Appendix 2


Scandic
ANNUAL REPORT 2015
A WORLD-CLASS
HOTEL COMPANY
A STRONG BRAND • UNRIVALLED GEOGRAPHIC NETWORK
• STRONG CORPORATE CULTURE • COMMERCIAL AND
OPERATIONAL LEADERSHIP • HIGH-QUALITY PIPELINE
• CLEAR GROWTH STRATEGY

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Scandic is a Swedish company subject to Swedish laws. All values are expressed in Swedish kronor. Figures in parentheses refer to 2014, unless otherwise specified. Data on markets and the competitive situation is based on Scandic's own assessments unless a specific source is indicated. Such assessments are based on the best and latest available facts from published sources. Revised Administration Report pages 44–85.

THIS IS SCANDIC

A SOLID BRAND

Today, Scandic is the strongest hotel brand in the Nordic region. This is because the company controls its entire value chain – from booking to following up. This creates a secure base. But a strong brand is perishable. To keep it alive, each Scandic employee needs to live up to the expectations of guests, every time they meet. At the same time, the content and perceived values of the brand need to be constantly developed so that it remains relevant and appreciated.

41,000
HOTEL ROOMS

221
HOTELS

120
CITIES

STRATEGIC COOPERATION

In the Nordic market, leasing is the most common model for operating hotels, and Scandic focuses on hotels with long-term leasing agreements. This model offers financial flexibility and operational control. It also links Scandic and the property owner's interests and leads to mutual trust. Scandic's strong market position means that it is the first choice for many property owners when it comes to new hotel projects.

CORPORATE CUSTOMERS DOMINATE

About 70 percent of Scandic's revenue comes from business travelers and conferences. The remaining 30 percent is from leisure travel. Scandic is a full-service provider of accommodations, restaurants and conference facilities with a range of services tailored to local markets. Scandic constantly differentiates its offering in relation to competitors. Returning guests should feel that Scandic offers distinct and meaningful added value.

1.6 MILLION LOYAL GUESTS

Over the years, Scandic has been a pioneer and driven development in the hotel industry. Guests have appreciated Scandic's innovation and today, the company enjoys a high percentage of repeat customers. This is manifested in the loyalty program Scandic Friends – the largest in the Nordic region with more than 1.6 million members. These members earn valuable points each night they stay, and Scandic Friends members account for about 40 percent of Scandic's reservations.

7
HOTELS IN PIPELINE

HIGH-QUALITY HOTEL PORTFOLIO

Scandic works constantly to optimize its existing hotel portfolio through additions and reconfigurations. It has also successfully built a pipeline of new hotels. At year-end, there were seven exciting new hotels that will be opened between now and 2018.

14,400
EMPLOYEES

A 50-YEAR HISTORY

Scandic was founded as Esso Motor Hotel in Laxå, Sweden in 1963. Within just ten years, Esso was the largest hotel chain in Sweden. The Scandic brand was established in 1983. The journey since then has been marked by strong organic growth combined with strategic acquisitions. The model has always been to transform the hotels into Scandic ones right away – a successful strategy that has laid the foundation for Scandic's strong brand. Ownership of the company has changed over the years. Between 1996 and 2001, Scandic was listed on the stock exchange. The re-listing of Scandic's shares in the fall of 2015 marks a comeback.

FORERUNNER IN SUSTAINABILITY

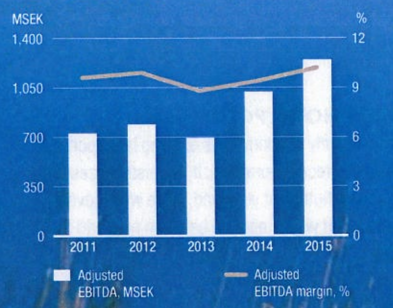
Doing business responsibly is important to Scandic. And the company has been a driving force in the hotel industry in the area of sustainability. This leading position was confirmed for the fifth year in a row when Scandic was named the most sustainable hotel operator in last year's survey by Sustainable Brands in Sweden. Scandic's efforts in this area reduce costs and increase revenues. They also strengthen the company's brand since guests – like Scandic – feel increasingly strongly about these issues.

THE LEADING HOTEL COMPANY IN THE NORDICS

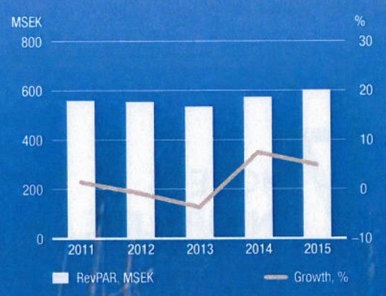
41,000 hotel rooms. At 221 hotels in operation. In about 120 cities. These three figures underline Scandic's role as the leading hotel operator in the Nordic region. Scandic focuses on hotels in the mid-market segment. The company's annual sales total SEK 12.2 billion. Scandic's employees number more than 14,400. And each person is equally important for creating the positive customer experience that Scandic is known for.

NET SALES AND GROWTH

ADJUSTED EBITDA AND EBITDA MARGIN



REVPAR AND GROWTH



OUR NORDIC DNA

The Nordic way of doing things has been in Scandic's DNA since its inception over 50 years ago.

It is reflected in our design, our service and our people. It steers our culture, our thinking and our leadership.

It is reflected in our openness to the world and its diversity. In thinking big, challenging ingrained ideas, working as a team and being driven by the conviction that nothing, absolutely nothing, is impossible.

And naturally, it is the foundation of our vision, our mission and our values.

A 50-YEAR JOURNEY

Scandic's history as a company started in the form of a roadside hotel in Laxå, Sweden more than 50 years ago. And even if many things have happened since then, this was already the foundation of the culture and creativity that still characterize Scandic – whether you're visiting a city hotel, conference center or a strategically-located regional hotel.

1963

The first Esso Motor Hotel opens in Laxå. An innovative concept that is the first of its kind in Sweden.

1966–69.
The roadside hotel concept is successful. By 1969, 23 more hotels have opened in Sweden.

1972.
The first roadside hotels open in Denmark and Norway. The following year, Esso becomes Sweden's largest hotel chain.

1983.
The chain is sold to Ratos and the Scandic brand is launched.

1990.
The first hotel outside of Scandinavia opens and Scandic now has more than 100 hotels.

1993.
Scandic's Sustainability Program is launched with the environmental targets that have become the company's hallmark.

1995–2000.
Scandic buys Reso Hotels and Provobis in Sweden and Arctia in Finland. Scandic becomes the largest hotel company in the Nordic region.

1996.
Scandic is the first hotel company to be listed on the Stockholm Stock Exchange.

2001.
Hilton Group acquires Scandic and the company's shares are delisted.

2007.
Scandic is acquired by EQT (indirectly) together with Accent Equity.

2015

2014.
Rica Hotels is acquired and integrated into the Scandic brand. This further fortifies Scandic's strong position in the Nordic region. The HTL concept is launched.

2015.
Scandic makes a comeback on the stock exchange in December.


"2015 WAS A YEAR
OF STRONG
FINANCIAL
PERFORMANCE
FOR SCANDIC."

Momentum is very strong at Scandic. Profits in 2015 were the highest ever. The company is gaining market share and most indicators are pointing in the right direction. In this interview, Frank Fiskers, President & CEO of Scandic, talks about the company's strengths and how it is working to develop and further cement its position as the leading hotel operator in the Nordic region.

WHAT WERE THE MOST IMPORTANT EVENTS IN 2015?

– As usual, a lot happened at Scandic last year. First of all, we had the initial public offering that the management focused on in the second half of the year. Scandic is now playing in an entirely new league, with many new demands placed on us. We also worked purposefully on integrating Rica Hotels. In addition, we took over three new hotels in Bergen and signed contracts for a number of very exciting new hotels, both projects and existing hotels. During the year, we also established the basis for our new strategic and financial objectives, developed a new cultural platform and worked proactively to reduce the effects of current headwinds for our hotels at Norwegian oil destinations.

– Parallel to all of this, it was business as usual in 2015. I'd like to add that during the year, we also further strengthened our position as the leading hotel operator by far in the Nordic region and took market share. At the same time, our customer and employee satisfaction again reached high levels. The effective teamwork at Scandic has paid off and we delivered the highest results ever.

WHAT WERE THE DRIVING FORCES BEHIND THESE SUCCESSES?

– I spend a lot of time with team members and guests at our hotels and what I see makes me very proud. We don't make products that we can simply add to our stock. We sell something that is perishable – a mood and an atmosphere. A hotel can be compared to a stage where everything happens live and the interaction between the guests and employees is what results in a successful performance. You can't fake a positive culture – it has to come from within and be based on genuine feeling. This is something that each of our employees carries within them. And what you notice when you visit us.

– We have a strong network of excellent and ideally located hotels that offer pleasant environments and all the facilities needed to make staying with us into a positive experience. Naturally, no one checks into a hotel to have a bad time. Especially if they spend many nights a year traveling on business. Then you want everything to work and to be treated well. I get a lot of positive feedback from our guests about how much they appreciate our service and how it makes them feel welcome and at home at our hotels.

YOU MENTIONED A NEW CULTURAL PLATFORM. WHY DO YOU NEED ONE?

– I think having a strong culture is one of the key drivers for business success – and especially for relationship-oriented companies such as ours. The new platform involves no transformative changes to what has worked earlier – it's more the next step in our journey. You could say that we've sharpened our culture and made it more targeted. The catalyst for this was the Rica acquisition. With our more than 70 new hotels, we became the leading hotel company by far in the Nordic region, which triggered a discussion about the opportunities this presented. We then created our new vision to become a world-class hotel company.

– The starting point is our Nordic values and the lifestyle they represent. Already from our beginning 50 years ago, we were pioneers in the Nordic countries in all areas of the hotel business. And our new cultural platform cements this. Our guests prefer an informal approach. They appreciate our openness, our service and design and our diversity. This forms the foundation on which Scandic is based – what Scandic has always rested on. And this is something we take with us when we consider new business opportunities outside the Nordic region. We might take Scandic out of the Nordics, but we will never take the Nordics out of Scandic.

HOW DO YOU GET 14,400 PEOPLE TO PULL IN THE SAME DIRECTION?

– I have personally presented and discussed the new cultural platform with all of our hotel general managers and senior employees. And the response has been very positive. They appreciate that we have raised our level of ambition and clarified our values.

– The next step, which has already started, is to roll out the cultural platform and what it stands for in a structured dialog. This will give our employees – at all levels in the Group – the chance to discuss what the new platform means to each of them. This way, we can foster the personal commitment that is so unique to Scandic.

– Our values are also extremely important when we recruit new employees. They help us find the right people and at the same time, they're a compass for people who want to work for us. I can confirm that our status as a good workplace is very high. In Universum's annual survey of business students, we placed high last year as a dream employer. We are the only hotel company listed among Sweden's 200 most prominent companies. And we are aiming high. In 2020, we will still be a workplace that attracts the best talents and works actively with inclusion and diversity.

– While talking about employees, I'd like to take this opportunity to thank them for their effort and enthusiasm that creates the warm atmosphere Scandic is known for. They are the backbone of the company and build our success, every time they interact with our guests.

GRI: G4-1

"A STRONG AND CLEAR IDENTITY, A TIGHT TEAM THAT DELIVERS."

IS THE INTEGRATION OF RICA GOING ACCORDING TO PLAN?

– Absolutely. Step by step, we're achieving synergies and realizing potential for improvement. We have put a lot of work into integrating our new employees. I have met the hotel general managers at the former Rica hotels, and they're glad to be on a winning team. Scandic is a major employer in Norway and we can now also offer them a larger Scandinavian community. This is attractive and offers new opportunities.

– In a short time, we've raised employee satisfaction in Norway to the same high level as in the organization in general. This is very satisfying and it shows the power of our concept and culture. Customers have also been positive and almost all of the members of the former Rica loyalty program have converted to Scandic Friends.

HOW DID THE MARKET DEVELOP IN 2015?

– The macroeconomic climate was good for our industry as a whole last year. And most indicators pointed upwards. The only concern was – and is – the Norwegian economy. The Norwegian hotel market is polarized and uncertainty in oil destinations such as Stavanger and Bergen had a dampening effect on the market, especially when it comes to business customers. However, Scandic has a very strong position in the leisure segment in Norway where the currency favors positive development at the moment.

– We have also seen an accelerating trend where the Nordic countries in general are becoming more popular as tourist and meeting destinations, which is driving demand in our industry. Organizing international conferences in major Nordic cities has become more attractive. The Nordic way of life inspires people. New venues have been built and communications are better. The Nordic region is no longer on the edge of the known world. Instead, it's an easily accessible and interesting place to visit.

HOW IMPORTANT IS THE CORPORATE SECTOR FOR SCANDIC?

– Serving corporate customers with hotel and conference facilities accounts for 70 percent of Scandic's business. Our success in this sector is therefore vital. I would like to emphasize that our position in this area is strong. With our wide network of hotels, we are able to meet most demands and handle even the biggest of contracts. We are, for example, the "purveyor" of hotels and conference services to the public sector. This preferential relationship creates a safe and stable base for all of our activities. Already at the beginning of each year, a large portion of the year's volume is contracted.

– Conference activities in this context have become a significant part of our total business. They are central to many of our hotels and some of our new locations are fully geared towards this segment.

WHAT IS YOUR VIEW ON SUSTAINABILITY?

– Scandic is a pioneer within sustainability and we work actively to reduce our environmental impact. Our greatest challenge is to continue to lower CO_2 emissions. This is partly because we have maximized many of our environmental efforts and above all because we are dependent on the transition to renewable sources at our suppliers of district heating.

– In 2015, we became signatories of the UN Global Compact. Our sustainability work is based on its ten principles and this Annual Report includes our first Sustainability Report and COP to the UN. To meet stakeholder expectations, we have developed a new sustainability strategy as an integrated part of our business strategy. This includes our material aspects with scheduled and concrete goals and with 2015 as our new base year. We also updated our steering documents within all four sustainability areas: environment, human rights, labor rights and anti-corruption.

– Because thorough sustainability places demands on our entire value chain, we have introduced several new processes and routines to ensure that our suppliers act in accordance with our sustainability requirements.

WHAT DOES THE IPO INVOLVE?

– Scandic was publicly listed once before, from 1996 to 2001. Now we've made a comeback and it feels like we belong on the exchange. As the Nordics' largest hotel company, we are in some ways "everyone's business." We have over 1.6 million Scandic Friends members, so we're an integral part of the daily lives of many travelers.

– Our business is not changing fundamentally because we're a listed company. We still have the same strong focus on our guests and we're running our commercial and operational work the same way as before, but we're now more inspired by our new cultural platform. However, there are obviously new demands on the way we lead our company. We have worked internally during the year to lay the foundation for this, a significant project that has taken a lot of time and effort. But it's also been very exciting. At the same time, our position as a listed company has given us an entirely new platform to present ourselves in different ways, which will benefit our brand.

HOW ARE YOU DEVELOPING THE HOTEL PORTFOLIO?

– Every year, about 10 percent of our hotel rooms are refreshed through renovations and additions. We also have a pipeline of interesting and high-quality new hotels. Right now, we have agreements for seven new hotels that will be opened between now and 2018. In total, this represents close to 3,000 rooms. We are well positioned to achieve our goal to grow by establishing two to four hotels per year in the Nordic countries at the same time as we intend to move our position forward in Germany through selective growth in attractive locations in the biggest cities.

– I am looking forward to when we will open Scandic Continental and Haymarket in downtown Stockholm in the first half of 2016. These are two big, prestigious hotels. Haymarket is the first of our signature hotels. The concept is to offer unique hotel experiences in characteristic environments. Later in the year, the existing Grand Central hotel in Stockholm will also become our second signature hotel. It has its own theater that offers unique possibilities for events.

ANY COMMENTS ON THIS YEAR'S FINANCIAL PERFORMANCE?

– In a nutshell: The best ever for Scandic. The positive results this year confirm the high momentum that exists within the Group. Things are going our way. Our commercial and operational strategies are working well. We are a tight team that is constantly taking market share.

– Our key ratio RevPAR increased by 7.5 percent LFL during the year, driven by both increased occupancy and higher average room rates. Net sales increased 12.6 percent to 12.2 billion SEK and the adjusted EBITDA margin increased to 10.2 percent. These are figures we can be proud of.

"TODAY, SCANDIC IS THE LARGEST HOTEL OPERATOR IN THE NORDIC COUNTRIES WITH A POPULAR OFFERING, A WELL-INVESTED HOTEL PORTFOLIO AND A POWERFUL GEOGRAPHIC NETWORK."

WHAT'S THE OUTLOOK FOR 2016?

– We see a continued stable and strong market. The only area of concern is the development of the oil industry in Norway.

– Our model of scalability and repeatability will ensure continued profitable growth. Our strategy of offering attractive hotels together with talented and skilled employees as well as high efficiency and cost control is absolutely right, and gives us our leading position in the Nordic region.

– From this base, we can continue to develop and implement our new cultural platform, our concept and our offering going forward in 2016. We will, among other things, launch a new digital platform that will further strengthen our already significant dialog with customers and our e-commerce.

– Work to implement operational and commercial synergies from the Rica acquisition will continue. We expect these to be fully implemented by 2017.

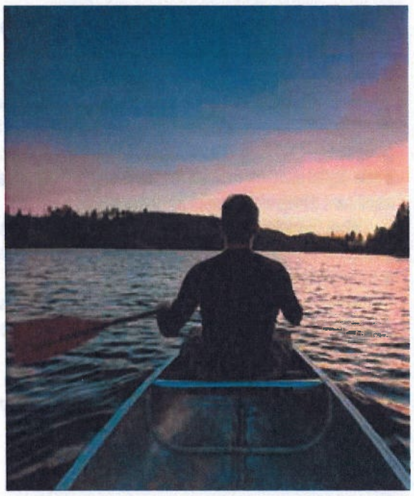
– In the end, however, our success depends on our absolutely most important resource – our employees. Their motivation and dedication is crucial for more satisfied guests, continued revenue growth and our further strengthened position in the market. We must create the conditions so that all of our employees can live – and live up to – our brand. Every time they interact with our guests. This is Scandic.

Frank Fiskers,
President & CEO

OUR JOURNEY

THROUGH OUR PAST PRESENT AND FUTURE

"LOVELY"
Just arrived at Scandic. Lovely room, lovely staff as always.
@andreatrudl

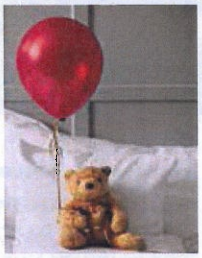


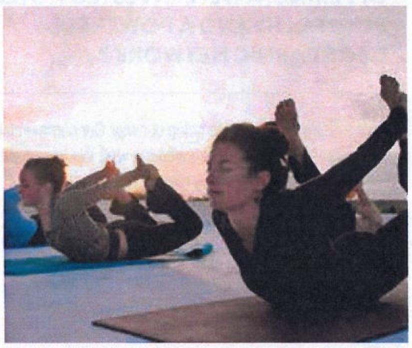
"WOW!"
Just wow! Great reception, big and nice hotel room, a real Nordic feel and the best breakfast I've ever had.
mette2015

OUR VISION

A WORLD-CLASS NORDIC HOTEL COMPANY

OUR CULTURE IS OUR BRAND





"A VIEW TO KILL FOR"
Have you tried the yoga space at Continental, with a view to kill for and giving peace to life.
@karen78

OUR MISSION

CREATE GREAT HOTEL EXPERIENCES FOR THE MANY PEOPLE

"AT EASE"
I don't think I have ever felt so at ease at a hotel before. The staff was so genuine, so down-to-earth in a really good way.
mimmi_k

"THE DETAILS"
Feeling welcome! It's all about the details.
zarahsophie

"WE MIGHT TAKE SCANDIC OUT OF THE NORDICS, BUT WE WILL NEVER TAKE THE NORDICS OUT OF SCANDIC."

FRANK FISKERS
PRESIDENT & CEO

"YES"
Party at Scandic last night. Yes, Scandic.

therealbob

OUR VALUES

BE CARING

We are warm and welcoming, meeting everyone with open arms and open minds, and we care for the people, planet and society around us.

BE YOU

We are ourselves celebrating each others' unique potential and appreciating the advantage of our differences – just as we see and treat each guest as a unique individual.

BE A PRO

We are reliable and deliver high, consistent quality in everything we do. But we also go above and beyond what's expected, knowing that the key to success is about attention to every little detail and a constant obsession with going from good to great.

BE BOLD

We dare to do things differently, to go outside of our comfort zone and to spend more time looking forward than back – always aspiring to be an inspiration to our guests, to each other, to owners and to society at large.

"GREAT RESTAURANT"
Really great restaurant and bar at Scandic, didn't expect that! Met up with friends and we had so much fun!

@alwayslisa

"WHAT A VIEW"
Just love the Nordic environment that is always near Scandic.

mrright

Scandic's millions of guests should be able to relax and feel at home when they visit our hotels. But behind the scenes, there's a flurry of activity that goes on. Each Scandic hotel is unique, of course. But their daily rhythms are largely the same. And things are happening all the time.

TWENTY-FOUR HOURS AT SCANDIC

00:00 04:00 05:30 07:00 07:30 08:00 09:30 10:

00:00 Calmness blankets the hotel. Any latecomers check in and the lights are being turned off in the rooms.

04:00 Freshly baked bread arrives for breakfast.

05:30 Time to start preparing breakfast. Everything has to be ready for when the first hungry guests arrive. Scandic's breakfast is famous for good reason, and nobody wants to miss it.

07:00 While the first breakfast guests are enjoying the buffet, it's time to prepare for the day's conferences.

07:30 Guests begin checking out. More and more people are doing this using Scandic's mobile checkout solution. The cleaning staff start their shifts and with their iPads, they're always on top of the rooms that have been vacated. This makes cleaning go smoothly so that guests are not disturbed.

08:00 The first conference begins. Today, there are three activities going on at the same time.

09:30 The chef takes delivery of fresh produce for the day.

10:00 The last breakfast guest leaves, happy and satisfied. Time to clean up and prepare for lunch. At the conferences, it's time for the important 10 o'clock coffee break.

DID YOU KNOW?

WE USE
14 MILLION ORANGES
EVERY YEAR FOR THE JUICE SERVED AT SCANDIC'S BREAKFAST BUFFET

SCANDIC SERVES
110,000 CUPS OF FAIR COFFEE
(FAIRTRADE & UTZ) EVERY DAY

:00 11:30 13:00 14:10 15:00 17:00 19:00 23:00

11:30 The lunch buffet is served. Our conference participants and outside guests know that we serve a great lunch at Scandic.

13:00 The conferences start again. The supply of fruit and refreshments is replenished. This will help ensure the participants stay alert.

15:00 The rooms are all clean and ready for new guests.

17:00 The conferences have now ended. Some will continue the following day and the participants are freshening up for dinner. New guests arrive and start checking in.

19:00 The dining room is set. The first guests have already arrived. Some have had time to work out in the gym before dinner. Others have been relaxing in their rooms, reading the evening paper or catching up on the news.

23:00 Soon another day will have passed. It may seem routine, but unexpected things always happen. It's important to be able to improvise. No two days are alike. And this is part of the charm of running hotels.

AN ATTRACTIVE MARKET WITH GROWTH POTENTIAL

The Nordic hotel market has been developing positively for many years. There is a huge and growing interest in the Nordic region as a destination among business and leisure travelers alike. Scandic has the Nordic region as its home market and is the leading hotel operator in the area.

MARKET DRIVERS

Travel & tourism is one of the world's largest industries. According to industry organizations such as Visita, growth in the sector is expected to be higher than for the economy as a whole. Intranordic travel is expected to increase, and since the millennium, the number of foreign tourists has risen more in Northern Europe than in Europe as a whole.

Development in the industry is being driven by a number of factors, of which macro-economic factors such as growth in GDP is the most significant, driving demand through, for example, business travel, tourism, congresses and conferences. Other macro-economic factors that drive demand for hotels include population growth, employment trends and consumer buying behavior within the sector and in the market as a whole. At the same time, an increased number of available rooms has had a dampening impact on growth in RevPAR (revenue per available room).

Like the rest of Europe, the Nordic countries experienced a significant economic recession in 2009. The region recovered quickly however, and in as early as 2010–2011, a positive trend began and has continued.

Growth in GDP in the Nordic countries is expected to remain stable and the region is benefiting from macro-economic drivers such as increased confidence among businesses and consumers.

