil carbon dioxide per guest night

1996	2012	
4,49 Kg	1,57 kg	-65 %

SUSTAINABILITY FINANCIALLY SUSTAINABLE

Acting in a green and socially sustainable manner is essential to the future of the planet. What is interesting is that it makes financial sense too.

Scandic must serve as a source of inspiration to environmentally aware people and work towards a better world — a vision based on the conviction that people are becoming more aware of their financial, social and environmental choices.

It was back in 1993 that Scandic started to develop what is now the leading sustainability programme in the industry. From initially asking whether guests might consider re-using their towels, the programme has continued to be developed and now covers more and more areas.

A few real examples:

- Tap water purified on site and served in reusable bottles.
- New soap pumps that result in less waste.
- New low-energy bulbs with a warmer light.
- Ecolabelled cleaning products.
- List of requirements for suppliers.
- Requirements on disposal of worn out furniture.

- Requirements on disposal of demolition waste.
- Environmental requirements for new furniture.
- Energy from producers that only use renewable fuels (currently 100 percent in Sweden and Norway).
- Better control of food waste leads to less waste.
- Environmental class business vehicles (in countries where these are available).
- All paper used for printed materials is replaced by 100 percent recycled and eco-friendly alternatives, where all the waste products that the recycled paper generates are treated and used to manufacture other products.

Best of all: Scandic demonstrates that it is possible to be an environmental trailblazer with even better profitability as a result. "Yes, sustainability earns us money! Thinking green is perfectly compatible with making a profit," says Scandic's Manager Sustainable Business, Inger Mattsson.



"Number of room nights in the market grew 2.1%. We were ahead of the market with more than double the market growth."

Aki Käyhkö, country manager, Scandic Finland



"2012 saw profits in Berlin for the second year running. We also had a successful opening in Hamburg."

Michel Schutzbach, Scandic Europe



"Occupancy in Copenhagen increased by 6 percent, twice as much as in the rest of Denmark."

Jens Mathiesen, country manager, Scandic Denmark



"Despite numbers falling off in autumn 2012, our meetings segment was up 2 percent, while our competitors have lost ground."

Joakim Nilsson, country manager, Scandic Sweden



"Despite only two very large conference events in 2012, we increased the number of hotel nights sold."

Svein Arild Mevold, country manager Scandic Norway



RESULTS FOR 2012

- Revenues increased by 9.6% to EUR 923.0 (842.6) million. For comparable hotels and at unchanged currency rates, revenues were up 1.0%.

- Revenue per available room (RevPar) increased by 2.8%. For comparable hotels and at unchanged currency rates, RevPar fell by 1.0%.
- Operating profit (EBITDA) was EUR 83.7 (72.9) million, equivalent to an operating margin of 9.1% (8.7). Profits were affected by the costs of opening new hotels, which amounted to EUR 7.2 (7.4) million.

- During the year six new hotels were opened with a total of 1,400 rooms and a new hotel project has commenced with a total of 400 rooms.

EUR million	Jan-Dec 2012	Jan-Dec 2011	Jul-Dec 2012	Jul-Dec 2011
Revenue, EUR million	923,0	842,6	479,5	440,3
Growth in revenue, %	9,6%	11,7%	8,9%	7,9%
Growth in revenue, % comparable hotels, %	1,0%	3,8%	-0,9%	2,8%
Gross profit, EUR million	356,4	317,3	193,0	173,2
EBITDAR, EUR million	306,8	275,2	166,8	153,1
Operating profit (EBITDA), EUR million	83,7	72,9	51,0	47,9
EBITDAR margin, %	33,2	32,7	34,8	34,8
EBITDA margin, %	9,1	8,7	10,6	10,9
Revenue per available room (RevPar), EUR	63,7	62,0	64,6	63,2
Average price (ARR), EUR	104,6	99,6	103,6	97,5
Occupancy rate	60,9	62,2	62,3	64,8
Number of hotels in operation (31 Dec) 1)	156	153		
Number of rooms available (31 Dec) 1)	29 849	28 875		
No. full-time equivalent employees 2)	7 536	7 264		
Unsorted waste, kg per guest night 3)	0,50	0,52		
Energy consumption, kWh per guest night 3)	45,9	48,3		
Water consumption, l per guest night 3)	201,9	216,0		
Fossil carbon dioxide emissions, kg per guest night 3)	1,9	2,0		

Growth RevPar and revenue 2012 compared with 2011

Growth 2012 compared with 2011	RevPar (EUR)	RevPar (%)	Intäkter (MEUR)	Intäkter (%)
Growth Like-for Like	-0,6	-1,0%	8,1	1,0%
Exchange rate effects	1,6	2,5%	22,2	2,6%
Hotels left	0,2	0,4%	-4,1	-0,5%
New hotels	0,5	0,9%	54,3	6,4%
Reported growth	1,8	2,8%	80,5	9,6%

1) Covers hotels with rental, management and franchise agreements
2) Calculated as total number of hours worked/full-time equivalent
3) Calculated based on the hotels in operation all year round

GROUP MANAGEMENT TEAM



TOP FROM LEFT:

Roger Olofsson, Human Resources, Pelle Ekman, Commercial, Gunilla Rudebjer, Finance, Aki Käyhkö, Finland, Anders Ehrling, CEO, Joakim Nilsson, Sweden, Jens Mathiesen, Denmark, Jan Lundborg, Revenue Management & Distribution, Svein Arild Mevold, Norway, Margareta Thorgren, Communication, Martin Creydt, Business Development, Ulrika Garbrant (small picture), Food & Beverage