Prospects for the hotel industry are expected to be positive in the years to come. There are some concerns regarding the development of the Norwegian economy, but at the same time, the weaker Norwegian krone is expected to have a positive effect on leisure travel.

Low airfares are also contributing positively to development in the industry, as well as the wide range of events, concerts and conferences on offer.

LIFESTYLE STEERS HOTEL CHOICE

The Nordic lifestyle is reflected in the way people travel and how they choose where to stay. Nordic travelers like things to be functional, rational and relaxed. At the same time, sustainability is becoming increasingly important when traveling, which is steering guests' choices.

The same is true of the Nordic business culture, which is less formal than in other parts of Europe. At the same time, companies want their employees to stay in comfort when they travel.

In line with the Nordic lifestyle, mid-market hotels have become the dominant option for both leisure and business travelers in the Nordic countries.

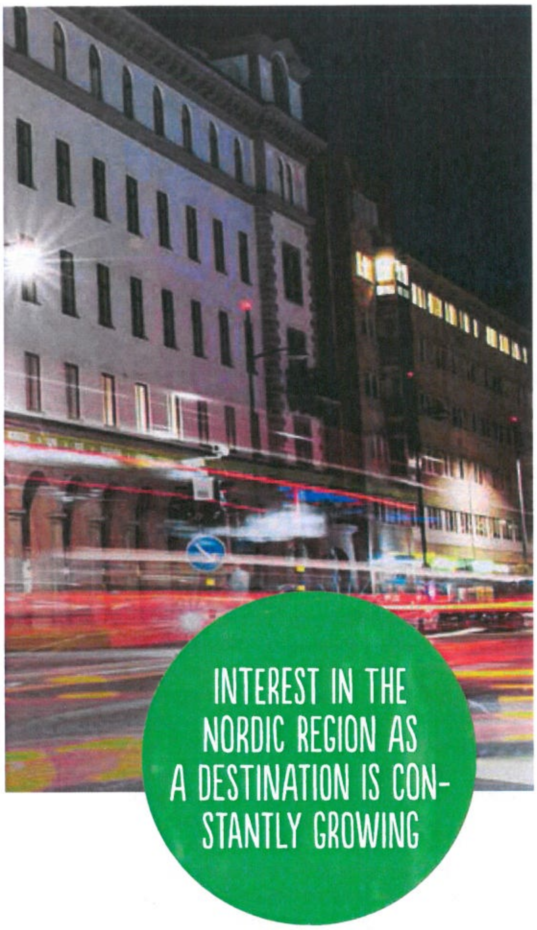
STRONG REGIONAL OPERATORS

The Nordic hotel market is characterized by regional operators that have a strong position and domestic travelers are loyal to such operators.

These Nordic operators are found primarily in the mid-market segment and room rates normally range between premium and economy class.

The largest Nordic hotel brands include Scandic, Rezidor's Radisson Blu and Park Inn by Radisson, Nordic Choice Hotels (Comfort, Quality, Clarion), Best Western, Sokos, Restel (several brands), Elite Hotels, First Hotels and Thon Hotels.

Unlike in most other markets, the major global hotel companies – Hilton, Marriott, Accor, IHG and Starwood – are underepresented in the Nordic countries. One reason for this is that the Nordic hotel concept is primarily based on lease agreements. Global chains normally operate using a business model based on management and/or franchise agreements.

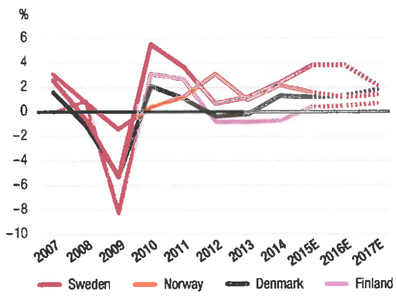


POSITIVE DEVELOPMENT IN REVPAR

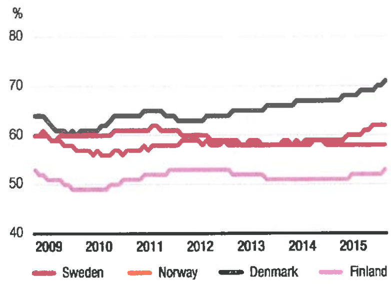
Market trends are reflected in the figures. The share of occupied hotel rooms in the Nordic region shows a positive trend. The most important measure of the performance of the hotel market as a whole is RevPAR. Since the financial crisis, RevPAR has increased each year, driven by growth in occupancy.

In 2015, RevPAR in the Swedish market went up by 7.9 percent, driven by increased occupancy and higher average room rates. In Norway, higher room capacity together with decreased activity in the oil sector has had a dampening effect on both occupancy and prices, and RevPAR in the Norwegian market dropped by 0.7 percent. RevPAR in the Finnish market increased by 3.2 percent, driven by higher occupancy. In the Danish market, RevPAR grew by 9.3 percent, driven by both volume and prices. (Source: Benchmarking Alliance and STR Global).

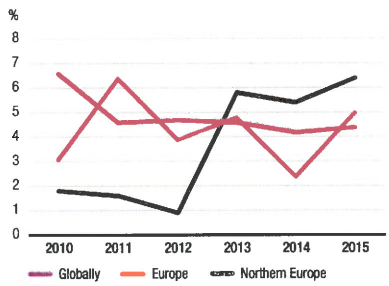
DEVELOPMENT OF GDP



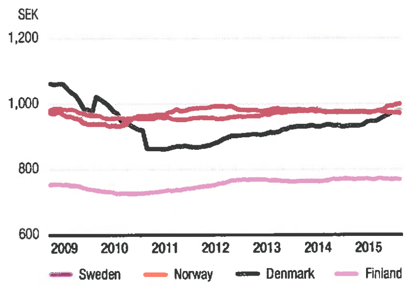
OCCUPANCY IN THE MARKET (OCC)



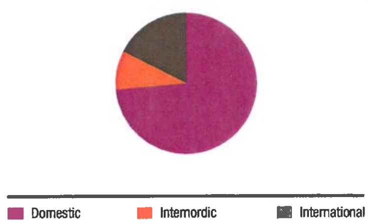
SHARE OF INTERNATIONAL TOURISTS



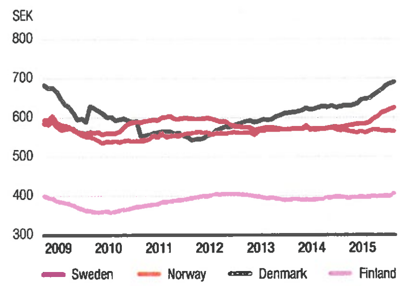
AVERAGE ROOM RATES IN THE MARKET (ARR)



SHARE OF HOTEL NIGHTS IN THE NORDIC MARKET, GUESTS



REVPAR IN THE MARKET (REVENUE PER AVAILABLE ROOM)



Source: Nordea Economic Outlook (December 2015), Benchmarking Alliance & STR Global.

UNRIVALLED REACH AND STABLE CUSTOMER BASE

Scandic is the largest and leading hotel company in the Nordic region. Its current 221 hotels at close to 120 destinations give the company unique geographic reach for both corporate and leisure travelers. Scandic targets the mid-market segment and about 50 percent of its hotels are located in major cities. Corporate customers are the backbone of Scandic's business. These accounted for 70 percent of Group revenue last year. Close to 40 percent of Scandic's sold hotel nights were generated by repeat customers.

UNRIVALLED GEOGRAPHIC REACH

Scandic is the Nordic market leader based on number of hotel rooms. At the end of 2015, Scandic had 221 hotels with almost 41,000 rooms. About 95 percent of Scandic's hotel rooms are located in the Nordic countries, corresponding to about 30 percent of the total room capacity of all hotel operators in the Nordic region.

Scandic has a broad geographic reach in the Nordic region as well as hotels at selected locations in Germany, Poland and Belgium. On the national level, Scandic is the largest operator of hotels in Sweden and Denmark, the second largest in Norway and the third largest in Finland where it is the largest operator in the Helsinki area.

This strong geographic reach has been achieved through positive long-term relationships with property owners, in particular in the form of conversions of existing buildings and new construction.

THE RIGHT HOTEL IN THE RIGHT PLACE

Today, Scandic has hotels at about 120 destinations in seven countries. Its portfolio is diversified with different types of hotels in different places. This includes centrally located hotels in capitals and other major cities and hotels in strategically selected locations outside of major cities, which broadens Scandic's offering and means that larger regions are covered, for example, hotels adjacent to large airports and business parks as well as near major highways.

FULL-SERVICE PROVIDER WITH A CLEAR FOCUS ON THE MID-MARKET SEGMENT

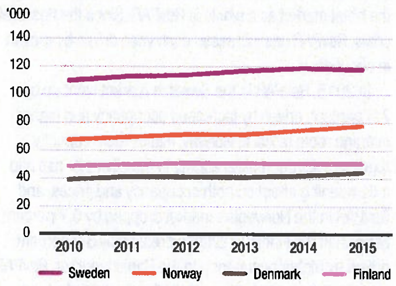
Scandic is a full-service provider of hotel services with a clear focus on the mid-market segment. The segment is highly developed in the Nordic countries and the largest hotel and restaurant segment in the region. Historically, this segment is less cyclical than other segments of the hotel market, and changes in the general economic climate affect operations in this segment to a lesser extent.

Scandic's offering is well in line with demand from both leisure and business guests and as a full-service supplier of hotel services, restaurant and conference operations are an important part of Scandic's offering in addition to accommodations.

MARKET SHARE BASED ON NUMBER OF ROOMS IN 2015

Number of rooms per brand	Sweden	Norway	Denmark	Finland	Total
Brand	**118,000**	**78,000**	**44,000**	**51,000**	**291,000**
Scandic	15,700	14,600	3,700	5,500	39,500
Nordic Choice	14,600	15,300	900		30,800
Best Western	7,400	1,200	1,900	800	11,200
Rezidor Hotel Group	4,000	7,200	2,000	1,600	14,800
Other brands	1,700			17,400	19,100
Other/Non-branded	62,200	30,900	23,800	25,700	142,600
Scandic's market share, %					
Entire market	14	18	8	9	13
By brand	30	29	19	19	26

TOTAL NUMBER OF AVAILABLE ROOMS



Source: Scandic's data together with external sources such as company websites.

GRI: G4-4, G4-8

41,000 ROOMS IN SEVEN COUNTRIES

CORPORATE CUSTOMERS DOMINATE AND LEISURE TRAVEL IS GROWING

Scandic attracts a wide range of guests. This makes it possible to adapt to changing conditions. Revenue can be optimized in different markets and according to local circumstances.

Scandic's primary customer segments are corporate customers, conference and corporate groups, individual leisure travelers and groups of leisure travelers.

Corporate customers are the backbone of Scandic's business. Scandic has corporate agreements with about 4,000 companies. The customer base for corporate customers is well diversified, both in terms of company type and sector. Scandic has agreements with approximately 350 agencies that arrange leisure travel, for example, to theater and sporting events.

In recent years, an increasing number of private travelers have chosen Scandic hotels. This number has also grown in connection with Scandic's acquisition of Rica Hotels, which had a strong profile in the Norwegian retail market.

About 70 percent of Scandic's revenue is attributable to business travelers and conferences and the remaining 30 percent to leisure travel.

The Nordic hotel market is largely a domestic and intra-nordic market. About 85 percent of Scandic's customers are from the Nordic countries and the remainder are from Germany and Russia, followed by the US, the UK and other countries.

THE LARGEST LOYALTY PROGRAM IN THE NORDIC HOTEL INDUSTRY

Scandic Friends is the largest Nordic loyalty program in the hotel industry with over 1.6 million members.

As members of Scandic Friends, guests earn points when they stay at Scandic hotels. Points can be used for reward nights at any Scandic hotel. Scandic Friends has four membership levels. The more nights a guest stays during a twelve-month period, the greater the benefits.

The number of members is constantly growing and in 2015, Scandic Friends members accounted for nearly 40 percent of room revenues, a very high percentage of repeat guests.

Scandic Friends is an important tool for communicating directly with guests and increasing brand awareness and loyalty, creating a steady demand. It is also a low-cost way to attract new guests.

HIGH PERCENTAGE OF BOOKINGS THROUGH SCANDIC'S CHANNELS

Scandic sells most of its hotel rooms through its own booking channels: hotels, Scandic's website and call centers. The primary external booking channels are the global distribution system (GDS), online travel agencies (OTA) and contracted dealers. Online travel agencies are especially important for reaching international travelers.

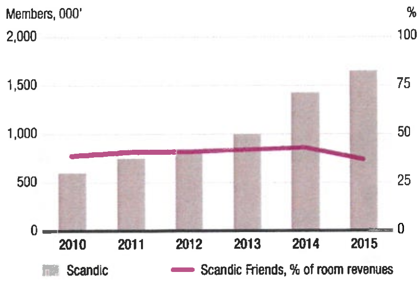
Currently, about 70 percent of Scandic's rooms are sold via its own distribution channels – directly through the hotels themselves, Scandic's website and call centers.

This high proportion gives Scandic a favorable position in the changeable hotel booking market. Reservations through Scandic's own distribution channels cost less and increase the opportunities to establish a smooth and personal relationship with guests.

Scandic expects an increase in bookings through digital channels and is continually investing in its digital platform to adapt to customers' changing online behavior and digitization in the industry.

A DIVERSIFIED CUSTOMER BASE

LOYAL MEMBERS' SHARE OF ROOM REVENUES



A DIVERSIFIED PORTFOLIO

Scandic's portfolio is diversified with different types of hotels at various locations. It includes centrally located hotels in capitals and other major cities and hotels in strategically selected locations outside of major cities, for example, hotels adjacent to large airports and business parks as well as near major highways.

EXTENSIVE COVERAGE IN SWEDEN

Scandic is the leading hotel operator in Sweden by number of rooms and has a strong position in major cities.

81 HOTELS
15,778 ROOMS
4,065 EMPLOYEES (FTE)
5,081 SALES, MSEK

HOTELS ACROSS NORWAY

Scandic is Norway's second largest hotel operator. The acquisition of Rica Hotels in 2014 has given Scandic a very strong position in both the corporate and leisure segments. Among other things, Scandic now has a strong offering of tourist hotels in the popular area of northern Norway.

85 HOTELS
14,478 ROOMS
3,129 EMPLOYEES (FTE)
3,716 SALES, MSEK

CONCENTRATION IN THE COPENHAGEN AREA, DENMARK

In Denmark, Scandic has a leading market position. Most of its hotels are located in and around Copenhagen. The hotels in the Danish portfolio have undergone a complete renovation in recent years.

22 HOTELS
3,705 ROOMS
1,127 EMPLOYEES (FTE)
1,264 SALES, MSEK

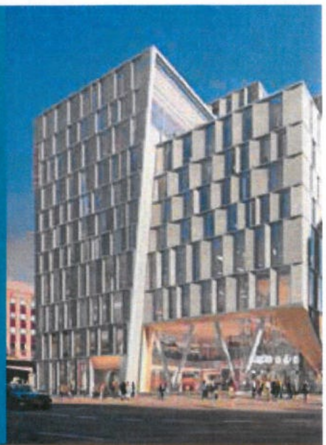
LEADING IN THE HELSINKI AREA, THIRD LARGEST IN FINLAND

Scandic's Finnish portfolio is concentrated in major cities, particularly in the capital where Scandic has the strongest presence. This is also the focus for continued investment.

27 HOTELS
5,449 ROOMS
1,246 EMPLOYEES (FTE)
1,601 SALES, MSEK

ESTABLISHMENT RATE OF 2–4 HOTELS PER YEAR IN THE NORDIC REGION AND SELECTIVE GROWTH IN GERMANY

SCANDIC IS CONSTANTLY WORKING TO OPTIMIZE ITS EXISTING HOTEL PORTFOLIO THROUGH ADDITIONS AND RECONFIGURATIONS. SCANDIC HAS ALSO SUCCESSFULLY BUILT UP A PIPELINE OF NEW HOTELS. AT THE MOMENT, THERE ARE 7 NEW EXCITING HOTELS THAT WILL OPEN BETWEEN NOW AND 2018.



SCANDIC'S HOTELS IN THE NORDIC COUNTRIES AND EUROPE

HIGH-QUALITY HOTEL PORTFOLIO

ABOUT 3–4 PERCENT OF SALES IS INVESTED ANNUALLY IN RENOVATING THE HOTEL PORTFOLIO.

EUROPE: SELECTIVE GROWTH IN GERMANY

Scandic has six hotels in the rest of Europe – three in Germany, two in Poland and one in Belgium. Scandic sees good opportunities for further establishment outside of the Nordic region and intends to advance its position in Germany through continued selective growth in attractive locations in the largest cities.

6 HOTELS

1,510 ROOMS

681 EMPLOYEES (FTE)

547 SALES, MSEK

GRI: G4-6, G4-8, G4-9

ALWAYS A HOME GAME

The Swedish Football Association and Scandic have worked together for nearly 20 years, developing a partnership that both value highly. In 2015, Scandic signed a new agreement to last over four years. This means that Scandic will continue to be a national partner and the official partner to Swedish football at all levels.

FOOTBALL'S FAVORITE HOTEL

Sweden has a strong footballing tradition. Today, there are nearly 3,200 associations with more than a million members. Around 600,000 of them are actively playing in a league system, from the grassroots level all the way up to elite teams.

As the leading hotel company in the Nordic countries and Sweden, Scandic wants to encourage and foster both health and sports, especially the important and broad-based youth sports movement. This agreement with the Swedish Football Association provides the Swedish national team and other Swedish groups a chance to enjoy quality accommodations and food as well as meeting facilities. An away game doesn't need to feel like an away game. Scandic is always home.

"THE SWEDISH FOOTBALL ASSOCIATION HAS INCREASED ITS USE OF SCANDIC BY AN AVERAGE OF 20 PERCENT PER YEAR SINCE 2007. THESE NUMBERS SEND A CLEAR MESSAGE AS TO WHICH HOTEL WE PREFER." **Håkan Sjöstrand,** General Secretary for the Swedish Football Association

RIGHT PREPARATION

At the national and elite levels, a good night's sleep, healthy food and the chance for players and coaches to interact are obvious ingredients for creating harmony on a team before a game. The same is true for teams playing at the lower levels. But they of course don't have the same financial resources to make this happen. Spending the night in a school or sports hall certainly has its charm, but when it comes to sleeping well and waking refreshed before a big game or on tour, being able to spend the night at a Scandic hotel gives a real competitive advantage. And many teams know this.

STEADY RISE

"The Swedish Football Association has increased its use of Scandic by an average of 20 percent per year since 2007. These numbers send a clear message as to which hotel we prefer. We are especially positive about Scandic's stated goal to increase regional cooperation with our local districts," says Håkan Sjöstrand, General Secretary for the Swedish Football Association.

"To perform your best on the field, preparation is key and Scandic delivers high-quality food and accommodations. We are extremely proud of our long cooperation that paves the way for future successes. We're looking forward to continued cooperation that will take football to the next level," he concludes.

HOW SCANDIC CREATES VALUE FOR STAKEHOLDERS

Scandic's value creation builds on its strong brand and proven repetitive business concept. Together, these have given the company a leading position in the attractive Nordic hotel market. The driving force is to always work close to customers and constantly develop its offering through innovation. By being a pioneer, Scandic creates competitiveness – and thereby continued profitable growth.

A PROVEN BUSINESS MODEL

Scandic owns its brand in full. This allows the company to deliver consistent high quality and an offering at every hotel that always meets customer expectations.

The company is positioned in the mid-market segment, which is less cyclical than other segments. The segment is also dominant in the Nordic markets.

Scandic's business model is based on standardized concepts and strategies as well as economies of scale. By centralizing support functions, hotel employees can instead concentrate on taking care of guests.

Scandic focuses on lease agreements as a model for operating hotels. These usually involve variable rents based on the hotel's revenue and a shared investment commitment with the property owner.

Read more about Scandic's business model on page 23.

STRENGTHS THAT POSITION

Scandic has the largest and widest network of hotels in the Nordic region. The hotels are strategically located in premium locations, adjacent to business parks, airports and selected highways. And since hotels can be positioned in various ways, several hotels can be located at the same place and complement rather than compete with each other.

Scandic is a brand. This brand is based on common tools, knowledge about how the hotel market functions from both the large and local perspectives, and a culture that guides all of Scandic's employees and their actions. This ensures consistent high quality and effective implementation of clear business concepts throughout the organization. It also means that guests experience Scandic as one company and always enjoy the same high level of Scandic care and service.

Scandic constantly follows up on activities and results at all levels – on the department, hotel, country and Group levels. Full transparency prevails. This means that key figures can be compared within one country as well as between different countries.

Today, Scandic has over 14,400 employees in seven countries. The glue that holds the organization together is a strong common cultural platform on which all employees base their daily work and relationships, both internally and externally.

Read more about Scandic's strengths on page 24.

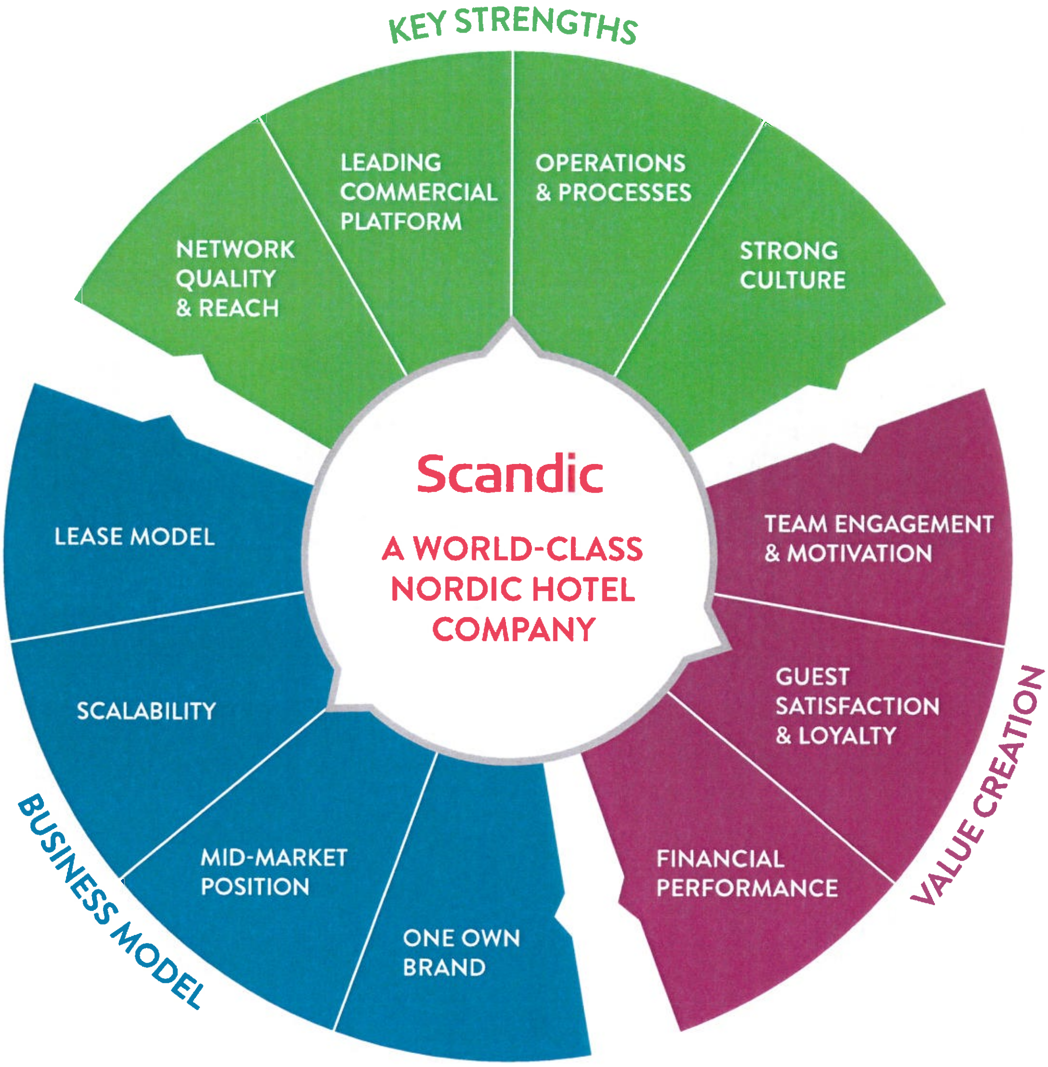
VALUE CREATION AT ALL LEVELS

Scandic has a uniquely high ESI (Employee Satisfaction Index). This gives Scandic a top position in the hotel industry. As an employer, Scandic is the only hotel operator to be placed in the exclusive Top 50 List in the research company Universum's latest rankings.

Scandic is the strongest hotel brand in the Nordic region. Guest satisfaction is high and has developed positively in recent years. Loyal customers are rewarded through the Scandic Friends program, which in 2015 welcomed its 1.6 millionth member.

During the year, Scandic adopted clear financial goals.

Read more about value creation on page 27.


KEY STRENGTHS
LEADING COMMERCIAL PLATFORM
OPERATIONS & PROCESSES
NETWORK QUALITY & REACH
STRONG CULTURE
Scandic
A WORLD-CLASS NORDIC HOTEL COMPANY
LEASE MODEL
SCALABILITY
MID-MARKET POSITION
ONE OWN BRAND
BUSINESS MODEL
TEAM ENGAGEMENT & MOTIVATION
GUEST SATISFACTION & LOYALTY
FINANCIAL PERFORMANCE
VALUE CREATION

"A CUSTOMER-DRIVEN AND REPETITIVE BUSINESS MODEL THAT CREATES VALUE FOR ALL STAKEHOLDERS."

Frank Fiskers
President & CEO

A PROVEN BUSINESS MODEL

Scandic operates under a single brand and is guided by a clear and consistent business model. This creates unique advantages in the hotel industry and makes Scandic more competitive. By owning its brand, Scandic can control the entire value chain. The focus is on the attractive mid-market segment that is less cyclical than other segments. Thanks to its size, Scandic can benefit from leveraging in both operations and marketing.

A STRONG BRAND

Scandic is the most well-known hotel brand in the Nordic region and the first choice for business and leisure travelers alike. Unlike many of its competitors, Scandic owns and controls its brand in full. This allows Scandic to deliver a high-quality, consistent offering at all hotels, to optimize the customer experience and to meet customer expectations.

This clear ownership also creates opportunities for Scandic to achieve effective cost control. Likewise, changes can be swiftly implemented in all areas of the business. What is fundamental is that each employee brings the brand to life. All changes are therefore carried out on all levels of the company for maximum effect.

POSITIONED IN THE MID-MARKET SEGMENT

Scandic focuses on the mid-market segment. This segment is attractive because it is less cyclical than other segments. Historically, changes in the general economic climate affect business in this segment to a lesser extent than in other segments.

Scandic's offering also meets the demand in the Nordic market. In line with the Nordic lifestyle, staying at mid-market hotels has become the dominant choice for both leisure and business travelers in the Nordic countries.

ECONOMIES OF SCALE

Scandic's business model enables the company to implement standardized concepts and strategies throughout its hotel portfolio. This ensures consistency from a marketing perspective and strengthens the brand. Customers can always expect the same high level of service at all Scandic hotels thanks to these standardized concepts.

Scandic's size is a foundation for the company to negotiate competitive and unique solutions with suppliers throughout the value chain. Scandic has centralized a number of support functions in its operations. These include IT and support, revenue optimization and procurement. In this way, Scandic can optimize its entire business. A particular task is performed only in one place and by specialists in that particular area. This leads to cost efficiency. Above all, it means that employees at Scandic's hotels can concentrate on their main task – working actively to take care of guests and keep them satisfied.

VARIABLE LEASES

In the Nordic market, leasing is the most common model for operating larger hotels. Scandic has made a strategic decision to focus on long-term rental agreements. Some 90 percent of agreements have variable rents based on the hotel's revenues with a shared investment commitment between Scandic and the property owner.

This rental model reduces the risk of conflicts since responsibilities are clearly divided. In general, the property owner is responsible for the maintenance and refurbishment of the building as well as technical installations and bathrooms. Scandic is responsible for the maintenance and renovation of the hotels' furniture, fixtures and equipment. This division is win-win for both parties and enables long-term positive development of the property and financial performance.

Scandic's leases generally have an initial term of 15 to 20 years with an option for extension. Scandic continually assesses hotel profitability and then chooses to terminate or extend contracts after the contract period. In Sweden and to some extent in Denmark, there is a legal tenure in connection with the extension of leases. In other countries, there is usually an option to extend the original agreement.

STRENGTHS THAT POSITION

Scandic has the widest and most strategic network of hotels in the Nordic region. Its size and reach are matched by the careful attention to detail that characterizes each employee's interaction with guests. In terms of business, Scandic aims to be a leader, both in its internal operation and external commercial offering. These are the strengths that make Scandic unique and create the platform Scandic needs to be a successful company.

NETWORK REACH

Scandic is the largest hotel operator with the strongest hotel brand in the Nordic region. At year-end 2015, Scandic had a total of 221 hotels and almost 41,000 rooms in operation. On the national level, Scandic is the largest operator in Sweden and Denmark, the second largest in Norway and the third largest in Finland, but the largest in the Helsinki area. In addition, Scandic operates hotels in Germany, Poland and Belgium.

The hotel network is well invested. More than three quarters of the rooms have been renovated in the last ten years. Scandic invests an average of 3–4 percent of net sales in renovating and developing the hotel portfolio.

Scandic's hotels are strategically located in premium locations in city centers, adjacent to business parks and airports and near selected highways. And since hotels can be positioned in various ways, several hotels can be located at the same place without competing with each other.

During 2014–2015, Scandic launched two new niche hotel concepts – HTL and signature hotels. HTL offers modern and affordable accommodations in central locations and focuses primarily on a younger audience. Signature hotels offer unique hotel experiences in characteristic environments. Both concepts are tied to the parent brand with the suffix "by Scandic."

LEADING COMMERCIAL PLATFORM

Scandic is a brand. This brand is based on common tools, knowledge about how the hotel market functions from both the large and local perspectives, and a culture that guides all Scandic employees and their actions. This ensures consistent high quality and effective implementation of clear business concepts throughout the organization. It also means that guests experience Scandic as one company and always enjoy Scandic service and care.

The focus on the mid-market hotel segment provides access to a large and broad customer base of both corporate and private customers. Scandic has an effective central sales department focused on the corporate market, which accounts for more than two-thirds of revenue. These customers have longer agreements with Scandic and provide continuous and stable revenues.

The Scandic Friends loyalty program is unique in the industry and has over 1.6 million members. During 2015, close to 40 percent of room revenues were generated by members of Scandic Friends, which shows a very high percentage of repeat guests.

Scandic controls a large part of its supply chain. About 70 percent of bookings are made through channels that the company controls. Scandic is also at the forefront when it comes to the digital experience. The company was, for example, the first to launch its own system to enable online reservations with a single click. The new digital platform that will be launched in 2016 will make it possible to deepen the digital customer experience in an innovative way.

Scandic also has automated tools to drive RevPAR. These include a forecasting system, flexible pricing models and rapid feedback.

OPERATIONAL LEADERSHIP

The Group's hotel managers play a key role within the business. They have full responsibility for the revenue and expenses at each hotel and adapt Scandic's offering to their local markets. To be able to focus on their business, they have the full support of Scandic's key functions within a number of areas.

Scandic constantly follows up on operations and results on all levels – by department, hotel, country and the Group as a whole. Full transparency prevails. This means that key figures can be compared within one country as well as between different countries. This allows for benchmarking, which creates conditions for continually making improvements and establishing best practices.

Getting all employees to act as a team under one brand is Scandic's hallmark. This is achieved through regular training and incentive programs. Scandic's success in this area is reflected in annual measurements of customer satisfaction that continue to be at a high level year after year.

Developing, opening and operating hotels is a complex business. It includes many stakeholders, tight deadlines and budgets that must be kept. Everything also needs to be done seamlessly. Scandic has built up a strong organization to develop and manage its hotel portfolio. This is based on a proven program that ensures the process. This facilitates, for example, a further standardization of the interior of the hotels. In addition, common renovation needs at several hotels can be met by fewer suppliers. This helps Scandic increase value and improve quality control. And in this area, Scandic considers itself to be an industry leader.

A STRONG CULTURE

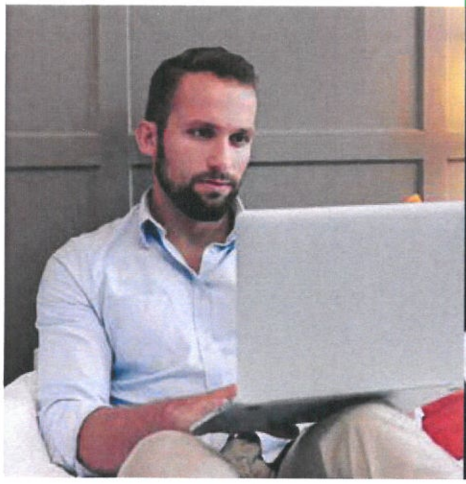
Today, Scandic has about 14,400 employees in seven countries. The glue that binds employees and builds a common culture is the values that Scandic further developed in 2015 and that will be implemented enthusiastically in 2016. Employees demonstrate these values in their daily work and relationships, both internally and externally.

This strong culture, however, does not mean that all employees are cast in the

same mold. Scandic's culture is rather a framework that creates scope for variation and improvisation. When it comes to employees, Scandic's philosophy is simple: choose the right people, motivate them and provide clear rules and conditions so they can develop in their roles. This creates happy employees, which in turn creates satisfied guests.

"SCANDIC'S STRENGTHS ARE THE BASIS FOR EXCEEDING CUSTOMER EXPECTATIONS GOING FORWARD."

Frank Fiskers
President & CEO



GOAL

5.0%

Annual average growth in net sales over a complete business cycle, excluding M&As

PROFITS 2015

12.6%

Growth in net sales 10.4%, excluding M&As

GOAL

11.0%

Average adjusted EBITDA margin over a business cycle

RESULTS 2015

10.2%

Adjusted EBITDA margin

GOAL

2–3x

Net debt in relation to adjusted EBITDA

PROFITS 2015

2.7x

Net debt in relation to adjusted EBITDA

VALUE CREATION AT ALL LEVELS

By attracting and recruiting the right talents, engaging and developing them and providing the right conditions to grow as professionals, Scandic creates satisfied employees. This in turn leads to satisfied guests. Guests have built-in radar that lets them know when they're dealing with a company that has knowledgeable, service-oriented and helpful employees. Scandic's customer and employee satisfaction indexes show how important this connection is. And the results are clear in the bottom line of Scandic's income statement.

A DEDICATED AND MOTIVATED TEAM

Scandic's employee engagement is high and continues to increase year after year. Between 2010 and 2015, Scandic's Employee Satisfaction Index increased from 685 to 763. This is by any standard a significant figure that places Scandic high in comparison with other companies. Scandic's goal for 2020 is to remain high and the company has already come a long way.

Each year, the research firm Universum asks business students to vote for their dream employer. In the latest survey from 2015, Scandic was the only hotel operator to be ranked among Sweden's 200 most prominent companies. Scandic now also belongs to the exclusive Top 50 List.

Employees' personal development is a key component of Scandic's continuous efforts to strengthen the brand and its attractiveness as an employer. The company therefore aims to provide the industry's best training facilities. In 1995, Scandic launched Scandic Business School. It is available for all employees at all levels within the company. Through e-learning, Scandic offers 60 inspirational courses and training programs per year, tailored to Scandic's employees and needs within the company. The courses are popular and some 20,000 e-learning courses are undertaken by Scandic's employees each year. Additionally, about 1,700 employees participate in classroom training every year. One of the programs is Talent@Scandic, which develops high-performing talents into hotel directors and other leaders within the Group. In 2016, 20 employees will take part in the program.

SATISFIED AND LOYAL CUSTOMERS

Scandic is the strongest hotel brand in the Nordic countries, according to the latest survey of hotel guests conducted by the market research company BDRC. And behind this success is a long-term and consistent strategy where all hotels are marketed under the same brand. Owning and controlling its brand gives Scandic opportunities to further develop and strengthen its position in the market. This applies in all dimensions – from booking to checkout and following up. Scandic's goal is to offer the best customer experience at every touch point within the company.

Scandic carries out regular surveys of customer satisfaction. This provides real-time feedback to each of Scandic's hotels. This creates a tool to ensure that the company's offerings and service level remain attractive and also provides input for Scandic to develop its offering. The level of guest satisfaction is high and has developed positively in recent years.

Scandic strives to reward customer loyalty through Scandic Friends. The program allows guests to earn points when they stay at Scandic hotels. Points can then be used for reward nights at any Scandic hotel. The program also offers benefits such as discounts on hotel stays and at Scandic's restaurants.

Scandic Friends is the Nordic region's largest loyalty program for hotel guests. The number of members is growing all the time and in 2015, the program welcomed its 1.6 millionth member.

Scandic Friends is an important tool for retaining loyal guests and creating a stable demand. It is a channel for direct communication with Scandic's customers. The program also gives the company competitive advantages in its work to attract new customers.

HIGH PROFITABILITY OVER TIME

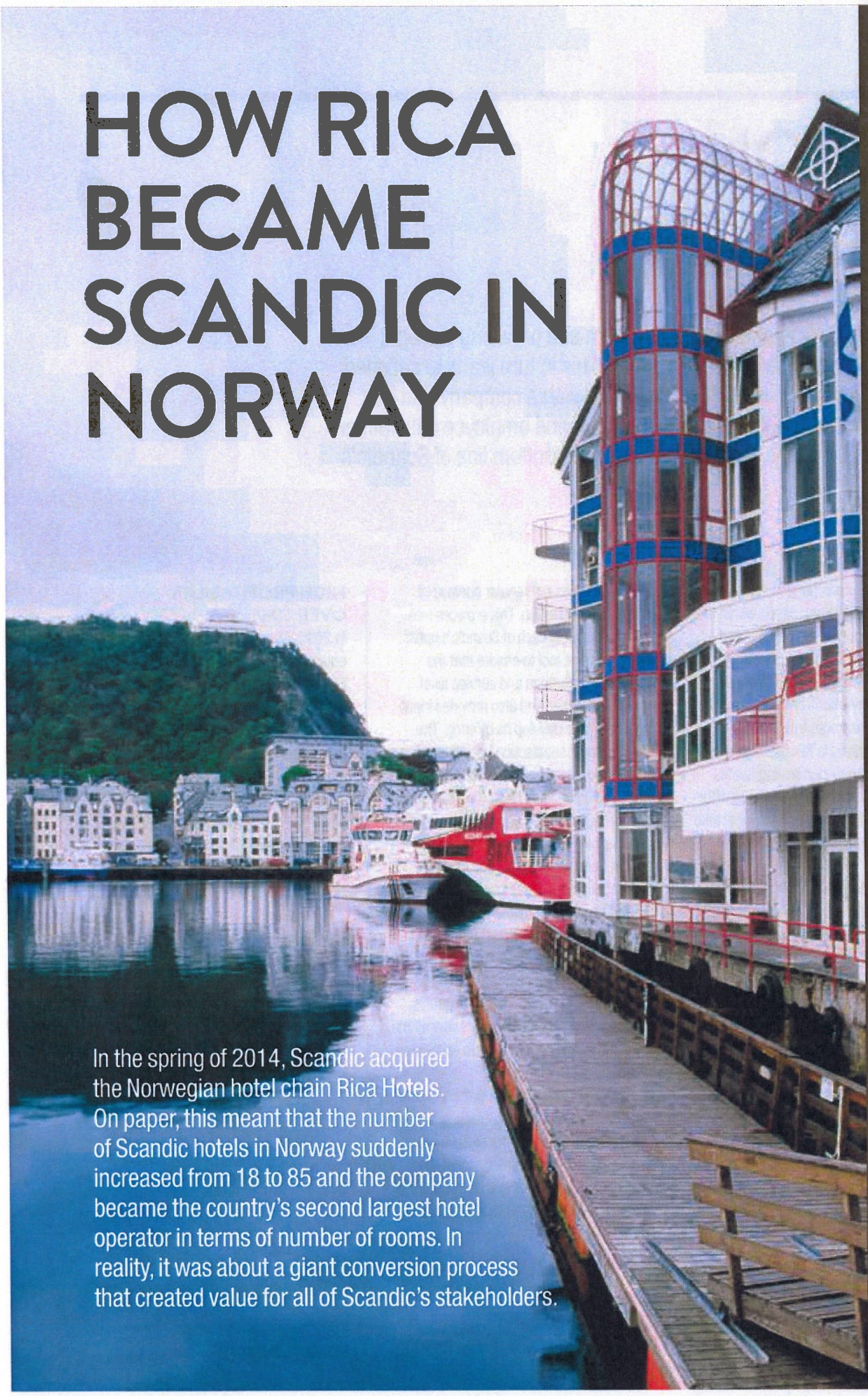
In 2015, Scandic adopted the following objectives with regard to sales growth, EBITDA development and debt.

Scandic shall have annual net sales growth of at least 5 percent on average over a business cycle. This is excluding any mergers and acquisitions.

The adjusted EBITDA margin shall be at least 11 percent on average over a complete business cycle.

Scandic shall also have net debt in relation to adjusted EBITDA of 2–3x.

HOW RICA BECAME SCANDIC IN NORWAY



In the spring of 2014, Scandic acquired the Norwegian hotel chain Rica Hotels. On paper, this meant that the number of Scandic hotels in Norway suddenly increased from 18 to 85 and the company became the country's second largest hotel operator in terms of number of rooms. In reality, it was about a giant conversion process that created value for all of Scandic's stakeholders.

HIGH TEMPO

The purchase was completed on April 8, 2014. After this, Scandic immediately started the extensive work to transform Rica hotels into Scandic ones – on the outside as well as on the inside.

Scandic's Head of Norway, Svein Arild Steen-Mevold explains, "In just seven months, all of our hotels were remodeled as Scandic hotels. Maintaining a high tempo was critical. A team would arrive on a Monday, and by the end of the week, the hotel was completely transformed. Parallel to this, the internal work began. It was mainly about winning over the staff and getting them on board as soon as possible."

THE SEED WAS ALREADY THERE

"The previous owner had considered Scandic a role model for Rica. There was already a platform to make Rica hotels like Scandic ones. It is important to point out that the takeover of Rica was an acquisition, not a merger. The owner wanted to sell and saw Scandic as the best alternative. This helped, of course, in our efforts to implement Scandic's values and way of working," says Svein Arild.

"Extensive work was started to introduce Rica's employees to the Scandic way of doing things. We ran a comprehensive program of local meetings. Training took place both at the hotels and online. Basically, it was about streamlining operations. We acted directly, honestly and with transparency. This meant that the process won the respect of employees and we were able to generate the enthusiasm we needed.

"Our success can be measured by the fact that our Employee Satisfaction Index score has gone up very quickly in just one year. We have the biggest increase in this area among all the countries in our group, and our score is now at the same level as the best."

CUSTOMERS LIKE WHAT THEY SEE

"Of course, we have a long way to go before we can see all of the positive effects of the Rica acquisition. But what we can see so far is encouraging. Awareness of our brand is growing rapidly. Our share of voice has risen from 25 to 47 percent. People are talking about us. Our service is increasingly getting higher scores in customer surveys. And most importantly: we are taking market share.

"Our business customers have access to a larger network of hotels. We have, without a doubt, the most comprehensive hotel offering in Norway. We are located in all major cities and towns. It gives us greater competitiveness and we see an increased influx of business customers. They appreciate our loyalty program that is second to none in the Norwegian market. In principle, all former Rica loyalty members have joined Scandic Friends. And we have a lot to offer our private customers with our unique

"CUSTOMER SATISFACTION HAS GONE UP RAPIDLY IN JUST ONE YEAR."

Svein Arild Steen-Mevold
Head of Norway

selection of hotels in tourist destinations. This comes in handy when the Norwegian krone is weak and we are experiencing an influx of foreign travelers. You could say that the decrease we've seen in occupancy as a result of the oil crisis is to some extent being compensated for by positive developments in other places."

SIGNIFICANT SYNERGIES

"We have naturally also been able to streamline our back-office functions. We closed Rica's headquarters and double functions during the second half of 2014. In the summer of 2016, the integration will be complete which will give us significant cost savings. This has basically been completed in two years and along the way, we have strengthened our business in all areas. One could well say that this is one of the few acquisitions where the sum of one plus one is greater than two," says Svein Arild.

AN IMPORTANT MARKER

"A small but important confirmation that we are on the right track came in the fall of 2015. Breakfast is important to Norwegians when they stay in hotels. It should be hearty, nourishing and tasty. And breakfast was what Rica was known for. An independent research company did a ranking of breakfasts at different hotels in Norway, and Scandic won twelve out of nineteen times. Two of our hotels also won gold and bronze. I think this is great and it shows that Scandic has come a long way towards becoming the leading and most respected brand among hotels also in Norway," he concludes.

OUR 2020 STRATEGY SHOWS THE DIRECTION FORWARD

In 2015, Scandic developed a new vision, mission and cultural platform. This was supported by the Group's long-term strategy. The focus is on maintaining and further strengthening Scandic's leading position in the Nordic countries and selective growth in Germany. The strategy focuses on improving and refining Scandic's business based on changing customer behavior and the digitization that is ongoing within the industry – all to create stable growth and a long-term and high level of profitability.

A CLEAR VISION FOR 2020

Scandic has formulated a clear vision to take the company to 2020. The objectives are summarized in six scenarios that the company aims to achieve.

THE FAVORITE HOTEL BRAND

Scandic is clearly living up to its promise and the expectations of guests and customers. Scandic is performing better all the time, which increases guests' expectations and creates experiences that they want to return to and tell their friends about.

Scandic is strengthening its leading position in the Nordic hotel market as the first choice among hotel guests and the most highly praised hotel brand by creating a better experience in all areas for customers and guests. Scandic ensures that the company's service is right, both rationally and emotionally. Scandic's digital solutions, customer offering and loyalty programs are developed and strengthened together with customers with a focus on understanding new customer needs, preferences and trends.

AN ATTRACTIVE PLACE TO WORK

Scandic has business-oriented and engaging leaders. Scandic's employees live the company's values and offer guests superior service. Scandic works actively with diversity and inclusion issues. Scandic is an employer that attracts, develops and retains the best employees. Scandic's success is its employees. Diversity is Scandic's strength and the company's success is based on an inclusive approach, where every individual is given the opportunity to develop by allowing everyone the opportunity to learn and demonstrate Scandic's culture and values.

Career paths within the company are clearly defined. Scandic Business School continues to evolve to take advantage of and enhance talents so they can develop into future managers.

The role of leaders is increasingly important. Scandic's leadership is based on knowledge, trust and transparency. Through leadership development, the company ensures that managers are positioned to lead in an engaging and inclusive way.

AN INSPIRING CORPORATE CITIZEN

Scandic is a source of inspiration in the travel and tourism industry through the company's significant commitment and responsibility in society. Scandic's sustainability initiatives are highly valued by the company's stakeholders and constitute a business strength. Scandic's success as an inspiring member of society is achieved through focused and targeted work in diversity and inclusion.

Scandic shows great commitment and encourages wellness among its employees and guests. Scandic is proactively supporting a common responsibility for a sustainable future. Key aspects that Scandic continues to focus on are health, carbon emissions and waste.

OUTPERFORMING THE MARKET

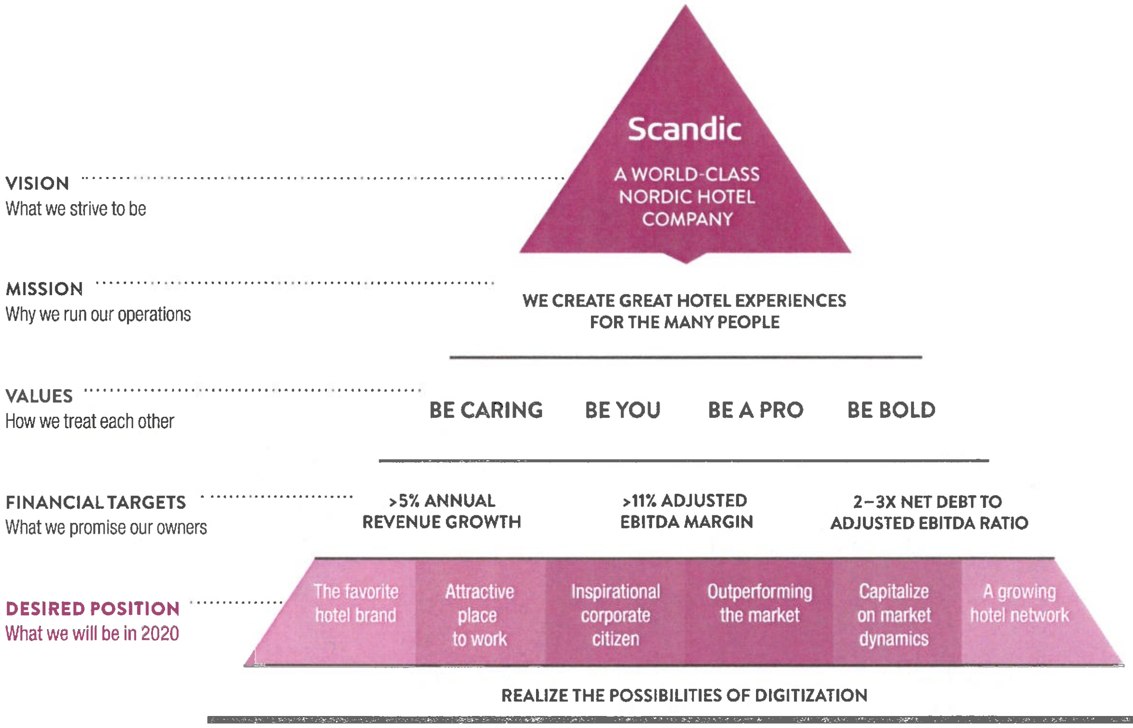
Scandic's strong market position, wide network of hotels, customer offering and commercial power generate higher sales than the company's competitors. Scandic's repeatable business model, scale and best-practice approach provide high and stable margins and reduce cyclical effects.

The company's premium in revenues and operating margins is driven from a decentralized responsibility for results at the country level where a close dialog between the hotels, the sales organization and revenue management is extremely important. At the same time Scandic's head office sets the overall strategy, optimizes synergies between countries and creates tools to maximize Scandic's full revenue and profit potential.

Through more individualized communication with customers, the development of the next generation loyalty program and a focus on driving more reservations to Scandic's own booking channels via the new digital platform, the company is strengthening relationships with customers.

CAPITALIZE ON THE MARKET DYNAMICS

The hotel market is changing rapidly. Scandic acts proactively to benefit from the opportunities of digitization, changes in customer behavior and market dynamics. Through flexibility and speed, Scandic is at the forefront of the industry.



Scandic's continuing focus is to further strengthen its relationship with customers and guests. Delivering positive hotel experiences and maintaining a competitive distribution network are essential components of this. Scandic is also investing in the development of the company's digital platform to enhance interaction with guests throughout the customer experience.

A GROWING HOTEL NETWORK

By 2020, Scandic is the given market leader in the Nordic countries and has achieved a strong position in Germany. Its offering is constantly being developed and improved, both in existing and new hotels.

Scandic's expansion rate is high and the ambition is to open two to four new hotels a year in the Nordic countries. This includes both new construction and takeovers of existing hotels. Scandic's ability to deliver returns that are higher than competitors together with long and positive relationships makes Scandic an attractive partner for real estate developers and property owners.

In Germany, Scandic is expanding its existing network selectively with new hotels in prime locations in the largest cities. All projects meet the company's high demands on profitability and rental terms.

Existing hotels are always evaluated in terms of renovation and expansion. Scandic's focus on signature hotels creates further opportunities to strengthen the customer experience and thereby provide better returns.

FOUNDATION FOR SUCCESS

Rapid digitization is creating new opportunities in the hotel industry. Taking advantage of this is an important factor for Scandic's continued success. This is why the company is focusing on developing its digital platform to enhance the customer experience, increase market coverage and improve efficiency.

The guest experience is strengthened by offering customers a fully customized, smart and interactive digital experience at all touch points within Scandic.

Market coverage is extended so that Scandic becomes more visible and accessible, even in distant markets.

Operational efficiency is improved and customers are brought even closer to the company through the development of digital solutions that reduce costs in the company's operational and commercial processes and increase their speed.

1201

ACCESSIBILITY FOR ALL

WORLD RESPONSIBLE TOURISM AWARDS 2015 – BEST HOTEL COMPANY IN THE WORLD WITHIN ACCESSIBILITY

Scandic won in the category "Best accomodation for disability access" for its successful work in the area of accessibility.

When Magnus Berglund was planning a trip in 2002, he made a discovery: hotels provided little information about accessibility for travelers with special needs. At the time, he was on sick leave from his position as a chef at Scandic due to a rheumatic disease, and he quickly saw a business opportunity within the hotel industry.

AN IMPORTANT GROUP

He contacted the management at Scandic. And he reasoned: "There are over 2.5 million people in the Nordic countries with some form of disability and 65 million in Europe according to the EU. The population is also getting older and traveling more in their later years. The 60+ segment in the US and Europe is the group that spends the most on travel. They will demand ever-higher standards of service when they stay at hotels. Scandic should see all of these individuals as customers so it does not miss a gigantic business oppurtunity. Everyone should be welcome at Scandic!"

THE WORLD'S FIRST ACCESSIBILITY AMBASSADOR

Scandic decided to develop the idea. In 2003, Magnus was made responsible for the initiative and named Accessibility Ambassador. A comprehensive training program for all employees started. The guiding principle was that every guest, regardless of disability, should be treated as any other guest. Everyone at Scandic supported the idea. But was it really the business case Magnus was so keen to promote? An internal survey showed that the investment yielded about 15,000 more sold rooms during the first year. So there was no doubt.

Today, Scandic has its own unique standard on how accessibility measures are implemented at all hotels. In its entirety, it covers 135 points, 90 of which are mandatory. All newly built hotels and renovations must satisfy all of these requirements. Scandic is also the world's first hotel company that offers detailed accessibility information on its websites.

ACTIONS GREAT AND SMALL

Scandic is also the first hotel in the world to offer interactive online training in accessibility and has won prizes for its initiatives both in Sweden and internationally. Employees can get advice and watch instructional videos. They can also test and expand their own expertise in this area – everything to provide guests with disabilities first-class service. It is not just about making practical arrangements. It is as much about attitude and approach. It's about paying attention to details both great and small. From the way a chef arranges food on a plate for a person who is visually impaired to managing the logistics of a big conference where participants have some form of disability. This is now a natural part of everyday life for Scandic.

"At Scandic, there is no concept of disability. We see everyone as guests," says Magnus. "It's a business approach that benefits everyone."

AN ONGOING PROCESS

Magnus is the driving force behind Scandic's accessibility work and he reports directly to the Executive Committee. He travels. He inspires. His inbox gets filled every day. Ninety percent of the emails are from guests and customers. They contain praise, but also suggestions for improvement. Magnus takes every opportunity to meet and talk to guests. This generates lots of ideas.

"There is always something we can do to be better," he says.

ACTIVELY ENGAGED EMPLOYEES

Scandic's 14,400 employees are the key to maintaining its strong customer loyalty and bringing customers even closer. This is only possible when team members live and work according to Scandic's core values and when Scandic runs its hotels in a sustainable manner with regard to people, the environment and society. Scandic's long-term and extensive work in human resources takes this into account.

SCANDIC'S EMPLOYEES

2015 was a year of change for the Scandic Group. The acquisition of Rica Hotels and continued expansion have impacted the employee figures in many ways. Above all, Scandic has many more employees which places greater demands on the organization. Scandic's business is seasonal with particular highs. To meet these changes in an effective way, Scandic needs to have a number of temporary employees. This offers the opportunity of permanent employment at Scandic and constitutes a substantial recruitment group for our operations. However, many of Scandic's temporary employees are offered full-time employment and this constitutes a substantial recruitment group for Scandic's operations. Scandic primarily employs people who are directly employed by the company. There are exceptions, for example in Finland where housekeeping consists of contracted employees from external business partners.

All of Scandic's employees in all countries, including short-term and temporary staff, have full protection and coverage regarding health and safety. This is provided either through their contracts or the collective bargaining agreements that cover about 90 percent of employees. Scandic knows that a happy, healthy workplace is a competitive advantage when it comes to recruiting. This is why Scandic constantly strives to enable a good balance for employees between work, free time and family life through flexibility and development.

Total number of employees	Men	Women	Total
Total	5,250	9,185	14,435
Permanent employees	3,024	5,057	8,081
Full-time	2,266	3,077	5,343
Part-time	758	1,980	2,738
Temporary	2,226	4,128	6,354
Contracted workers	104	204	308

New hires*	Number	Share, %
Total number and % of total	1,044	12.9
Women	553	53.0
Men	491	47.0
<30	485	46.4
30–50	505	48.4
>50	54	5.2
Sweden	234	22.4
Norway	319	30.6
Finland	68	6.5
Denmark	337	32.3
Other European	86	8.2

* Data refers to permanent employment.

Employee turnover*	Number	Share, %
Total number /% of total	1,793	22.2
Women	1,045	58.3
Men	748	41.7
<30	765	42.7
30–50	865	48.2
>50	163	9.1
Sweden	433	24.1
Norway	861	48.0
Finland	91	5.1
Denmark	316	17.6
Other European	92	5.1

* Data refers to permanent employment.

Geographic breakdown	Men	Women	Total
Total number of employees	5,250	9,185	14,435
Sweden	2,327	4,574	6,901
Norway	1,762	2,841	4,603
Finland	311	607	918
Denmark	651	931	1,582
Other European	199	232	431

AN ATTRACTIVE EMPLOYER

VOICE INDEX

2015: 763
2014: 732

UNIVERSUM SURVEY

2015: 29th place in the Nordic region (only hotel operator listed) according to nearly 18,000 business students.
2014: 27th place in the Nordic region (only hotel operator listed) according to 16,800 business students.

GREAT PLACE TO WORK

4th place in Denmark, in the category "Company with more than 500 employees."

INCLUSION AND DIVERSITY

Scandic is actively involved in equality and diversity issues. The distribution of men and women is fair and balanced in all employee categories. Equality among employees and management is achieved through effective work in this area. Among part-time employees, there is a larger share of women.

Scandic is a workplace where employees feel that they are treated fairly and inclusively, which was confirmed in the 2015 Voice survey by a score of 763 (732), which corresponds to the level of "Excellence" according to TNS Sifo that carried out the evaluation.

Scandic remunerates employees based on local salary levels and market practices and applies collective bargaining agreements where these are in place. The remuneration model is based on clear, given criteria that disregard gender, origin, ethnicity, age and/or other factors that are not relevant for how remuneration is defined. For administrative reasons related to the integration of Rica hotels, Scandic has chosen to omit reporting of the company's breakdown of wages and remuneration.

Scandic is also carrying out a number of important initiatives that aim to create employment possibilities for the many skilled newcomers to Sweden today. Scandic is the first hotel company, at a national level, to begin evaluating and validating skills among newly arrived chefs as part of the "Snabbspåret" fast track project. This project was launched in late 2015 by the Swedish Government together with Visita and the hotel and restaurant union HRF to help new immigrants with expertise in areas where there are worker shortages enter the labor market faster.

SCANDIC BUSINESS SCHOOL

Another one of Scandic's strengths is that many employees choose to further their education and build a career within the company through Scandic Business School. This internal vocational training program has been recognized and praised by many organizations and is also appreciated by Scandic's employees. Scandic Business School has a large range of standard courses that are available to all employees. Demand is high and participation in courses is decided together by employees and managers. In addition to standard courses, there are also individually tailored courses and training programs provided by external experts.

Vocational training		No. of training hours
Total number of training hours		36,025
By	Men	12,371
	Women	23,654
	Management	15,652
	Employees	20,373

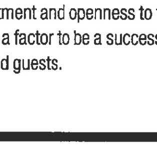
* The table shows the number of training hours based on Scandic Business School's standard courses and does not include externally provided courses. External trainers make up a large part of the executive committee's education. As there is no systemized way to incorporate these hours in the overall statistics, their training hours have been merged with all managers within the company.

MOST ATTRACTIVE HOTEL EMPLOYER

Scandic's success is built on being able to attract the best employees. And it is proud to be able to call itself one of the most sought-after employers in the Nordic countries. This was confirmed by Scandic once again being voted the most attractive hotel employer among business students, according to Universum Norden. Scandic was also the only hotel company within the Swedish hotel industry that placed in the Top 50 List and was also designated a "rocket" by the survey. In Denmark, Scandic was ranked fourth in the Great Place to Work survey. Scandic also received a special prize for its work with diversity thanks to its successful efforts in adapting its business so that diversity among employees has become a strength. This has been achieved, for example, by overcoming potential language barriers through the use of images and pictograms on iPads.

Scandic is dedicated to continually working to become the first choice among the top service and hotel workers by showing commitment and openness to their needs, which is recognized as a factor to be a successful company with the most satisfied guests.

GENDER BREAKDOWN, COMPANY IN TOTAL, %



Men 36% Women 64%

GENDER BREAKDOWN, GENERAL MANAGERS, %

Men 54% Women 46%

Demographic breakdown	Total number of employees, %		Board, %		Executive Committee, %		Management, %		Employees, %	
Men	5,250	36.4	8	80.0	4	57.1	573	47.9	4,673	35.3
Women	9,185	63.6	2	20.0	3	42.9	622	52.1	8,560	64.7
Age <30	6,635	46.0	0	0.0	0	0.0	131	11.0	6,504	49.2
Age 30–50	6,183	42.8	3	30.0	5	71.4	870	72.8	5,308	40.1
Age >50	1,617	11.2	7	70.0	2	28.6	194	16.2	1,421	10.7
Total	**14,435**		**10**		**7**		**1,195**		**13,233**	

GRI: G4-10, G4-11, G4-DMA, LA-1, LA-8, LA-9, LA-12, HR-2

EMPLOYEES FROM 120 COUNTRIES

Inclusion and diversity are prioritized areas within Scandic. All employees are treated with consideration and respect. This is regardless of age, origin, ethnicity, gender or sexual orientation. Today, Scandic employs people from no less than 120 countries. They interact daily and represent a unique competitive advantage for the Scandic brand.

FIRST ON BOARD FAST TRACK PROGRAM

Supporting integration proactively is a fundamental part of Scandic's work with inclusion. In the fall of 2015, the Swedish Government together with Visita and the hotel and restaurant union HRF launched the Fast track program. The goal is to help newcomers with experience and training in occupations where there is a labor shortage to enter the workforce faster. Scandic is the first hotel company on the national level committed to evaluating and validating the skills of newly arrived chefs on a national level.

Validation will be carried out at a number of Scandic hotels throughout Sweden. The supervisors come from Scandic's experienced staff. They have been trained and certified by the Swedish Education Council for Hotels and Restaurants (UHR). Scandic also complements this with internal training.

In Sweden today, there is a great shortage of chefs and a tug-of-war between hotels and restaurants when it comes to finding trained staff. In Sweden and the Nordic region, Scandic is also the largest restaurant chain, so recruiting needs are high within the company.

SCANDIC'S FOOD SPEAKS FOR ITSELF

Scandic's initiative aims to solve a specific problem in the industry. At the same time, it contributes to raising the status of jobs in the hotel and restaurant sector in the long term. For Scandic, the fast track program is also a way to take its responsibility as a member of society and help integrate new citizens. By entering the workforce, they can become a natural part of society.

Many people think that learning the language of a country is the key to integration. At Scandic, language is not really an issue. A restaurant kitchen is among the most international workplaces imaginable. Speaking Swedish is not a prerequisite to cook good food.

FORERUNNER IN ENVIRONMENTAL ISSUES

Since 1993, Scandic has been working to move forward and establish an industry standard when it comes to responsible hotel operations. Scandic was, for example, the first hotel to introduce the "hang up your towel" concept instead of throwing it in the laundry every day. And with the idea that large streams from little fountains flow, Scandic has since added other daily routines that show the company's commitment to a sustainable environment with the UN's precautionary principle as a starting point.

ENVIRONMENTALLY CERTIFIED HOTELS FOR GUESTS AND THE CLIMATE

To ensure that sustainability is systematically integrated into Scandic's business, Scandic requires all of its hotels to be environmentally certified. At the end of 2015, 184 of 221 hotels were certified with the Nordic Ecolabel or the EU Ecolabel. These hotels operate from a lifecycle principle and meet established environmental demands for energy conservation, waste minimization and the use of recycled materials. The hotels continuously aim to minimize the negative environmental impact of their operations, in large and small ways.

Each Scandic hotel has a person responsible for environmental issues, who ensures that the hotel lives up to environmental requirements and reports on the use of energy, water, chemicals and waste. This allows Scandic to maintain full control and make the small changes that gradually lead to significantly reducing its impact on the climate.

ENVIRONMENTAL ICONS SHOW THE WAY

To help customers be environmentally friendly, Scandic has developed a number of icons that are accessible at many hotels each with an environmental thought in their composition. Some examples are free use of Scandic bikes, garbage cans with separate divisions for organic waste, paper and combustibles, room keys made of wooden material and tap water served in Scandic bottles made from recycled glass.

So that guests can make healthy and responsible food choices, Scandic offers a wide range of organic and certified products. Food waste is sorted and sent to composting or biogas production.

INNOVATIONS FOR THE LOWEST IMPACT

To reduce the company's environmental footprint, Scandic has actively implemented energy-saving initiatives in its hotels. All light bulbs are changed continuously using LED lights and switches have been replaced to enable custom lighting. Static air conditioning has been replaced by demand-controlled ventilation systems. Large refrigeration units have been replaced with individual refrigerators with glass doors that allow employees to see contents without having to open the door and release expensive and energy-heavy cooled air. Scandic's efforts have led to a reduction in the company's carbon dioxide emissions, which have been calculated as an intensity figure 0.00000297 tonnes CO_2/SEK.

Hotel operations require large quantities of water for example in cleaning, maintenance and cooking. Scandic always aims to reduce consumption and has water and energy efficient appliances in kitchens and bathrooms. In 2015, Scandic consumed a total of 2,319,000 m^3 of water. In the Nordic countries, clean water is a given and to ensure that the water supply remains clean, Scandic is working to minimize the use of hazardous chemicals. Chemicals for cleaning and dishwashing are environmentally certified and volumes are controlled by automatic dosing. During the year, Scandic used only a net of 463 tonnes of chemicals at all hotels, and 77 percent of the chemicals used were environmentally-certified.

2015

ENVIRONMENTALLY-CERTIFIED HOTELS

83%

2015

RECYCLED WASTE

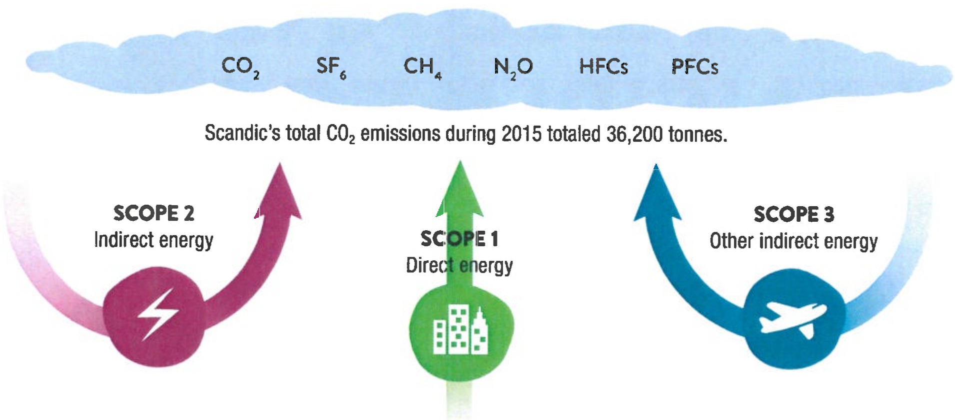
67%

2015

ENVIRONMENTALLY-CERTIFIED CHEMICALS

77%

GRI: G4-14, G4-DMA, EN-3, EN-15, EN-16, EN-17, EN-18, EN-23



SCOPE 2

Scope 2 includes emissions from the energy Scandic buys ready-made, which is known as indirect energy. This includes electricity, district heating and district cooling to operate hotels through, for example, ventilation, lighting and operations. Today, a large proportion of the electricity and district heating that Scandic purchases comes from renewable sources such as wind and hydropower. Scandic prioritizes district heating and cooling above local cooling systems.

Scope 2

Energy consumption, MWh		
of which	Electricity	250,395.4
	District heating	180,269.8
	District cooling	11,410.4
CO_2 emissions, tonnes		**31,406**
of which	Electricity	3,856.7
	District heating	25,369.9
	District cooling	2,179.4

SCOPE 1

Scope 1 includes emissions from gas and oil that Scandic purchases in the form of raw materials. This is known as direct energy. Scandic uses gas and oil to heat all hotels, but the company is working continually to phase these out as sources of heat. Some hotels use propane or kitchen gas in their restaurant kitchens.

Scope 1

Energy consumption		
of which	Gas, MWh	7,697.4
	Propane gas, tonnes	1,683.4
	Heating oil, MWh	404.3
CO_2 emissions, tonnes		**4,427.9**
of which	Gas	4,388.3
	Heating oil	39.6

SCOPE 3

Scope 3 includes emissions from employees' air travel. These emissions, like those in Scope 2, are released from purchased energy but come from a third party, for example airlines.

Scope 3

Number of km*	**2,848,408**
CO_2 emissions, tonnes	**366.1**

* Scandic Grand Palace Brussels, Scandic Gdansk and Scandic Wroclaw are excluded as these hotels do not have systems for recording the number of km traveled.

WASTE

As much as 67 percent of Scandic's other waste was recycled, which shows the success of the active sorting carried out at each hotel. Of the remaining part, combustible waste was burned to release new energy. It is impossible for Scandic to avoid hazardous waste, as electronics and appliances need to be replaced and there are construction materials that are sometimes left over from renovations. However, today, half of all hazardous waste is recycled, resulting in a large reduction in Scandic's environmental impact.

Total weight per disposal method, tonnes	Hazardous waste	Waste
Reuse	0	43.1
Recycling	125.3	5,233.1
Energy recovery	0.0	1,761.4
Combustion	124.5	41.2
Landfill	25.4	84.2
Other*	0.1	656.5
Total	**275.2**	**7,819.5**

Total weight per type of waste, tonnes	
Paper	775.5
Glass	1,377.8
Metal	124.3
Plastic	244.6
Other waste	5,572.4

* Waste disposed of through other options includes fats and residual waste. Municipal waste is excluded.

GRI: G4-DMA, EN-3, EN-15, EN-16, EN-17, EN-18, EN-23

SUSTAINABLE AND RESPONSIBLE FOOD

At Scandic, we do as our guests – we prioritize healthy and responsible food. Our guests rank healthy food as the third most important factor for a great hotel stay, just after location and comfortable beds.

We listen to our guests, so we offer sustainable food options from early breakfast to late dinner. We serve, for example, a breakfast featuring organic options and organic and Fairtrade coffee at all hotels. The fish and seafood we serve follows the WWF Seafood Guide. We also offer organic wines and beers. In Denmark, we have focused on healthy fruit and vegetable drinks at our conference buffets, often made from "uglier" produce that would otherwise have been discarded. In our Scandic shops in Sweden, half of the products are organic or Fairtrade. In other words, we offer a variety of products that are good for both people and the planet.

Another important aspect is the hygiene and food safety in our kitchens and restaurants. To ensure maximum freshness and food safety in our operations, we have developed a training program in health and food security for our kitchen and service staff with its starting point in Sweden.

For our youngest and most discerning guests, meals and their components are especially important. In Sweden, we always offer organic children's menus with fish dishes, pancakes, meatballs and burgers, all served with wholesome organic vegetables and beverages that are free from additives and food coloring.

CERTIFICATIONS TO HELP OUR GUESTS MAKE INFORMED CHOICES WHEN THEY DINE WITH US

ALL FISH AND SEAFOOD WE SERVE AT SCANDIC COMES FROM SUSTAINABLE FISHERIES AND WE FOLLOW THE WWF'S SEAFOOD GUIDE.

KRAV-LABEL
ENVIRONMENT

DEBIO
ENVIRONMENT

Ø LABELED
ENVIRONMENT

LUOMU
ENVIRONMENT

EU ORGANIC
ENVIRONMENT

FAIRTRADE
WORKING CONDITIONS

RAINFOREST ALLIANCE
WORKING CONDITIONS AND ENVIRONMENT

UTZ
WORKING CONDITIONS

GRI: G4-15, G4-DMA

In 2001, Scandic initiated the "Scandic in Society" program that involves all of the company's hotels and employees in different ways. This ranges from serving coffee to parents on night patrol to providing sheets at shelters for the homeless. This means that each hotel can choose to engage in the issues that are the most important to it.

SCANDIC IN SOCIETY

STRONG INVOLVEMENT

That Scandic's local involvement is important for employees is reflected in the fact that 93 percent of all hotels carried out and participated in at least three activities during 2015. The staff at Scandic Hamburg Emporio, for example, collected 16,000 EUR for the Hamburg Food Bank for the homeless by preparing and selling more than 500 dishes during the event. The food and employees' time was donated by Scandic.

This local involvement is a standard at Scandic and one of the success factors for Scandic in Society. The hotels donate resources in the form of food, personnel and event space, and Scandic's employees give of their hearts and working hours to help the most vulnerable people in society. In addition to the joy and satisfaction it gives Scandic to be active in creating a better and safer society, it promotes team spirit.

SIGNATORY OF THE UN GLOBAL COMPACT

On the Group level, Scandic also works to always choose what is best for its business, the environment and society. This is why in 2015, Scandic decided to take a broader approach and signed the UN Global Compact principles for sustainability. This means that in addition to reporting on the company's performance in relation to the principles, Scandic also has to provide practical examples of how it is integrating sustainability into its business.

COMMITTED TO RECYCLING

The establishment of Scandic's new signature hotel Haymarket in central Stockholm manifests the company's approach to sustainability in ways both large and small. When the property was closed for remodeling, fixtures and objects from 270 rooms on five floors, 12 storage rooms, the breakfast area, lounge, kitchen, reception and staff rooms as well as 11,000 items and cutlery and crockery for 600 people needed to be removed. Instead of sending everything to landfill as in a usual renovation, Scandic decided to recycle 100 percent of the items. A large part went to other Scandic hotels. All toys and similar were donated to Vaggan, an orphanage for disabled children in Kaunas, Lithuania. Everything remaining, or 15 percent, went to a recycling facility to be made into new materials.

STANDING UP FOR VALUES

To be a responsible partner in society means not just living up to requirements and regulations. Sometimes it also means standing up for your values and taking a stand for human rights in daily operations. One issue of responsibility for the entire hotel industry is human trafficking. Here, Scandic has taken a proactive stance and cooperates with the police to prevent human trafficking at Scandic's hotels.

Sustainability goals 2020

Scandic has established long-term sustainability goals for the company's work. All targets have a number of measurements (except for the health aspect for customers).

GOAL

INCLUSION AND DIVERSITY

"SCANDIC WILL LEAD THE HOTEL INDUSTRY IN GIVING ALL EMPLOYEES THE SAME OPPORTUNITIES."

GRI: G4-15, G4-19, G4-DMA, HR-2

SCANDIC IS AN IMPORTANT PARTICIPANT IN LOCAL COMMUNITIES

In 2015, Scandic trained employees at 109 hotels to improve their knowledge of how to act in cases of suspected human trafficking. Scandic also supports the Real Stars organization that works to prevent sex trafficking through dialog and advocacy in the community.

Scandic has chosen to be an active and committed member of society with clear values. Scandic creates world-class experiences for guests at the same time as the company stands up for its values in the communities in which it operates.

EXAMPLES OF INITIATIVES THAT SCANDIC SUPPORTS

	Local initiatives		
Organization	**Description**	**Country**	**Type of cooperation**
Diversity charter Sweden	A part of the European network Diversity Charter. Works for diversity and an inclusive approach in companies and organizations.	Sweden	Scandic is one of the founders of Diversity Charter Sweden.
Mitt Liv	Mitt Liv works to promote an inclusive society and a labor market that values diversity through mentoring, training and broad contact networks.	Sweden	Scandic is a partner in the mentoring program, among others.
Dansk Erhverv CSR netværk	Network for the service industry in Denmark, which represents 17,000 Danish companies and 100 trade organizations in areas such as tourism.	Denmark	Scandic is involved in the CSR network.
ReFood	Collects and recycles organic waste.	Denmark	All hotels are members which means that kitchen managers weigh food waste and report it centrally.
Finnish Chamber of Commerce	Network organization for 19,000 Finnish companies.	Finland	Scandic participates in networks and training and is a supplier for meetings.
Hospitality Association MaRa	The employer organization in the hotel industry.	Finland	Scandic is on the board and on several committees.
Norges Idrettsforbund / OT	The Norwegian Olympic and Paralympic Committee and Confederation of Sports (NIF) is Norway's largest volunteer organization with 2.1 million members.	Norway	Scandic is a sponsor.
Næringsutvalget Norsk Hotellhøyskole	Hotel college that trains students in hotel management and tourism.	Norway	Scandic participates in projects implemented at the college.
Scandic ID league	A local sports club in Hamburg for children with disabilities.	Germany	Scandic is a sponsor.
EDAD Design für Alle – Deutschland e.V.	Network within the area of "Design for All." The network supports research and provides information in the area.	Germany	Scandic supports the organization.

Economic value creation	MSEK
Direct economic value generated	**12,211**
Revenues	12,211
Economic value distributed	**12,102.54**
Operating costs	7,641.7
Employee wages and benefits	3,954
Financial costs	500
Taxes	6.5
Community investments	0.34
Economic value retained	**108.46**

The information in this table shows generated and distributed economic value. This indicates how Scandic has created value for stakeholders from a broader social perspective. Scandic's operations are run in a sound way with a sustainable distribution of operating costs, including wages, taxes and community investments while there is still good profitability for shareholders.

GOAL

HEALTH

"SCANDIC WILL BE THE PREMIER HOTEL CHOICE FOR CUSTOMERS WHO PRIORITIZE A HEALTHY LIFESTYLE AND AN ATTRACTIVE EMPLOYER WHEN IT COMES TO WORK-LIFE BALANCE."

GOAL

CO_2 EMISSIONS

"SCANDIC WILL BE THE HOTEL COMPANY WITH THE LOWEST CO_2 EMISSIONS."

GOAL

WASTE

"SCANDIC WILL CONTINUE TO REDUCE TOTAL WASTE AND INCREASE THE PERCENTAGE OF RECYCLED WASTE."

ADMINISTRATION REPORT

OPERATIONS

Significant events in 2015

- RevPAR grew by 4.9 percent. LFL, RevPAR increased by 7.5 percent as a result of higher occupancy and average room rates.
- Net sales increased by 12.6 percent to 12,192.7 MSEK (10,825.9).
- Net sales LFL went up 7.3 percent mainly due to higher occupancy.
- Adjusted EBITDA rose to 1,246.4 MSEK (1,019.3), corresponding to a margin of 10.2 percent (9.4 percent). The margin improvement resulted from higher revenues LFL and efficiency gains from the integration of the former Rica hotels.
- Net debt on the reporting date totaled 3,355.5 MSEK, corresponding to 2.7x adjusted EBITDA.
- Scandic was listed on Nasdaq Stockholm's Mid-Cap list on December 2, 2015.

Group key ratios, MSEK	2015	2014	Changes, %
Financial key ratios			
Net sales	12,192.7	10,825.9	12.6
Net sales growth, %	12.6	37.4	
Net sales growth LFL, %	7.3	4.5	
Adjusted EBITDAR	4,406.2	3,826.1	15.2
Adjusted EBITDA	1,246.4	1,019.3	22.3
EBITDA	1,114.4	685.8	62.5
EBIT (Operating profit/loss)	612.6	210.9	190.5
Adjusted EBITDA margin, %	10.2	9.4	
Earnings per share, SEK	1.43	–5.36	
Hotel-related key ratios			
RevPAR (Average Revenue Per Available Room), SEK	601.3	573.5	4.9
ARR (Average Room Rate), SEK	933.9	927.4	0.7
OCC (Occupancy), %	64.4	61.8	

Scandic Hotels Group AB (publ) Corp. Id. 556703-1702

The Board of Directors and the CEO of Scandic Hotels Group AB (publ), with its registered office in Stockholm, hereby submit the Annual Report and consolidated financial statements for the 2015 financial year.

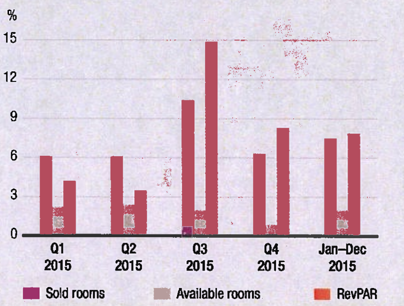
Operations

The company owns 100 percent of the Scandic Group through the wholly-owned subsidiary, Scandic Hotels Holding AB. Over the year, Scandic conducted hotel operations in seven countries. On the reporting date, in total, Scandic had 221 hotels in operation, and the hotels are operated through 22 subsidiaries.

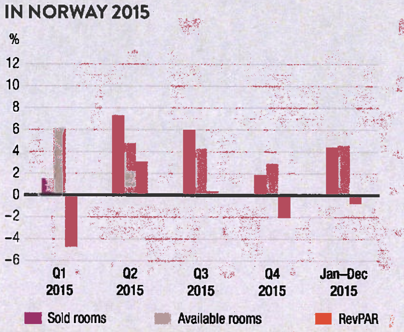
Nordic hotel market development

Demand for hotel nights in the Nordic markets was high during the year. In Sweden, the number of rooms sold increased by 7.5 percent. The impact of new capacity was lower than in previous year and RevPAR in the Swedish market rose by 7.9 percent as a result of both higher occupancy and average room rates. In Norway, the number of rooms sold went up by 4.4 percent, however higher room capacity led to a 0.7 percent decrease in RevPAR in the Norwegian market. Reduced activity in the oil sector caused a decrease in RevPAR at destinations highly dependent on the oil industry, while the Oslo region and destinations in northern Norway showed strong RevPAR growth. RevPAR in the Finnish market increased by 3.2 percent driven by higher occupancy mainly during the summer months and the fourth quarter. In the Danish market, RevPAR went up by 9.3 percent, driven by both volume and prices.

HOTEL MARKET DEVELOPMENT IN SWEDEN 2015



HOTEL MARKET DEVELOPMENT IN NORWAY 2015



(Source: Benchmarking Alliance and STR Global).

GRI: G4-3, G4-17

Seasonal variations

Scandic operates in a sector affected by seasonal variations. Revenues and earnings fluctuate during the year. The first quarter and other periods with low levels of business travel such as the summer months, Easter and Christmas/ New Year's are generally the weakest periods. The Easter holiday may fall in both the first and second quarters, so this needs to be taken into consideration when making comparisons between years. Approximately 70 percent of Scandic's revenues come from business travel and conferences, while the remaining 30 percent is from leisure travel.

Sales and profit/loss

Net sales rose by 12.6 percent to 12,192.7 MSEK (10,825.9). Excluding acquisitions, net sales rose by 10.4 percent. LFL, net sales rose by 7.3 percent due to an increased number of hotel nights sold, higher room rates and greater demand within restaurant and conference operations. New hotels, including Rica Hotels that was consolidated from April 1, 2014, three previous franchise operated hotels in Bergen acquired in February 2015, six new hotels that were opened in 2014 and HTL Upplandsgatan, Stockholm, which opened in September 2015, contributed together to revenue growth of 9.0 percent. Hotels that were divested had a negative impact on growth of 1.6 percent. In addition, exchange rate effects caused by the weakened Norwegian krone had a negative impact on revenue of 0.4 percent.

RevPAR grew by 4.9 percent (7.5 percent LFL) with good growth LFL in all countries and we estimate that Scandic grew more than the market. Strong demand within the leisure travel segment during the summer, large congresses and conferences during the second and third quarters, and a fourth quarter with continued strong demand in particular in Sweden and Denmark led to a good market growth. This, together with Scandic's commercial activities, expanded distribution agreements and newly renovated hotels, contributed to increased occupancy. Strong demand, primarily in the last six months, resulted in higher average room rates compared with the previous year. In Norway, however, lower levels of activity within the Norwegian oil sector led to a decrease in occupancy and average room rates at destinations dependent on the oil industry. Hotels that were divested affected RevPAR growth by -1.3 percent, new hotels in the ramp-up phase by -0.9 percent and exchange rate fluctuations by -0.3 percent.

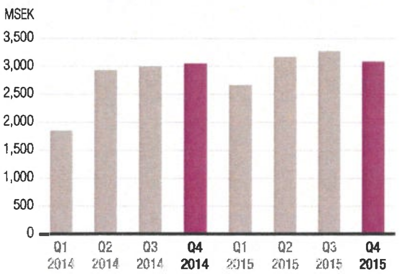
Restaurant and conference revenues grew by 10.9 percent as a result of large new conference hotels. Also, LFL restaurant and conference operations showed continued positive development. The newly renovated conference hotels that were part of the strategic renovation program carried out with Pandox contributed positively to revenue growth. Additionally, increased occupancy and higher guest volumes had positive impact on breakfast and restaurant revenues. The share of net sales from restaurant and conference revenues was 33.4 percent (33.9 percent).

Rental costs accounted for 25.9 percent (25.9 percent) of net sales. Fixed and guaranteed rental costs represented 17.2 percent (16.8 percent) of net sales. The increase is as a result of new hotels that were added to the portfolio.

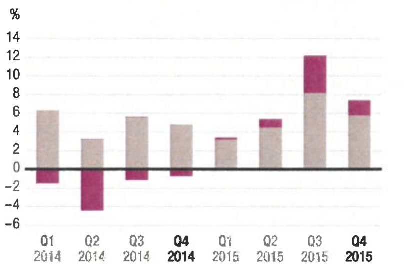
Personnel costs and other external costs decreased in relation to net sales, primarily as a result of the merger of Scandic and Rica's head offices in Sweden and Norway in August 2014 and the implementation of Scandic's operational model in the former Rica hotels.

Adjusted EBITDA, before pre-opening costs for new hotels, and non-recurring items increased to 1,246.4 MSEK (1,019.3) as a result of higher revenue and efficiency gains from the integration of the former Rica hotels. The adjusted EBITDA margin was 10.2 percent (9.4 percent). If Rica Hotels had been consolidated from January 1, 2014, the adjusted EBITDA margin for the previous year would have been 8.9 percent.

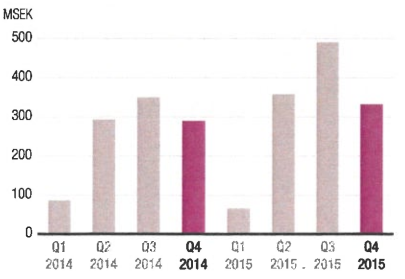
NET SALES, PER QUARTER



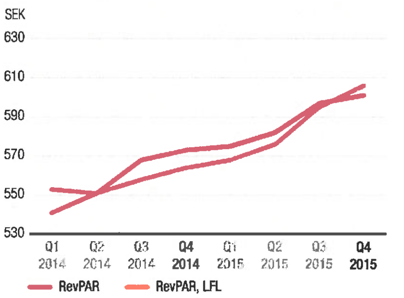
OCC & ARR, LFL – CHANGE PER QUARTER



ADJUSTED EBITDA, PER QUARTER



RevPAR, ROLLING 12 MONTHS



Growth in RevPAR and net sales compared with 2014

Jan–Dec 2015	RevPAR, SEK	RevPAR, %	Net sales, MSEK	Net sales, %
Growth LFL	42.1	7.5	612.2	7.3
LFL contribution to growth	42.1	7.3	612.2	5.7
Exchange rate impact	–1.6	–0.3	–43.1	–0.4
Exit hotels	–7.5	–1.3	–177.5	–1.6
New hotels	–5.2	–0.9	975.1	9.0
Reported growth	27.9	4.9	1,366.7	12.6

Growth LFL = LFL-portfolio growth.
LFL contribution to growth = LFL portfolio change in RevPAR and net sales in relation to the total portfolio.

Pre-opening costs for new hotels amounted to -27.9 MSEK (-67.9). Non-recurring items amounted to -104.1 MSEK (-265.7). These include costs related to the integration of Rica Hotels of -52.0 MSEK (-202.4), costs for IPO preparations of -39.3 MSEK (-28.3) and costs for restructuring and other items of -12.8 MSEK (-35.0) Additional non-recurring expenses related to the IPO of 55.3 MSEK were accounted for in equity. EBITDA increased to 1,114.4 MSEK (685.8).

The Group reported a net financial expense of -497.3 MSEK (-713.9). This includes exchange rate fluctuations from the revaluation of loans and investments of -8.8 MESK (-280.5). Interest expenses increased to -476.8 MSEK (-442.3) as a result of increased borrowing to finance the acquisition of Rica Hotels in 2014 and include non-recurring expenses of -10.3 MSEK (-22.4) from loan refinancing and repayment. In connection with the company's listing on the Nasdaq Stockholm exchange on December 2, 2015, the company's mezzanine loan was amortized. The company's senior credit facility was renegotiated and extended during the third quarter 2015. The maturity of the loans was extended to 2020, and following the IPO, the terms of the loans improved with regard to covenants and interest rate margin, resulting in lower interest expenses. For these renegotiated loans, hedge accounting is applied. In conjunction with the stock exchange listing, a shareholder loan was converted into equity, which contributed to lower interest expenses from December 2015. The revaluation of derivatives had a negative impact on the net financial expense of -14.4 MSEK (+1.5).

Reported taxes include deferred tax income of 27.3 MSEK related to taxes on losses carried forward. Total recorded losses carried forward amounted to 1,660.9 MSEK at year-end and recognized deferred tax assets totaled 369.8 MSEK.

Earnings per share before and after dilution totaled 1.43 SEK (-5.36). Based on the number of outstanding shares at year-end, earnings per share was 1.13 SEK.

Financial targets

In September 2015, Scandic adopted the following medium- to long-term financial targets:

- Annual net sales growth of at least 5 percent on average over a business cycle, excluding potential M&A.
- An adjusted EBITDA margin of at least 11 percent on average over a business cycle.
- A net debt in relation to adjusted EBITDA of 2–3x.

Five-year summary

MSEK	2015	2014	2013	2012	2011
Financial key ratios – income statement					
Net sales	12,192.7	10,825.9	7,881.9	8,035.3	7,611.1
Net sales growth, %	12.6	37.4	–1.9	5.6	5.8
Net sales growth LFL, %	7.3	4.5	–3.5	1.0	3.8
Adjusted EBITDAR	4,406.2	3,826.1	2,734.0	2,807.0	2,619.8
Adjusted EBITDA	1,246.4	1,019.3	693.0	791.6	727.9
EBITDA	1,114.4	685.8	588.7	706.3	648.7
Adjusted EBIT	774.6	544.5	291.8	366.4	322.7
EBIT (Operating profit/loss)	612.6	210.9	187.5	281.1	243.4
Adjusted EBITDAR margin, %	36.1	35.3	34.7	34.9	34.4
Adjusted EBITDA margin, %	10.2	9.4	8.8	9.9	9.6
EBITDA margin, %	9.1	6.3	7.5	8.8	8.5
Adjusted EBIT margin, %	6.4	5.0	3.7	4.6	4.2
Operating margin (EBIT), %	5.0	1.9	2.4	3.5	3.2
Profit/loss for the year attributable to the Parent Company	116.6	–438.8	–247.8	148.4	–376.1
Financial key ratios – financial position					
Balance sheet total	12,899.9	13,456.3	11,322.2	11,103.8	11,001.4
Equity attributable to the Parent Company	6,204.5	3,613.9	3,126.2	3,221.3	2,997.4
Working capital	–1,046.7	–909.2	–689.6	–802.3	[1]
Interest-bearing net liabilities	3,355.5	6,073.1	4 555.3	4 204.6	[1]
Interest-bearing net liabilities/adjusted EBITDA	2.7	6.0	6.6	5.3	[1]
Cash flow from operating activities	1,186.2	789.7	545.1	611.1	634.4
Operating cash flow	401.0	–1,596.5	111.3	195.3	89.3
Key ratios per share					
Average number of shares [2]	81,826,211	81,826,211	81,826,211	81,826,211	81,826,211
Earnings per share, SEK	1.42	–5.36	–3.03	1.81	–4.60
Equity/share, SEK	75.5	43.8	38.2	39.4	36.6
Hotel-related key ratios					
RevPAR (Average Revenue Per Available Room), SEK	601.3	573.5	534.1	554.5	559.7
ARR (Average Room Rate), SEK	933.9	927.4	903.3	910.6	899.4
OCC (Occupancy), %	64.4	61.8	59.1	60.9	62.2

1) In the year 2011, consolidated financial statements were not established, which is why these figures are not available.
2) The average number of shares has been recalculated with regard to events during 2015. See Note 19. The number of shares outstanding on December 31, 2015, was 102,985,075, earnings per share on December 31, 2015, was 1.13 SEK/share.

SEGMENT

Sweden

MSEK	Jan–Dec 2015	Jan–Dec 2014	Change %
Net sales	4,969.3	4,474.8	11.0
Net sales growth, %	11.0	10.2	
Net sales growth LFL, %	9.7	4.0	
Adjusted EBITDA	816.7	682.5	19.7
Adjusted EBITDA margin, %	16.4	15.3	
RevPAR, SEK	643.0	588.4	9.3
ARR, SEK	956.2	932.5	2.5
OCC, %	67.2	63.1	

Net sales increased by 11.0 percent (9.7 percent LFL) during the year to 4,969.3 MSEK (4,474.8), mainly driven by an increased number of rooms sold, which also contributed to higher breakfast and restaurant revenues. Very strong demand during the summer months and large conferences in Stockholm in July and September were followed by continued high demand during the rest of the year within both the business travel and the leisure travel segments. Successful sales activities, increased volumes from corporate agreements and strengthened distribution agreements also contributed to increased occupancy. RevPAR went up by 9.3 percent (9.3 percent LFL) mainly due to higher occupancy, although the strong demand during the year also lead to higher average room rates.

Scandic Kungsgatan in Stockholm closed in November 2015 for a total renovation and extension and will open again in May 2016 as Haymarket by Scandic.

Adjusted EBITDA and the adjusted EBITDA margin improved compared with 2014 due to growth in revenues. The abolishment of reduced social security contributions for employees under the age of 26 in what is know as the youth discount led to an increase in personnel expenses of approximately 8 MSEK during the fourth quarter compared with the previous year. For 2016, the effect is expected to be approximately 29 MSEK for the entire year.

Norway

MSEK	Jan–Dec 2015	Jan–Dec 2014	Change %
Net sales	3,679.9	3,181.4	15.7
Net sales growth, %	15.7	213.6	
Net sales growth LFL, %	1.3	2.2	
Adjusted EBITDA	327.9	274.0	19.7
Adjusted EBITDA margin, %	8.9	8.6	
RevPAR, SEK	552.9	585.7	−5.6
ARR, SEK	957.4	1,025.4	−6.6
OCC, %	57.8	57.1	

Net sales increased by 15.7 percent (1.3 percent LFL) during the year to 3,679.9 MSEK (3,181.4). The former Rica hotels (consolidated from April 1, 2014), the acquisition of the formerly franchise-driven hotels in Bergen and the four new hotels that opened in 2014 contributed to a 23.4 percent increased in net sales. The Norwegian market showed uneven development. Reduced investments and activities within the oil industry have led to a slump in demand and room rates at destinations dependent on the oil industry, primarily Stavanger. This was offset, however, by strong demand from leisure travelers in the summer months coupled with continued good growth in northern Norway and the Oslo region. Divested hotels (Grand Hotel, Oslo) had a negative effect of 4.8 percent on net sales and the continued weak Norwegian krone had a negative effect of 4.2 percent on net sales. RevPAR LFL rose by 3.0 percent as a result of increased occupancy as an effect of successful commercial activities, and Scandic continues to gain market share. Reported RevPAR declined by 5.6 percent due to exchange rate fluctuations, hotels that were divested and new hotels in the ramp-up phase.

Adjusted EBITDA and the adjusted EBITDA margin grew compared with the previous year as a result of improved efficiency and the integration of former Rica hotels where the implementation of Scandic's operational model led to a more flexible cost base and lower personnel expenses.

Other Nordic countries and other segments

MSEK	Jan–Dec 2015	Jan–Dec 2014	Change %
Net sales	3,543.5	3,169.7	11.8
Net sales growth, %	11.8	12.9	
Net sales growth LFL, %	6.1	6.5	
Adjusted EBITDA	404.6	311.2	30.0
Adjusted EBITDA margin, %	11.4	9.8	
RevPAR, SEK	593.4	542.8	9.3
ARR, SEK	883.3	848.4	4.1
OCC, %	67.2	64.0	

Net sales increased by 11.8 percent (6.1 percent LFL) to 3,543.5 MSEK (3,169.7). RevPAR grew by 9.3 percent (6.3 percent LFL) driven by both volume and rates. Demand in the Danish and German markets was high during the year, and in Finland, major sporting events in July and December contributed to market growth in the second half of the year. Scandic in Finland also showed positive growth driven by focused sales activities, expanded distribution agreements and newly renovated hotels.

Scandic's three hotels in Germany showed good revenue growth and improved margins and shared support functions between the two hotels in Berlin led to lower costs. In November, Scandic divested its hotel in Antwerp, Belgium when Scandic chose not to extend the lease agreement.

HTL Upplandsgatan opened in Stockholm in September 2015, which means that four HTL hotels are now in operation.

Adjusted EBITDA and the adjusted EBITDA margin improved compared with the previous year, mainly as a result of higher revenues and cost synergies in Germany.

Central functions

Adjusted EBITDA for central functions amounted to -302.9 MSEK (-248.4), of which central costs totaled -287.6 MSEK (-251.1) and Group adjustments for pension costs and the loyalty program amounted to -15.3 MSEK (+2.7). Central costs increased mainly due to higher IT costs from digital investments and strengthening of the Group's commercial organization and investor relations.

Financial position

The balance sheet total on the reporting date was 12,899.9 MSEK compared with 13,456.3 MSEK on December 31, 2014, with the decrease mainly due to exchange rate fluctuations caused by the weakened Norwegian krone. In connection with Scandic's public listing on the Nasdaq Stockholm stock exchange, the group's debt portfolio was refinanced. Interest-bearing net debt decreased from 6,073.1 MSEK on December 31, 2014 to 3,355.5 MSEK on December 31, 2015 due to the repayment of the mezzanine loan of 1,551.2 MSEK and the conversion of a shareholder loan of 1,036.4 MSEK to equity through a shareholders' contribution. Net debt on December 31, 2015 corresponds to 2.7 times adjusted EBITDA. Of the interest-bearing liabilities of 3,603.0 MSEK, loans to credit institutions account for 3,599.7 MSEK and financial leasing represents 3.3 MSEK.

A bonus issue of 19.9 MSEK was carried out without any new shares issued. The gross proceeds from the share issue in connection with the public listing totaled 1,540.0 MSEK. After deductions for transaction costs of 49.0 MSEK after tax, the share issue increased equity by 1,491.0 MSEK. The number of shares and votes has increased by 22,985,075 since the first day of trading on Nasdaq Stockholm. On December 31, 2015, the total number of shares and votes was 102,985,075. On December 31, 2015, total equity was 6,204.5 MSEK compared with 3,613.9 MSEK on December 31, 2014.

Cash flow and liquidity

Operating cash flow amounted to 401.0 MSEK (-1,596.5) during the year, of which -162,4 MSEK refers to the acquisition of the three hotel companies in Bergen. Excluding acquisitions, operating cash flow was 563.4 MSEK (106.7). Group working capital was negative since most of the revenue derives from payments made via bank and credit cards. Working capital at the end of the period in relation to net sales from the last 12 months was -8.6 percent (-8.4 percent).

Net investments during the year amounted to -622.8 MSEK (-682.9), including proceeds from the sale of shares in Scandic Dyreparken Hotel AS of 15.9 MSEK. Of the remaining -638.7 MSEK, hotel renovations accounted for -456.6 MSEK (-511.7) and IT for -43.0 MSEK (-32.8). Investments in new hotels and increased room capacity totaled -139.1 MSEK (-124.7).

Cash flow from financing operations during the year totaled -860.9 MSEK (1,254.3), with the decrease attributable to last year's utilization of existing credit facilities of 772.7 MSEK as well as this year's net amortization of -2,058.5 MSEK, increased non-recurring expenses for refinancing of -47.6 MSEK and increased interest payments of -27.9 MSEK. The share issue resulted in net proceeds of 1,516.9 MSEK after issuing costs.

At the reporting date, the Group had 247.5 MSEK (716.4) in cash and cash equivalents. Unused credit facilities amounted to 600.0 MSEK (122.0).

Change in Group structure

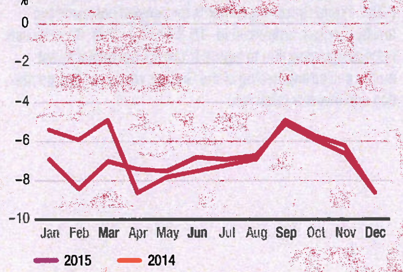
As a step in the simplification of the legal structure, a number of companies were merged during the year. In Sweden, Hotell Skogshöjd AB was merged with Scandic Hotels AB. In Norway, Holmenkollen Park Hotel Rica AS, Grand Hotel Driftsselskap AS and Scandic Hotellene Oslo AS were merged with Scandic Hotels AS. See also Note 27.

Acquisitions and divestments

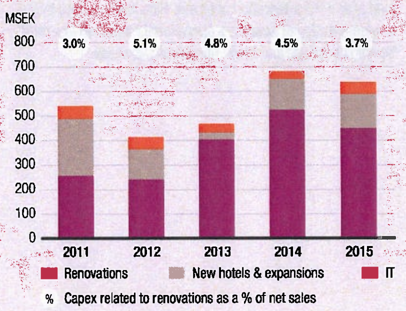
On February 1, 2015, the Scandic Group acquired 100 percent of the share capital of Scandic Strand Hotel Bergen AS, Scandic Neptun Hotel Bergen AS and Scandic Bergen Hotel Scandic City AS for 160.0 MNOK. Before the acquisition, the companies operated hotels in Bergen, Norway under the Scandic brand through a long-term franchise agreement. The reason behind the acquisitions was to strengthen Scandic's position in Bergen, one of Norway's most important hotel markets. For further information, please see Note 26.

The 50 percent holding in the associated company Scandic Hotels Dyreparken AS was divested on October 1, 2015 to Dyreparken Utvikling AS for 16.0 MNOK. See Note 13.

WORKING CAPITAL/NET SALES, ROLLING 12 MONTHS



INVESTMENTS, 5 YEARS



Hotels and rooms in operation and under development

	Operational										Under development	
	Lease agreements		Management agreements		Franchise and partner agreements		Owned		Total		Total	
31 Dec 2015	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
Sweden	73	14,589	1	145	5	646	–	–	79	15,380	4	1,358
Norway [1]	59	11,161	–	–	23	2,978	1	135	83	14,274	4	1,264
Denmark	21	3,495	1	210	–	–	–	–	22	3,705	1	370
Finland	25	5,216	–	–	2	233	–	–	27	5,449	–	–
Rest of Europe	6	1,510	–	–	–	–	–	–	6	1,510	–	–
HTL	4	602	–	–	–	–	–	–	4	602	–	–
Total	**188**	**36,573**	**2**	**355**	**30**	**3,857**	**1**	**135**	**221**	**40,920**	**9**	**2,992**

All hotels under development will be operated with lease agreements, except Scandic Gällivare (80 rooms) that is operated under franchise agreement.

1) After the reporting day, an agreement was reached not to build the hotel Stavanger Congress, Norway. The hotel is included in the table above with 350 rooms.

Portfolio development

At the end of the year, Scandic had a hotel capacity of 40,920 rooms at 221 hotels, of which 188 had lease agreements. At the end of the year, there were 2,992 rooms under development at nine hotels.

The strategic renovation program that started in 2012 together with the property company Pandox, which involves upgrading some 40 hotels in Sweden, Norway and Finland to a high, uniform and cost-efficient standard, was completed by the end of the year.

Integration of Rica Hotels

All hotels with lease agreements were rebranded as Scandic hotels and integrated into Scandic's operations in 2014. During the first quarter 2015, Norwegian franchise hotels were also rebranded and integrated into Scandic's operations. Hotels with partner agreements were integrated in Scandic's distribution system, but continue to operate under their own brands.

Together with purchasing synergies, the merger of the Swedish and Norwegian head offices during the third quarter of 2014 has led to annual savings of circa 80 MSEK that were fully realized by the reporting date.

The implementation of Scandic's system for revenue optimizing and distribution as well as the operational model for operations and steering has started to contribute to increased efficiency and higher margins in hotel operations. The strength of Scandic's brand and distribution has yielded results in the form of a higher share of room revenues from loyalty program members and an increase in reservations made via Scandic's website for the former Rica hotels. Guests have responded positively to the rebranding and the guest satisfaction index shows a positive trend. The annual EBITDA contribution from sales and cost synergies as well as efficiency measures is expected to total 100-140 MSEK with full effect in 2017, of which approximately one-third was realized in 2015.

Non-recurring expenses related to rebranding, IT integration and combining headquarters totaled 221 MSEK. Of this, 169 MSEK was charged to the company's results as non-recurring items during 2014 and 52 MSEK during 2015.

Research and development

No R&D work was carried out.

Share and ownership structure

The Scandic share has been listed on Nasdaq Stockholm's Nordic Mid Cap list since December 2, 2015. According to the company's share register, maintained by Euroclear Sweden AB, Scandic had 5,725 shareholders at year-end 2015 who had equal voting rights, equal rights to the assets and profits and an equal right to dividends of the total share capital. Sunstorm Holding AB is the largest shareholder, with 50.0 percent of the share capital and votes.At the end of the year, total Swedish ownership amounted to 85.5 percent of the shares of which 71.8 percent were held by Swedish institutions, 11.1 percent by Swedish funds and 2.6 percent by private investors.

The lock-up period for the selling shareholder and cornerstone investor is 180 days after the listing. The lock-up period for Board Members and senior executives is 365 days after the listing date.

For a period of 180 days after the listing, Scandic has undertaken not to propose to the general meeting of shareholders a capital contribution or otherwise take any action to, directly or indirectly, issue, offer, pledge, sell, issue or grant options or rights in respect of, contract to issue, pledge or sell, or otherwise dispose of, directly or indirectly, shares or any other securities of the company that are substantially similar to shares in Scandic, without consent from Joint Global Coordinators.

Scandic has entered into a share swap agreement with a third party to ensure the delivery of shares that may be allotted according to the long-term incentive program, LTIP, which was implemented in December 2015. If the full number of matching shares and performance shares are allotted, the total number of shares allotted under the LTIP will amount to 286,886, corresponding to approximately 0.28 percent of Scandic's share capital and votes.

Risks and risk management

A description of Scandic's significant risks and uncertainties is provided in the section Risks and risk management on page 51–53.

Employees

The number of full-time employees (FTEs) increased to 10,505 (9,853) for the year, mainly due to the acquisition of the hotels in Bergen as well as an increase in business volumes in Scandic's Swedish operations. The average number of employees in the Group was 9,887 on December 31, 2015. Scandic works actively to be an equal employer and to ensure a good and safe work environment; this is governed by the Group's Code of Conduct. During the year, the annual employee survey again showed good results and improvements within leadership, motivation and commitment to the company. According to the survey company TNS Sifo, Scandic is ranked as an "excellent" company from an employee perspective.

Executive Committee and Board of Directors

Scandic's Executive Committee is diversified and has solid experience from the hotel sector and consumer-oriented operations in various markets. The Executive Committee consists of the CEO and six senior executives: the Chief Financial Officer (CFO), the Chief Operating Officer (COO), the Chief Commercial Officer (CCO), the Senior Vice President Human Resources (SVP Human Resources), the Vice President Business Development (VP Business Development) and the Vice President Communications & IR (VP Communications & IR). The Country Managing Directors of the Group report to the COO. Three different nationalities are represented in the Executive Committee, which is composed of four men and three women. During the year, three new members joined the Executive Committee. See the table on page 91 for additional details regarding the Executive Committee.

At extraordinary general meetings held during the year, Lottie Knutson and Fredrik Wirdenius were elected as new Board Members, while Erika Henriksson and Benny Zakrisson resigned from the Board of Directors.

Jan Wallmark was elected as an employee representative on the Board.

Guidelines for remuneration to senior officers

Guidelines for remuneration and other terms of employment for the CEO and senior executives were adopted at the extraordinary general meeting held on September 15, 2015. Please see the Corporate Governance Report on page 93 for further information.

Long-term incentive program

In December 2015, Scandic implemented a share-based long-term incentive program. The expected financial exposure to shares that may be allotted under the LTIP and the delivery of shares to the participants of the LTIP has been hedged through Scandic's entering into a share swap agreement with a third party on market terms.

For further information, see Note 6 and the Corporate Governance Report on page 94.

Events after the reporting date

Following the Rica Hotels acquisition, Scandic has a good network of hotels in Stavanger. Given this and current market conditions, Scandic has agreed with the property owner not to build the planned Stavanger Congress hotel.

Gunilla Rudebjer, CFO, has decided to leave Scandic Hotels Group. The process to recruit a successor has begun and Gunilla Rudebjer will remain at Scandic until August 31, 2016.

Scandic Hotels is taking over the operation of the centrally located First Hotel Europa Aalborg from June 1, 2016. In conjunction with the takeover, the hotel will change name to Scandic Aalborg City.

The company will also take over the operation of the current Radisson Blu Falconer Hotel & Conference Centre in central Copenhagen from October 1, 2018. In connection with the re-opening of the hotel, the hotel will change its name to Scandic Falconer.

Prospects

Scandic's solid revenue growth in 2015 confirms the high momentum in the Group. RevPAR developed very positively and LFL net sales was strong. In addition the efficiency gains from the integration of the Rica hotels contributed to improved margins.

The current macroeconomic situation in the Nordic countries is favorable for our industry and statistics show that the Nordic region is continuing to grow as a tourist and meeting destination, which will increase demand for hotel nights. There are concerns about the development of the Norwegian economy and at the same time, the weakened Norwegian krone is expected to impact leisure travel positively. With this in mind, Scandic believes that market conditions in the hotel industry will remain favorable in 2016.

Today, Scandic is the Nordic region's largest hotel operator with a popular offering, a well-invested hotel portfolio and a powerful geographical network. Our existing hotels and pipeline of new hotels under development are a solid foundation for growth going forward.

Parent Company

The operations of the Parent Company Scandic Hotels Group AB include management services for the rest of the Group. Revenues for the period amounted to 21.3 MSEK (–). Operating losses totaled -30.6 MSEK (–).

The net financial expense for the period was -12.8 MSEK (-2.9). The Parent Company's profit before taxes was 530.9 MSEK (-2.9).

The Parent Company's cash and cash equivalents totalled 1.9 MSEK (1.1). No investments were made during the year.

Appropriation of profits

In accordance with the Board's dividend policy adopted on September 14, 2015, Scandic aims to distribute at least 50 percent of its net profit from the financial year 2016 onwards.

Decisions regarding the appropriation of profits are made with consideration for the company's future profits, financial position, capital requirements and macroeconomic conditions.

The Board thus proposes to the AGM 2016 that no dividend be paid for the 2015 financial year.

To be carried forward:	SEK
Other contributed capital	1,534,253,756
Retained earnings	4,673 399 344
Profit for the year	414 666 628
Total	**6,622,319,728**

For other information, see the financial statements and notes that follow.

RISKS AND RISK MANAGEMENT

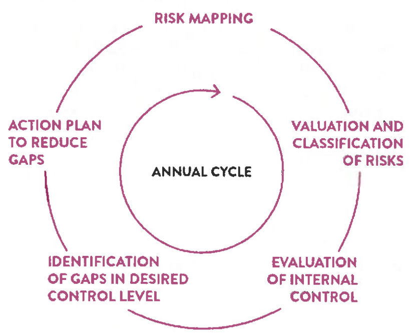
All business activities are associated with risks. Risks that are managed well can lead to opportunities and create value, while risks that are not managed properly can lead to damage and losses.

The ability to identify, assess, manage and monitor risks is an important part of the management and control of Scandic's business operations. The aim is that the Group's objectives will be achieved through well-considered risk-taking within established limits.

The risk management process includes strategic, operational and financial risks.

Scandic has good underlying risk diversification in the form of a geographically diverse and balanced customer base. The Group operates primarily in the Nordic market through 221 hotels that serve its main target groups: business and leisure travelers. Of the Group's revenues, corporate travel accounts for approximately 70 percent and leisure travel for about 30 percent. Scandic is not dependent on a specific industry or a few customers.

For a detailed description of internal controls designed to manage risks relating to financial reporting, see pages 94–95 in Scandic's Corporate Governance report.



Risk management process

Scandic has established a risk management process designed to identify and reduce risks that can have an adverse effect on the Group's earnings and cash flow, brand and reputation, or long-term competitiveness. The process that provides a framework for the Group's risk management follows an annual cycle:

- Executive Committee carries out risk mapping where risks are identified and measured based on the probability that they will occur as well as the consequences of their occurrence on the Group's operations and financial position. This results in a risk map where each risk is classified as low, medium or high. Then the internal controls and the control environment are evaluated where a high level of control can reduce risks both in terms of probability and consequences.
- Based on the Group's risk profile and risk strategy, any gaps are identified in relation to the desired level of control. Thereafter, an action plan is developed to reduce gaps where the value of reducing the risk is measured against the cost of establishing and maintaining internal controls.
- The structure and frequency of monitoring risk status and action plans is determined. Strategic risks are reported to the Board and monitored in connection with strategy seminars, establishing business plans and regular Board meetings. Financial risks are reported and monitored both in financial reporting to the Board and at Audit Committee meetings according to the adopted annual meeting agenda. Operational risks are managed by The Executive Committee and higher or more critical risks are also regularly reported to the Board.

Responsibility and monitoring

The Board of Directors has overall responsibility for ensuring that the Group has appropriate risk management structures in place. The Board is also responsible for monitoring strategic risks. The Audit Committee is responsible for evaluating the efficacy of the structure and risk management processes. The Audit Committee is also responsible for monitoring financial risks in accordance with the Committee's instructions.

The President & CEO is responsible for managing risks in accordance with the guidelines adopted by the Board. The risk management process and work within specially identified risk areas are driven centrally by the Group's Chief Financial Officer, who has the overall responsibility. Operational risks are managed by The Executive Committee where each significant risk identified is assigned to a designated manager who is responsible for proposing measures to fill any gaps and to ensure the execution of action plans. Financial risks are managed by Group Finance in accordance with Board-approved policies and instructions, and are reported by the Chief Financial Officer to the Audit Committee.

Sustainability risks

During the year, an assessment of sustainability risks was carried out. This assessment considered all four areas of the UN Global Compact: environment, human rights, labor rights and anti-corruption. The results were included in Scandic's work to develop its sustainability strategy. In the company's business development, operational and strategic decisions included sustainability as a parameter that was evaluated based on opportunities and risks. The management of sustainability risks is an integral part of the Group's risk management process.

Strategic and operational risks

At the following pages is a description of the most significant risks to which Scandic's operations are exposed. These are not the only risks to which the company's operations are exposed, and there may be other risks that are currently considered immaterial that may have a negative effect on the Group's business, financial performance or position. The order in which risks are presented should not be considered an indication of the probability of the occurrence of the risk or the seriousness of the consequences.

Strategic risks include external factors that may affect Scandic's business and long-term competitiveness as well as internal factors that could lower the prospects of achieving Scandic's strategic business objectives. Operational risks are risks over which Scandic has control and primarily include processes, assets and people.

MARKET RISKS

Scandic operates in a sector where demand for hotel nights and conferences is influenced by the underlying domestic development and purchasing power in the geographic markets in which Scandic does business, as well as development in those countries from which there is a significant amount of travel to Scandic's domestic markets.

Additionally, profitability in the sector is impacted by changes in room capacity where when new hotels are established, occupancy can decrease in the short term. In the long term, however, a greater availability of rooms can help generate interest in particular destinations for business and leisure travel, thereby increasing the number of hotel rooms sold.

Increased growth in apartment hotels and concepts such as Airbnb as well as the rising use of video conferencing may impact demand for traditional hotel and conference services.

Competition from web-based distribution channels and search engine companies may reduce traffic to Scandic's own distribution channels, which could have a negative impact on Scandic's operations and profitability.

Risk management

Scandic operates in the mid-market hotel segment, which historically has demonstrated greater resilience in economic downturns.

Scandic's business model is based on lease agreements where approximately 90 percent have variable, revenue-based rents. This results in lower profit risks since revenue losses are party compensated by reduced rental costs. Scandic's other expenses also include a high share of variable costs where above all, staffing flexibility is important to be able to adapt cost levels to variations in demand. All together, this means that by having a flexible cost structure, Scandic can lessen the effects of seasonal and economic fluctuations.

Scandic sells products to a wide range of customers and industries. Scandic has earned a high percentage of satisfied and returning customers and guests.

A high share of distribution, or close to 70 percent, is achieved through Scandic's own channels, and a high level of revenues from members of Scandic's loyalty program contributes to revenue stability. Scandic invests regularly in achieving an optimal and customer-friendly buying process and maintaining a leading digital dialog with customers. To increase the inflow of private international travel, Scandic has entered into strategic cooperation agreements with relevant OTAs.

POLITICAL RISK, TAXES AND DECISIONS FROM AUTHORITIES

Changes in VAT or other taxes may affect demand for hotel stays, conference facilities and restaurants. Changes in taxes, social security fees and other fees that increase Scandic's costs may have a negative effect on the Group's results.

Risk management

Scandic operates only in countries that are politically mature and stable, which leads to a low political risk. Through geographic spread, the risk that changes to legislation and regulations in a single country may impact Scandic's earnings negatively is reduced.

LEASE AGREEMENTS – FINANCIAL COMMITMENTS

Scandic's business model is based on lease agreements. These agreements are signed for a period of typically 15–20 years, with the option to extend in many cases. According to these agreements, the landlord and the tenant (Scandic) share responsibility for investments in and maintenance of the property. Scandic's commitment relates in general to maintenance and replacement of finishes, furniture, fixtures and equipment. Historically, these investments have accounted for 3–4 percent of Scandic's net sales.

Risk management

The risk involved in long-term financial commitments is reduced through the high proportion of agreements with variable rent. Of Scandic's total lease agreements (based on number of rooms), approximately 90 percent have fully variable rent or variable rent with a minimum guaranteed rent. The latter is the most common contract model in the Nordic countries.

Revenue-based rent and joint investment responsibility mean that the landlord and tenant have a common interest in developing and maintaining the property in order to increase guest satisfaction and generate revenue. Scandic prepares rolling plans for the renovation and maintenance of hotels to ensure their standard, attractiveness and ability to continued good revenue generation.

Scandic's portfolio strategy means that the company only enters into lease agreements for hotels in markets that have good, stable demand, that are in attractive locations and that have the scale and configuration that allow for good profitability and thereby low commercial risk. Where these criteria are not met and the risk of entering into lease agreements is deemed too high, franchise agreements may be considered if the geographic location of the property has a strategic value or may contribute to increasing the value of Scandic's loyalty program by improving geographic reach.

BRAND AND REPUTATION	Risk management
The hotel market is constantly evolving in terms of preferences and customer behavior. For this reason, it is extremely important for a hotel operator to ensure that its brand and content as well as its perceived position remain relevant and appreciated at all times. Maintaining the strength and relevance of the Scandic brand and customer perception of Scandic's offering and concept is therefore critical to ensure long-term competitiveness.	Scandic is the leading brand in the Nordic countries and the Scandic brand is one of the Group's most valuable assets. Scandic's loyalty program, Scandic Friends, is the largest in the Nordic hotel industry. In 2015, Scandic Friends generated close to 40 percent of the Group's accommodations revenues. By owning its brand, Scandic can guarantee the consistency and quality of its offerings and service and also ensure that the content and offering are constantly adapted to the demands and preferences of both existing and new customers. Scandic's Code of Conduct is based on social and environmental sustainability as well as ethical business conduct in all areas of its operations. The Code applies to all employees and also places demands on Scandic's suppliers and partners.
REALIZATION OF FULL POTENTIAL FROM THE ACQUISITION OF RICA HOTELS	**Risk management**
The realization of sales and cost synergies and other benefits from the acquisition of Rica Hotels may be delayed or result in a lower amount than expected due to changes in the economy, market conditions or other factors within and beyond the control of the Group. This could impact the value of the investment and recognized goodwill negatively. A further significant downturn in the Norwegian market, beyond the assumptions made in the company's forecasts, may have a negative impact on the value of recognized goodwill related to Norwegian operations.	All former Rica hotels with lease agreements were integrated and rebranded during 2014 without any material disturbances. Integration work was carried out by experienced personnel with in-depth knowledge within project management and hotel operations. Guests and customers were prioritized and the reception of the rebranding in Sweden and Norway has been positive. The merger of the Swedish and Norwegian head offices that was carried out in 2014 has led to savings in line with expectations. The implementation of Scandic's system for revenue optimizing and distribution as well as the operational model for operations and steering has started to contribute to increased efficiency and higher margins in hotel operations.
HUMAN RESOURCES AND TALENT MANAGEMENT	**Risk management**
Scandic operates in the service industry where each customer and guest experience has a great impact on how the Group's offering, quality and service are perceived. Employee engagement is a key driver in terms of customer satisfaction and it is therefore also central to the Group's long-term results. The ability to attract, develop and retain talents and build a good service and corporate culture is thus crucial to Scandic's success.	Scandic has a strong corporate culture. To strengthen this identity additionally, the Group's cultural platform was further developed in 2015 and will be fully implemented in the Group during 2016. Each year, Scandic conducts an employee survey that has a very high response rate and high scores when it comes to job satisfaction. The insight obtained through this survey is an important tool for continued improvement throughout the entire organization. Scandic develops leadership through regular evaluation and development programs at all levels of the organization including Scandic Business School. Talent@Scandic is the Group's program for management training and talent development.

Sensitivity analysis

A change in RevPAR due to variable rental costs and variable costs will have an impact of approximately 40–60 percent on EBITDA. Based on Group results from 2015, and assuming that all other factors except RevPAR remain unchanged, Scandic assesses that an increase or decrease of 1 percent in RevPAR will have an impact of approximately 30–50 MSEK on EBITDA on an annual basis, where the higher value relates to a change driven entirely by the average room rate and the lower value refers to a change driven solely by occupancy.

Financial risks

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall financial policy focuses on the unpredictability of the financial markets and seeks to minimize potential adverse effects on the Group's financial result.

Risk management is handled by Group Finance in accordance with policies established by the Board of Directors. These include overall risk management as well as risk management for specific areas such as currency risk, interest rate risk, credit risk, the use of derivatives and non-derivative financial instruments and investment of excess liquidity. Group Finance identifies, evaluates and hedges financial risks in close collaboration with the Group's operating units.

For a description of the management of financial risks, see notes 20b and 20c.

CONSOLIDATED INCOME STATEMENT

GROUP

MSEK	Notes	2015	2014
INCOME	2, 3		
Room revenue		7,869.1	6,939.2
Restaurant and conference revenue		4,068.3	3,668.0
Franchise and management fees		35.1	44.0
Other hotel-related revenue		220.2	174.7
Net sales		***12,192.7***	***10,825.9***
Other income		15.6	15.4
TOTAL OPERATING INCOME		**12,208.3**	**10,841.3**
OPERATING COSTS			
Raw materials and consumables		–1,180.5	–959.3
Other external costs	4, 5	–2,667.6	–2,458.8
Personnel costs	6	–3,954.0	–3,597.1
Adjusted EBITDAR		**4,406.2**	**3,826.1**
Fixed and guaranteed rental charges	5	–2,091.3	–1,822.7
Variable rental charges	5	–1,068.5	–984.1
Adjusted EBITDA		**1,246.4**	**1,019.3**
Pre-opening costs		–27.9	–67.9
Non-recurring items		–104.1	–265.7
EBITDA		**1,114.4**	**685.8**
Depreciation	11, 12	–501.8	–474.8
TOTAL OPERATING COSTS		**–11,595.7**	**–10,630.4**
Adjusted EBIT		**744.6**	**544.5**
EBIT (Operating profit/loss)		**612.6**	**210.9**
Financial items			
Financial income	7	2.7	8.9
Financial expenses	8	–500.0	–722.8
Net financial items		**–497.3**	**–713.9**
EBT (Profit/loss before tax)		**115.3**	**–503.0**
Tax	9	4.7	66.4
PROFIT/LOSS FOR THE YEAR		**120.0**	**–436.6**
Attributable to: Parent Company shareholders		116.6	–438.8
Non-controlling interests		3.4	2.3
Profit/loss per share before and after dilution, attributable to: Parent Company shareholders (SEK per share)	10	1.43	–5.36

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

GROUP

MSEK	Notes	2015	2014
Profit/loss for the year		120.0	–436.6
Other comprehensive income that cannot be reclassified:			
Revaluation of financial assets		–	0.1
Actuarial gains/losses for the year		73.2	–111.6
Other comprehensive income that can be reclassified:			
Hedge of net investment in foreign operations, net of tax		39.5	–
Translation differences for the year		–145.4	128.3
Total other comprehensive income, net for the period		**–32.7**	**16.7**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**87.3**	**–419.8**

CONSOLIDATED BALANCE SHEET

GROUP

	Notes	31 Dec 2015	31 Dec 2014
ASSETS			
Fixed assets			
Goodwill	11	5,575.4	5,674.1
Trademarks	11	3,151.0	3,175.8
Other intangible assets	11	180.9	201.5
Land & buildings	12	88.7	99.9
Equipment, fixtures and fittings	12	2,549.0	2,413.2
Shares in associated companies	13	10.2	32.4
Financial investments	14	4.3	4.8
Other long-term assets		16.9	19.0
Deferred tax assets	23	31.9	96.4
Total fixed assets	3	**11,608.4**	**11,717.1**
Current assets			
Inventory	15	81.0	87.5
Accounts receivable – trade	16	463.7	447.9
Current tax assets		1.7	12.9
Other current receivables		232.1	149.5
Prepaid expenses	17	265.6	325.0
Cash and cash equivalents	18	247.5	716.4
Total current assets		**1,291.5**	**1,739.2**
TOTAL ASSETS		**12,899.9**	**13,456.3**

	Notes	31 Dec 2015	31 Dec 2014
EQUITY AND LIABILITIES			
Equity			
Share capital	19	25.7	0.1
Other contributions		7,865.0	5,294.3
Translation reserve		–70.9	34.5
Retained earnings		–1,643.0	–1,742.2
Equity attributable to owners of Parent Company		**6,176.7**	**3,586.6**
Non-controlling interest		27.8	27.3
Total equity		**6,204.5**	**3,613.9**
Long-term liabilities			
Liabilities to credit institutions	20	3,599.7	5,573.3
Shareholder loan	20	–	976.2
Provisions for pensions and similar commitments	21	380.2	462.0
Other provisions	22	123.8	119.4
Financial leases		3.3	7.8
Deferred tax liabilities	23	412.1	483.1
Total long-term liabilities		**4,519.0**	**7,621.8**
Current liabilities			
Advance payments from customers	29	88.3	71.1
Accounts payable – trade	29	482.2	535.2
Derivative instruments	29	76.7	40.2
Liabilities to credit institutions	20	–	232.2
Other liabilities		190.2	217.1
Accrued expenses and prepaid income	24	1,339.1	1,124.8
Total current liabilities		**2,176.4**	**2,220.6**
Total liabilities		**6,695.4**	**9,842.4**
TOTAL EQUITY AND LIABILITIES		**12,899.9**	**13,456.3**
Pledged assets	28	45.0	7,188.6
Contingent liabilities	28	207.3	218.4

For the year 2014, deferred tax assets and deferred tax liabilities have been netted according to IAS 12.

CONSOLIDATED CASH FLOW STATEMENT

GROUP

MSEK	Notes	2015	2014
Operating activities			
Operating profit/loss		612.6	210.9
Adjustment for items not included in cash flow, etc.	25	520.7	472.1
Income tax paid		–1.0	–0.7
Cash flow before changes in working capital		**1,132.3**	**682.3**
Changes in working capital			
Inventory		1.8	–39.6
Accounts receivable – trade		–36.3	–151.1
Other current receivables		–34.3	–32.3
Accounts payable – trade		–29.5	–29.0
Other current liabilities		152.2	359.4
Cash flow from operating activities		**1,186.2**	**789.7**
Investing activities			
Acquisition of fixed intangible assets	11	–	–0.6
Acquisition of fixed tangible assets	12	–638.7	–682.4
Sale of subsidiaries		15.9	–
Acquisition of subsidiaries	26	–162.4	–1,703.2
Cash flow from investing activities		**–785.2**	**–2,386.2**
Operating cash flow		**401.0**	**–1,596.5**
Financing activities			
Share issue, net after issuing cost		1,516.9	–
Received shareholders' contribution		–	725.4
Borrowings	20	4,742.4	772.7
Amortization		–6,800.9	–
Refinancing costs		–98.6	–51.0
Interest paid	7, 8	–220.7	–192.8
Cash flow from financing activities		**–860.9**	**1,254.3**
CASH FLOW FOR THE YEAR		**–459.9**	**–342.2**
Cash and cash equivalents at the beginning of the year		716.4	1,033.8
Translation differences in cash and cash equivalents		–9.0	24.8
Cash flow for the year		–459.9	–342.2
Cash and cash equivalents at the end of the year		**247.5**	**716.4**

CHANGES IN EQUITY

GROUP

MSEK	Equity attributable to owners of the Parent Company: Share capital	Other contributions	Translation reserves	Retained earnings	Total	Non-controlling interest	Total equity
OPENING BALANCE 1 Jan 2014	**0.1**	**4,348.8**	**–93.7**	**–1,128.9**	**3,126.2**	**–**	**3,126.2**
Change related to acquisition of operations	–	–	–	–63.0	–63.0	25.0	–38.0
Shareholders' contribution received	–	945.5	–	–	945.5	–	945.5
Profit/loss for the year	–	–	–	–438.8	–438.8	2.3	–436.6
Comprehensive income for the year:							
Revaluation of financial assets	–	–	–	0.1	0.1	–	0.1
Actuarial gains/losses for the year, net after tax	–	–	–	–111.6	–111.6	–	–111.6
Translation differences for the year	–	–	128.3	–	128.3	–	128.3
OPENING BALANCE 1 Jan 2015	**0.1**	**5,294.3**	**34.5**	**–1,742.2**	**3,586.6**	**27.3**	**3,613.9**
Bonus issue	19.9	–	–	–19.9	–	–	–
Share issue and share issue cost	5.7	1,534.3	–	–49.0	1,491.0	–	1,491.0
Shareholders' contribution received	–	1,036.4	–	–	1,036.4	–	1,036.4
Dividend	–	–	–	–	–	–2.4	–2.4
Share-based payments	–	–	–	0.3	0.3	–	0.3
Forward contract to repurchase own shares	–	–	–	–22.0	–22.0	–	–22.0
Profit/loss for the year	–	–	–	116.6	116.6	3.4	120.0
Comprehensive income for the year:							
Actuarial gains/losses for the year, net after tax	–	–	–	73.2	73.2	–	73.2
Currency fluctuations from translation of foreign operations	–	–	–144.9	–	–144.9	–0.5	–145.4
Hedge of net investment in a foreign operation, net after tax	–	–	39.5	–	39.5	–	39.5
CLOSING BALANCE 31 Dec 2015	**25.7**	**7,865.0**	**–70.9**	**–1,643.0**	**6,176.7**	**27.8**	**6,204.5**

INCOME STATEMENT

PARENT COMPANY

MSEK	Notes	2015	2014
Net sales	30	**21.3**	**–**
Operating expenses			
Other external expenses	4	–51.9	–
Personnel expenses	6	–	–
Total operating expenses		**–30.6**	**–**
Operating profit/loss		**–30.6**	**–**
Financial items			
Interest income and similar items	7	98.7	85.5
Interest expenses and similar items	8	–111.5	–88.3
Net financial items		**–12.8**	**–2.9**
Appropriations		**574.3**	**–**
Profit/loss before tax		**530.9**	**–2.9**
Income tax	9	–116.2	0.5
PROFIT/LOSS FOR THE YEAR		**414.7**	**–2.4**

STATEMENT OF COMPREHENSIVE INCOME

PARENT COMPANY

MSEK	Notes	2015	2014
Profit/loss for the year		**414.7**	**–2.4**
Other comprehensive income that can be reclassified:		–	–
Other comprehensive income that cannot be reclassified:		–	–
Total other comprehensive income, net for the period		**–**	**–**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**414.7**	**–2.4**

BALANCE SHEET
PARENT COMPANY

MSEK	Notes	31 Dec 2015	31 Dec 2014
ASSETS			
Financial assets			
Participations in Group companies	27	3,536.5	3,532.1
Receivables from Group companies	30	6,778.0	956.4
Deferred tax assets	23	82.4	192.4
Total fixed assets		**10,396.8**	**4,680.9**
Current assets			
Current receivables		1.6	–
Cash and bank balances	18	1.9	1.1
Total current assets		**3.5**	**1.1**
TOTAL ASSETS		**10,400.4**	**4,682.0**

MSEK	Notes	31 Dec 2015	31 Dec 2014
EQUITY AND LIABILITIES			
Equity			
Share capital	19	25.7	0.1
Restricted reserves		–	–
Total restricted equity		**25.7**	**0.1**
Non-restricted reserves		6,207.6	3,708.0
Net profit/loss for the year		414.7	–2.4
Total non-restricted equity		**6,622.3**	**3,705.6**
Total equity		**6,648.0**	**3,705.7**
Liabilities			
Long-term liabilities			
Liabilities to credit institutions		3,679.0	–
Liabilities to affiliated companies	30	8.1	0.1
Shareholder loan	20, 29	–	976.2
Total long-term liabilities		**3,687.1**	**976.3**
Current liabilities			
Other current liabilities		2.2	–
Accrued expenses and prepaid income	24	63.1	–
Total current liabilities		**65.3**	–
Total liabilities		**3,752.4**	**976.3**
TOTAL EQUITY AND LIABILITIES		**10,400.4**	**4,682.0**
Pledged assets	28	None	None
Contingent liabilities	28	None	None

CASH FLOW STATEMENT

PARENT COMPANY

MSEK	Notes	2015	2014
Operating activities			
Operating profit/loss		–30.6	–
Adjustment for items not included in cash flow, etc.	25	86.4	–
Income tax paid		–	–
Cash flow before changes in working capital		**55.8**	**–**
Changes in working capital			
Other current receivables		–1.5	–
Other current liabilities		2.1	–
Cash flow from operating activities		**0.6**	**–**
Investing activities			
Acquisitions of subsidiaries	26	–	–
Cash flow from investing activities		**–**	**–**
Operating cash flow		56.4	–
Financing activities			
Share issue after issuing cost		1,516.9	–
Received shareholders' contribution		–	725.4
Refinancing costs		–	–725.4
Borrowings		3,679.0	–
Loans to subsidiaries		–5,251.5	–
Cash flow from financing activities		**–55.6**	**0.0**
CASH FLOW FOR THE YEAR		**0.8**	**0.0**
Cash and cash equivalents at the beginning of the year		1.1	1.0
Translation differences in cash and cash equivalents		–	0.1
Cash flow for the year		0.8	0.0
Cash and cash equivalents at the end of the year		**1.9**	**1.1**

CHANGES IN EQUITY

PARENT COMPANY

	Restricted equity	Non-restricted equity		
MSEK	Share capital	Share premium reserve	Retained earnings	Total equity
OPENING BALANCE 1 Jan 2014	**0.1**	**–**	**2,762.5**	**2,762.6**
Received shareholders' contribution	–	–	945.5	945.5
Net profit/loss for the year	–	–	–2.4	–2.4
OPENING BALANCE 1 Jan 2015	**0.1**	**–**	**3,705.6**	**3,705.7**
Received shareholders' contribution	–	–	1,036.4	1,036.4
Bond issue	19.9	–	–19.9	–
Share issue and issue cost	5,7	1,534.3	–49.0	1,491.0
Share-based payments	–	–	0.3	0.3
Net profit/loss for the year	–	–	414.7	414.7
CLOSING BALANCE 31 Dec 2015	**25.7**	**1,534.3**	**5,088.1**	**6,648.0**

NOTES

Notes common for the Group and the Parent Company.
Amounts in MSEK unless otherwise stated.

NOTE 01 Accounting principles

Basis for presentation

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the EU and in accordance with RFR 1 Supplementary accounting principles for groups of companies and the Swedish Annual Accounts Act. The annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and RFR 2 Accounting for legal entities. The presentation model for the income statement of the Group has been modified to give a more true and fair view according to the Board of Directors and the management of the company. All comparative figures have been recalculated.

The consolidated accounts have been drawn up in accordance with the acquisition value method, except in respect of certain financial assets and liabilities which are valued at actual value via the income statement.

Drawing up annual accounts in accordance with IFRS requires the use of a number of important accounting estimations. The Board of Directors and management team are also required to make some assessments when implementing the company's accounting principles. The areas that include a large degree of assessments that are complex, or areas where assumptions and estimations are of significant importance for the consolidated accounts, are detailed in each note.

Consolidated accounts

The consolidated accounts cover the companies, including branches, in which the Group ownership is equivalent to at least one half of the votes or in some other way exercises a controlling influence over the business.

The acquisition of companies or businesses is accounted for using the acquisition method. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition are recognized at the fair values on the acquisition date. Goodwill and other intangible assets arising from an acquisition is recognized as an asset that is the excess of the cost of the business combination over the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If the acquisition value is less than the actual value of the purchased operation's assets, liabilities and contingent liabilities, the difference is reported directly in the income statement. Acquisition-related costs are expensed as incurred.

Associated companies are incorporated in the Group's financial statement using the equity method. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost, adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments.

Internal Group transactions, undertakings and unrealized earnings from transactions between Group companies are eliminated.

Sales between Group companies are priced according to market terms. Internal profits arising in conjunction with sales within the Group are eliminated in their entirety.

Translation of foreign currencies

The consolidated financial statements are presented in Swedish kronor (SEK), which is the Parent company's functional and reporting currency.

The results and financial position for all Group companies using a functional currency other than the reporting currency are translated to the Group's reporting currency as follows:

a) Assets and liabilities for each of the balance sheets are translated at the closing day rate.
b) Income and expenditure for each of the income statements are translated at the average exchange rate.
c) All exchange rate differences that arise are reported in other comprehensive income and accumulated in the translation reserve in equity.

Goodwill and fair value adjustments arising in the acquisition of foreign operations are treated as assets and liabilities of the entity and translated at the closing day rate.

Transactions in foreign currencies are translated into the functional currency according to the exchange rates that apply on the transaction date or the date on which the items were translated. Exchange rate gains and losses that arise when paying such transactions and in translation of monetary assets and liabilities in foreign currency at the closing date exchange rate are reported in the income statement.

New and amended International Financial Reporting Standards (IFRS)

New and amended standards adopted by the Group

Accounting principles and the basis for calculations are in all material aspects unchanged compared with the Annual Report 2014. Amendments and interpretations of standards that enter into force for the fiscal year beginning January 1, 2015 have not had any material effect on the Group's financial reporting.

New standards and interpretations yet to be applied by the Group

A number of new standards and interpretations entered into force in the financial year that started on January 1, 2015 but have not been applied in the preparation of this report. None of these are expected to have a material impact on the Group's financial statements, except for the following:

IFRS 9, Financial Instruments

The standard deals with the classification, measurement and recognition of financial assets and liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the sections of IAS 39 that deal with the classification and measurement of financial instruments. The standard shall be applied in the financial year starting on January 1, 2018. Application of the standard before this date is allowed. The Group has not yet evaluated the effects of adopting the standard.

IFRS 15 Revenue from contracts with customers

The standard regulates the recognition of revenue. The principles that IFRS 15 is based on shall provide users of financial statements more useful information on the company's revenues. The increased disclosure requirement means that information shall be provided on the nature of the revenue, the time of settlement, any uncertainties connected with revenue recognition and cash flow linked to the company's contracts with customers. According to IFRS 15, revenue shall be recognized when the customer assumes control of the sold good or service and is able to use and derive benefit from the good or service.

IIFRS 15 replaces IAS18 Revenue and IAS 11 Construction Contracts and the related SIC and IFRIC. IFRS 15 will enter into force on January 1, 2018. Earlier adoption is allowed. The Group has not yet evaluated the effects of adopting the standard.

IFRS16 Leases

In January 2016, IASB issued a new lease standard that will replace IAS 17 Leases and the related interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires assets and liabilities arising from all leases, with some exceptions, to be recognized on the balance sheet. This model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. The accounting for lessors will in all material aspects be unchanged. The standard is effective for financial years beginning on or after January 1, 2019. Early adoption is permitted if IFRS 15 Revenue from Contracts with Customers is also applied. The EU has not yet adopted the standard. The Group has not yet assessed the impact of IFRS 16.

None of any other IFRS eller IFRIC interpretations yet to be applied are expected to have a material impact on the Group's financial statements.

The Parent Company's accounting principles

Unless otherwise stated below, the Parent Company applies the same accounting principles as the Group.

The Parent Company has prepared its annual accounts in accordance with the Swedish Annual Accounts Act and RFR 2 Accounting for legal entities.

Differences between the accounting principles of the Group and those of the Parent Company

The Parent Company applies the alternative rule for Group contributions and reports both received and given Group contributions as appropriations. In this, the Parent Company does not comply with IAS 27.

Financial instruments in the Parent Company are not reported according to IAS 39 in view of the connection between reporting and taxation.

Remuneration to employees in the Parent Company is not reported according to IAS 19, as the Parent Company, in accordance with RFR 2, applies reporting according to the Pension Obligations Vesting Act.

Exchange rates	Jan–Dec 2015	Jan–Dec 2014
SEK = EUR		
Income statement (average)	9.3562	9.0968
Balance sheet (at end of period)	9.1350	9.5155
SEK = NOK		
Income statement (average)	1.0465	1.0894
Balance sheet (at end of period)	0.9556	1.0516
SEK = DKK		
Income statement (average)	1.2544	1.2203
Balance sheet (at end of period)	1.2242	1.2781

NOTE 02 Revenue by type of agreement

MSEK	Group 2015	2014
Lease agreements	12,134.6	10,767.5
Management agreements	10.6	14.7
Franchise and partner agreements	24.5	29.4
Owned	38.6	29.8
Total	**12,208.3**	**10,841.3**
Other	21.3	29.4
Group eliminations	–21.3	–29.4
Group	**12,208.3**	**10,841.3**

Accounting principles

Revenue recognition

Revenue consists of the value of goods and services generated in hotels under lease agreements, management and franchise fees and other income generated in the Group's operations. Revenue is reported at the actual value of what has been received or will be received and corresponds to the amount to claim for delivered goods and services, less any discounts given and sales-related taxes. Below is a description of the composition of the Group's revenue:

Lease agreements – revenues from hotel operations, including all income from room nights, conferences, food and beverage and other services. Revenue is reported when the goods or services have been consumed. The Group has a customer loyalty program in which customers earn points from completed purchases. These points give the customer discount on future purchases. Revenues are accounted for when the points have been used.

Management fees – from hotels managed by the Group through long-term agreements with hotel owners. Management fees usually consist of a proportion of the revenue from the hotel and/or profits and are reported in the income statement when they arise and are realizable according to the terms of the agreement.

Franchise fees – received in conjunction with licence fees for the Group's trademarks, through long-term agreements with hotel owners. Franchise fees consist of a proportion of the revenue from the hotel and are reported in the income statement based on the underlying terms of the agreement.

NOTE 03 Segment reporting

Scandic's main markets in which the Group operates are:

Sweden – Swedish hotels that are operated under the Scandic brand.

Norway – Norwegian hotels that are operated under the Scandic brand. Norwegian partner hotels are operated under their own brands.

Other Nordic countries & other segments – Hotel operations under the Scandic brand in Belgium, Denmark, Finland, The Netherlands (until December 31, 2014), Poland and Germany and hotel operations under the Hilton brand in Finland as well as the hotel concept HTL, which is operated by the sub-group HTL Hotels.

Central functions – Costs for financial control, business development, investor relations, communications, technical development, human resources, branding, marketing, sales, IT and purchasing. These central functions support all of the hotels in the Group, including those under lease agreements as well as management and franchise agreements.

The split of net sales between segments is based on the location of the business activities and segment reporting is made after elimination of intra-group transactions.

Net sales comes from a large number of customers in all segments.

The segments are reviewed and analyzed on adjusted EBITDA. Adjusted EBITDA is earnings before interest, taxes, depreciation and amortization and is excluding non-recurring items that are not directly related to the normal operations of the company, for example costs for transactions, exits and restructuring. Adjusted EBITDA is also excluding pre-opening costs that refer to expenses for contracted and newly opened hotels before opening day.

2015 MSEK	Sweden	Norway	Other Nordic countries & other segments	Central functions	Group
External net sales	4,969.3	3,676.9	3,543.5	–	12,192.7
Other income	15.6	–	–	–	15.6
Internal transactions	–	–	–	21.3	21.3
Group eliminations	–	–	–	–21.3	–21.3
Total net sales	**4,984.9**	**3,679.9**	**3,543.5**	**–**	**12,208.3**
Expenses	–4,168.2	–3,352.0	–3,138.9	–302.9	–10,961.9
Adjusted EBITDA	**816.7**	**327.9**	**404.6**	**–302.9**	**1,246.4**
Adjusted EBITDA margin, %	16.4	8.9	11.4	–	10.2
EBITDA	**–**	**–**	**–**	**–**	**1,114.4**
EBITDA margin, %	–	–	–	–	9.1
Depreciation	–	–	–	–	–501.8
EBIT (Operating profit/loss)	**–**	**–**	**–**	**–**	**612.6**
Net financial income/expense	–	–	–	–	–497.3
EBT (Profit/loss before tax)	**–**	**–**	**–**	**–**	**115.3**

2014 MSEK	Sweden	Norway	Other Nordic countries & other segments	Central functions	Group
External net sales	4,474.8	3,181.4	3,169.7	–	10,825.9
Other income	15.4	–	–	–	15.4
Internal transactions	–	–	–	29.4	29.4
Group eliminations	–	–	–	–29.4	–29.4
Total net sales	**4,490.2**	**3,181.4**	**3,169.7**	**–**	**10,841.3**
Expenses	–3,807.7	–2,907.4	–2,858.5	–248.4	–9,822.0
Adjusted EBITDA	**682.5**	**274.0**	**311.2**	**–248.4**	**1,019.3**
Adjusted EBITDA margin, %	15.3	8.6	9.8	–	9.4
EBITDA	**–**	**–**	**–**	**–**	**685.8**
EBITDA margin, %	–	–	–	–	6.3
Depreciation	–	–	–	–	–474.8
EBIT (Operating profit/loss)	**–**	**–**	**–**	**–**	**210.9**
Net financial income/expense	–	–	–	–	–713.9
EBT (Profit/loss before tax)	**–**	**–**	**–**	**–**	**–503.0**

Assets and investments by segment	Sweden		Norway		Other Nordic countries & other segments		Central functions		Group	
MSEK	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Fixed assets	4,725.2	5,242.2	3,343.7	3,519.2	1,225.2	774.0	2,314.2	2,181.8	11,608.4	11,717.1
Investments in fixed assets	251.2	269.2	145.5	222.2	199.0	173.6	43.0	17.9	638.7	682.9

RevPAR development by segment	OCC LFL		ARR LFL		RevPAR LFL		RevPAR	
SEK	2015	2014	2015	2014	2015	2014	2015	2014
Sweden	66.9%	4.2pp	945.1	2.5%	632.5	9.3%	643.0	9.3%
Norway	58.8%	2.4pp	946.3	–1.3%	556.1	3.0%	552.9	–5.6%
Other Nordic countries & other segments	67.1%	3.1pp	873.0	1.5%	586.1	6.3%	593.4	9.3%
Total	**66.0%**	**3.5pp**	**917.9**	**1.7%**	**605.8**	**7.5%**	**601.3**	**4.9%**

§ Accounting principles

Segment disclosures

Segments are reported in accordance with IFRS 8 Operating segments. Scandic operates similar businesses in several countries in Europe where the main markets are in Sweden and Norway and the segments have therefore been identified from a geographical perspective. The segments monitored by management are divided into Sweden, Norway, Other Nordic countries & other segments and Central functions. Segment information corresponds to the internal reporting to executive decision-makers: the CEO, the Executive Committee and the Board of Directors.

Revenue and fixed assets per country	Revenue from external customers		Fixed assets	
MSEK	2015	2014	31 Dec 2015	31 Dec 2014
Sweden	5,080.7	4,540.3	4,771.9	5,242.2
Belgium	76.2	75.7	0.0	0.4
Denmark	1,263.9	1,184.8	622.9	256.2
Finland	1,600.8	1,467.8	464.6	457.1
The Netherlands	–	5.0	–	–
Norway	3,715.9	3,183.9	3,371.4	3 519.2
Poland	64.5	58.8	15.1	15.7
Germany	406.3	325.0	48.2	44.6
Group assets	–	–	2,314.3	2 181.8
Total for the Group	**12,208.3**	**10,841.3**	**11,608.4**	**11,717.1**

The allocation of income and assets is based on where the Group is domiciled, i.e. where the individual hotel is located. Scandic does not have any larger customers where the revenue from the customers exceeds 10 percent of the total revenue of the Group.

Group assets refers to intangible assets identified on the acquisition of Scandic Hotels AB, but which have not been allocated by country.

NOTE 04 Audit fees

Fees to audit companies	Group		Parent Company	
MSEK	2015	2014	2015	2014
PricewaterhouseCoopers				
Fees for audit assignments	4.2	5.2	–	–
Fees for accounting assignments	4.6	2.9	4.0	–
Fees for tax assignments	2.2	1.2	1.1	–
Fees for other assignments	0.2	–	–	–
Other audit companies				
Fees for audit assignments	0.6	1.1	–	–
Fees for accounting assignments	0.2	0.4	–	–
Fees for tax assignments	0.3	0.2	–	–
Fees for other assignments	0.0	–	–	–
Total fees to audit companies	**12.3**	**11.0**	**5.1**	–

The auditing assignment includes auditing the Annual Report and accounts as well as the administration of the company by the Board of Directors and CEO, other duties the company auditor must perform as well as advice and other assistance arising from the audit or in carrying out these duties.

The Parent company's audit fee has been charged to the subsidiary Scandic Hotels AB. Fees for other assignments relate mainly to preparations for the stock market listing.

NOTE 05 Operational leasing agreements

Leasing fees according to operational leasing agreements	2015			2014		
MSEK	Lease of premises	Other leasing agree-ments	Total	Lease of premises	Other leasing agree-ments	Total
Leasing fees paid during the year	3,066.4	99.5	3,165.9	2,725.9	88.7	2,814.6
– of which minimum fees	1,997.4	60.1	2,057.5	1,741.8	59.3	1,801.1
Future leasing undertakings due						
– within 1 year	2,280.8	77.8	2,358.6	2,238.4	64.1	2,302.5
– in between 1 and 5 years	9,202.5	185.4	9,387.9	8,319.4	178.7	8,498.1
– in more than 5 years	8,972.1	26.1	8,998.2	10,214.3	31.4	10,245.7
Total future leasing undertakings	**20,455.4**	**289.3**	**20,744.7**	**20,772.1**	**274.2**	**21,046.3**

! Important estimations and assumptions

Leasing undertakings relating to premises relate to all significant respects the premises on which Scandic's hotel operation is carried out. The amounts relating to future leasing undertakings refer to minimum leasing fees, i.e. fixed rental fees. In most lease agreements, the majority of the rental cost is dependent upon revenue from the leased premises. Revenue related leasing costs are not included in the amounts. The table therefore does not provide a full picture of Scandic's future leasing costs.

The lease agreements have a duration of between 15–20 years and are generally not cancellable during the time of duration.

Scandic's business model is based on lease agreements where the property owner and Scandic share responsibility for investing in and maintaining the properties. Scandic's commitment relates in general to maintenance and replacement of finishes, furniture, fixtures and equipment. The extent of obligations is regulated by the demarcation list of the lease agreement. Historically, these investments have accounted for 3 to 4 percent of Scandic's net sales. In 2014 and 2015, investments accounted for 4–5 percent of net sales as a result of the large joint investment program with Pandox.

Investment commitments regarding signed agreements for new hotels and expansions are estimated at 443 MSEK, of which 230 MSEK during 2016, 187 MSEK during 2017 and 26 MSEK during 2018.

§ Accounting principles

Operational leasing agreements

As per December 31, 2015, all the Group's leasing agreements are classified as operational leasing agreements. In all operational leasing agreements regarding hotels, Scandic carries risks limited to operating the hotel and certain investment commitments. The lease cost for operating lease contracts is recognized on a straight-line basis except where another systematic basis is more representative of the time pattern in which the economic benefits from the leased assets are consumed.

NOTE 06 Employees, personnel expenses and remuneration to the Board of Directors

Personnel expenses MSEK	Group 2015	Group 2014	Parent Company 2015	Parent Company 2014
Salaries and other remuneration	3,179.3	2,947.4	14.1	–
Payroll overhead excluding pension expenses	513.4	417.7	4.0	–
Pension costs	317.3	283.0	9.5	–
Total personnel expenses	**4,010.0**	**3,648.1**	**27.6**	**–**

The members of Scandic's Group Management are employed by the Parent Company and in the subsidiaries Scandic Hotels Holding AB and Scandic Hotels AB. Until the Annual General Meeting, April 27, 2015, it was Scandic Hotels Holding AB that remunerated the Board of Directors. As from the Annual General Meeting, April 27, 2015, members of the Board of Directors are remunerated by Scandic Hotels Group AB.

If notice is given by the Group, the Group's CEO has a notice period of 12 months and additional payment for 6 months. For notice given by the CEO, the notice period is 6 months. If notice is given by the Group to other members of the senior management, the notice period is 6 to 12 months. For notice given by other senior management, the notice period is 6 months.

Remuneration and other compensation

Remuneration and other compensation to the Board of Directors, SEK	2015 Board fees	2015 Compensation for committee work	2015 Remuneration in connection with the IPO	2015 Total
Vagn Sörensen, Chairman of the Board	600,000	100,000	–	700,000
Per G. Braathen	300,000	–	–	300,000
Caspar Callerström [6]	–	–	–	–
Grant Hearn	300,000	83,333	300,000	683,333
Erika Henriksson [1) 6)]	–	–	–	–
Lottie Knutson [2]	150,000	–	300,000	450,000
Eva Moen Adolfsson	300,000	66,667	300,000	666,667
Niklas Sloutski [6]	–	–	–	–
Rikard Steiber	300,000	–	–	300,000
Benny Zakrisson [3]	225,000	75,000	–	300,000
Fredrik Wirdenius [4]	125,000	–	300,000	425,000
Jan Wallmark, employee representative [5]	36,000	–	–	36,000
Total remuneration and other compensation	**2,336,000**	**325,000**	**1,200,000**	**3,861,000**

1) Erika Henriksson resigned from the Board on July 15, 2015.
2) Lottie Knutson was elected to the Board at an Extraordinary General Meeting on June 18, 2015.
3) Benny Zakrisson resigned from the Board on September 15, 2015.
4) Fredrik Wirdenius was elected to the Board at an Extraordinary General Meeting on July 15, 2015.
5) Jan Wallmark was appointed employee representative to the Board on May 22, 2015.
6) Caspar Callerström, Erika Henriksson and Niklas Sloutski have decided to refrain from accepting remuneration during 2015.

Remuneration and other compensation to the Board of directors, SEK	2014 Board fees	2014 Compensation for committee work	2014 Other remuneration	2014 Total
Vagn Sörensen, Chairman of the Board	529,521	66,667	–	596,188
Per G. Braathen	264,760	–	–	264,760
Caspar Callerström	–	–	–	–
Grant Hearn	200,000	66,667	–	266,667
Erika Henriksson	–	–	–	–
Eva Moen Adolfsson	200,000	33,333	–	233,333
Niklas Sloutski	–	–	–	–
Rikard Steiber	200,000	–	–	200,000
André Witschi	71,022	–	–	71,022
Benny Zakrisson	264,318	66,667	–	330,985
Total remuneration and other compensation	**1,729,621**	**233,334**	**–**	**1,962,955**

Remuneration to senior management, SEK	2015 Base remuneration	2015 Variable remuneration [1]	2015 Other compensation	2015 Pension costs	2015 Total
Frank Fiskers, President & CEO	7,400,000	10,619,986	296,985	2,591,268	20,908,239
Other senior managers (6 people)	9,997,621	5,698,178	375,155	2,038,269	18,109,223
Total remuneration and other compensation	**17,397,621**	**16,318,339**	**672,140**	**4,629,537**	**39,017,462**

1) Variable non-recurring remuneration, in exception of current remuneration guidelines, was decided by the Board on January 20, 2015 for the CEO regarding the integration of Rica Hotels and amounted 850,001 SEK. Variable non-recurring remuneration, in exception of current remuneration guidelines, was decided by the Board on October 21, 2015 in connection with the IPO and amounted to 5,550,000 SEK for the CEO and 2,356,240 SEK for senior managers.

Remuneration to senior managers, SEK	2014 Base remuneration	2014 Variable remuneration	2014 Other compensation	2014 Pension costs	2014 Total
Frank Fiskers, President & CEO	2,692,825	4,458,065	147,836	863,062	8,161,788
Other senior managers (5 people)	9,090,615	4,097,416	465,891	1,768,126	15,422,048
Total remuneration and other compensation	**11,783,440**	**8,555,481**	**613,727**	**2,631,188**	**23,583,836**

Remuneration to the CEO and other senior managers can consist of fixed salary, variable salary, pension and other compensation. The CEO had no share of the pension liability and other senior managers' part of the pension liability was 0.3 MSEK at 31 Dec 2015. For guidelines for remuneration to the CEO and senior management, see the Corporate Governance Report, page 93.

Long-term incentive program

In December 2015, Scandic implemented a share-based long-term incentive program (LTIP). LTIP enables participants to receive matching shares and performance shares, provided they make their own investments in shares or allocate shares already held to the program. For each such savings share, the participant may be allotted one matching share, free of consideration. In addition, the participants may receive a number of performance shares, free of consideration, depending on the degree of meeting certain performance criteria adopted by the Board of Directors, for which criteria are related to EBITDA, cash flow and RGI for the 2015–2017 financial years.

The allotment of performance shares shall depend on the degree of fulfillment of the performance conditions for the program. The performance conditions are related to accumulated EBITDA (defined as EBITDA adjusted for non-recurring items not related to the ordinary business such as transaction costs for acquisitions) for the 2015–2017 financial years (Performance Condition 1), accumulated cash flow (defined as EBITDA plus/minus changes in working capital minus capex, excluding extraordinary investments not included in the budget such as new hotel acquisitions) for the 2015–2017 financial years (Performance Condition 2) and accumulated RGI (defined as Revenue Generation Index = RevPAR in relation to the RevPAR of the competition group) change compared with the competition group for the 2015–2017 financial years (Performance Condition 3). The Performance Condition levels and to what extent these have been fulfilled will be published in connection with the expiry of the vesting period.

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 minimum level for the performance condition must be exceeded. For the maximum allotment of performance shares, a certain maximum level for the performance condition must be reached. Between the minimum and maximum levels for the performance condition, the participant will receive a linear allotment of performance shares.

Matching shares and performance shares will be allotted after the end of a vesting period, starting on December 2, 2015 and ending on the day of the publication of Scandic's interim report for the first quarter of 2018, subject to the participant remaining a permanent employee within the Group and retaining the savings shares during the entire vesting period.

The number of matching shares and performance shares that a participant is entitled to be allotted shall be increased to compensate for any dividend distributed on the Scandic shares during the vesting period.

The maximum value per entitlement to receive a matching share or performance share is limited to 300 percent of 67 SEK, the value of the Scandic share at the introduction price on December 2. Should the value of such a right exceed the cap, a proportional reduction in the number of matching shares and performance shares shall be made.

Cost for the program MSEK	LTIP 2015 Group	 Parent Company
Expected cost for the entire program	12.2	3.4
The maximum cost for the entire program	35.6	11.1
Cost in 2015	0.4	0.1

The cost in the above table includes social security charges.

The cost for the program, included in the income statement for the Group, is calculated in accordance with IFRS 2 and is distributed over the vesting period. The calculation has been made based on the following assumptions: (i) an annual dividend yield of 3 percent, (ii) an estimated annual turnover of personnel of 10 percent, (iii) an average fulfillment of each performance condition of 50 percent, and (iv) maximum 286,668 matching shares and performance shares eligible for allotment. In total, the costs for the program are estimated to total 12.2 MSEK including social security charges. The estimation is also based on the assumption of an annual share price increase of 10 percent during the program.

Assuming that the cap is reached and that participants are entitled to allotment of the maximum number of matching and performance shares and remain in the program until the end of the vesting period, the maximum cost for the program will amount to 35.6 MSEK, including social security charges.

The expected financial exposure to shares that may be allotted under the LTIP and the delivery of shares to the participants of the LTIP has been hedged through Scandic's entering into a swap agreement with a third party on market terms, whereby the third party undertakes to, in its own name, acquire and transfer shares to the participants. The market value was 67 SEK.

Category	Participants	Number of employees	Maximum own invesment	Number of saving shares	Number of matching shares	Number of performance shares 1	Number of performance shares 2	Number of performance shares 3
Group 1	CEO	1	10% of individual gross annual fixed salary for 2015	11,044	11,044	22,088	22,088	11,044
Group 2	Members of Executive Committee and Country Managing Directors	11	10% of individual gross annual fixed salary for 2015	31,234	31,234	49,974	49,974	24,987
Group 3	Country Managing Team and key employees	22	50,000 SEK	16,113	16,113	19,336	19,336	9,668
Total		**34**		**58,391**	**58,391**	**91,398**	**91,398**	**45,699**

§ Accounting principles

Severance payments

Employees receive severance payments on termination before normal retirement age or when they voluntarily accept termination in exchange for such compensation. The Group recognizes severance payments where it is under a manifest obligation either to give notice to employees following a detailed, formal plan without right to rescission or to provide compensation in the event of termination as a result of an offer made as an incentive for voluntary resignation. Benefits that become due more than 12 months after the balance sheet date are discounted to the present value.

Share-based payments

The Group has a share-based incentive plan where the settlement is carried out in shares and the Group is provided with services from the employees as payment for the shares. The cost for the program amounts to the fair value of the share on the grant date multiplied by the number of vested shares and the cost is distributed over the vesting period.

At the end of each reporting period, the Group reviews its assessment of the number of shares that are expected to be earned based on the non-market vesting conditions and terms of employment. Any deviation from the original assessment that the review raises are recognized in the income statement and the corresponding adjustments are made in equity.

It can sometimes happen that the employees render services before the grant date, in which case an estimate of the fair value is made in order to recognize a cost to be distributed for a fee reported to be spread over the period between the time the employee begins performing services and the grant date.

The social security costs that arise with the granting of equity rights are seen as an integrated part of the allotment and are treated as a cash settled program.

Swap agreement for repurchase of own shares

Scandic has a swap agreement with Nordea for purchasing its own shares. This swap agreement is reported as a financial liability to the agreed amount payable on the maturity date, and as an deduction from equity. Interest costs related to the swap agreement are accounted for in the income statement in the period they occur. When the agreement has reached the maturity date, and the obligation and agreed amounts have been paid, the liability will be derecognized from the balance sheet.

cont. Note 06

Average number of employees per country	2015 Average number of employees	2015 of which men	2014 Average number of employees	2014 of which men
Parent Company				
Sweden	2	2	–	–
Subsidiaries				
Sweden	4,190	1,510	3,929	1,430
Belgium	54	30	66	37
Denmark	994	418	1,058	423
Finland	661	245	660	241
Norway	3,569	1,375	2,982	1,164
Poland	112	41	115	42
Germany	305	151	307	142
Total for the Group	**9,887**	**3,772**	**9,117**	**3,480**

Gender division for the Board and senior management on the balance sheet date	2015 Totalt	2015 of which men	2014 Totalt	2014 of which men
Board of Directors	9	7	9	7
Senior management	7	4	6	5
Total for the Group	**16**	**11**	**15**	**12**

NOTE 07 Financial income

Division into income type MSEK	Group 2015	Group 2014	Parent Company 2015	Parent Company 2014
Interest income	0.6	3.8	–	–
Interest income from Group companies	–	–	98.7	85.5
Revaluation of derivative instruments	–	1.5	–	–
Revaluation of financial investments	–	1.6	–	–
Results from associated companies	2.1	2.0	–	–
Total	**2.7**	**8.9**	**98.7**	**85.5**

NOTE 08 Financial expenses

Division into type of cost MSEK	Group 2015	Group 2014	Parent Company 2015	Parent Company 2014
Interest expenses, bank	–312.4	–310.0	–7.3	–
Interest expenses, suppliers	–0.1	–0.2	–	–
Interest expenses, pension plan	–11.4	–11.5	–	–
Interest expenses to Group companies	–92.8	–87.2	–92.8	–87.2
Revaluation of derivative instruments	–14.4	–	–	–
Exchange rate losses, net	–8.8	–280.5	–11.4	–1.1
Share of transaction costs expensed during the year[1]	–60.1	–33.4	–	–
Total	**–500.0**	**–722.8**	**–111.5**	**–88.3**

[1] Part of interest expenses has been expensed over the duration of the borrowings, see Note 20.

§ Accounting principles

Financial income and expenses

All interest income and interest expenses are accounted for at their amortized cost. Derivatives are accounted for at fair value through profit or loss. Associated companies are accounted for using the equity method.

NOTE 09 Income tax

MSEK	Group 2015	Group 2014	Parent Company 2015	Parent Company 2014
Tax expenses				
Current tax expenses	–0.5	–0.8	–	–
Adjustment of tax for previous year	–6.0	0.2	–	–
Deferred tax relating to temporary differences	36.0	10.7	–	–
Deferred tax relating to untaxed reserves	–3.8	–4.0	–	–
Deferred tax relating to loss carry-forward	–27.3	60.4	–116.2	0.5
Income due to change of tax rate	6.3	–	–	–
Total tax income/expenses	**4.7**	**66.4**	**–116.2**	**0.5**
Connection between tax expenses for the year and reported profit before tax, MSEK				
Tax in accordance with current rate, 22.0%	–25.3	110.7	–116.8	–
Adjustment of tax expense from previous year	–6.0	0.2	–	–
Tax effect of non-deductible expenses	–5.9	–69.1	0.0	–
Tax effect of non-taxable income	54.6	48.3	–	–
Adjustment for differing tax rates	8.9	1.2	–	–
Tax effect of non-offsetable losses	–	–84.8	–	–
Loss carry-forward from previous year for which deferred tax asset has not been reported	27.3	–	–	–
Loss carry-forward from previous year for which deferred tax asset has been reported	–54.6	60.4	0.6	0.5
Tax effect on changed tax rate on deferred taxes	6.3	–0.5	–	–
Total tax income/expenses	**4.7**	**66.4**	**–116.2**	**0.5**

The theoretical tax cost has been calculated on the basis of the tax rate applicable to the Parent Company, 22.0 percent.

For 2015, the Group makes the assessment that the loss carry-forwards amounting to 1,660.9 MSEK will be possible to use. Deferred tax assets have been accounted for regarding these losses carried forward. See also Note 23. Tax on an earlier, not reported, loss carry-forwards amounted to 27.3 MSEK. Loss carry-forwards that have not been accounted for amount to 346.5 MSEK.

Deferred tax on actuarial gains recognized in Other comprehensive income amounts to -20.6 MSEK and deferred tax on hedging of net investments of foreign operations amounts to -11.1 MSEK. Deferred tax related to the new issue has been accounted for in equity amounting to 6.2 MSEK.

NOTE 10 Earnings per share

Calculation of earnings per share	2015	2014
Profit/loss for the year, MSEK	116.6	–438.8
Average number of shares[1]	81,826,211	81,826,211
Earnings per share, SEK	1.43	–5.36

Basic Group	2015	2014
Profit/loss for the year attributable to shareholders of the Parent Company, MSEK	116.6	–438.8
Average number of shares outstanding, basic[1]	81,826,211	81,826,211
Earnings per share, SEK	1.43	–5.36

Diluted Group	2015	2014
Profit/loss for the year attributable to shareholders of the Parent Company, MSEK	116.6	–438.8
Average number of shares outstanding, basic[1]	81,826,211	81,826,211
Dilutive effect of stock purchase plans	–	–
Average number of shares outstanding, diluted[1]	81,826,211	81,826,211
Earnings per share, diluted, SEK	1.43	–5.36

1) Average number of shares outstanding has been recalculated for 2014 in regards to the bonus issue and new issue in 2015.

The calculation of basic earnings per share is based on the profit/loss for the year attributable to shareholders of the Parent Company divided by the weighted average numbers of shares outstanding during the year. When calculating diluted earnings per share, the average number of shares is adjusted to take into account the effects of dilutive potential ordinary shares originating during the reported periods from share-based payment programs that have been offered to employees. Dilutions from share-based payment programs affect the number of shares and only occur when the strike price is less than the share price. The potential ordinary shares are not viewed as dilutive if they were to result in better earnings per share after dilution, which occurs when the net income is negative.

NOTE 11 Intangible fixed assets

Group, MSEK	2015 Acquisition value	2015 Accumulated depreciation	2015 Reported residual value	2014 Acquisition value	2014 Accumulated depreciation	2014 Reported residual value
Goodwill						
Opening balance	5,674.1	–	5,674.1	4,270.0	–	4,270.0
Acquisition of businesses	96.7	–	96.7	1,327.4	–	1,327.4
Exchange rate differences	–195.4	–	–195.4	76.8	–	76.8
Closing balance	**5,575.4**	–	**5,575.4**	**5,674.1**	**–**	**5,674.1**
Trademarks						
Opening balance	3,187.6	–11.8	3,175.8	3,061.4	–	3,061.4
Acquisition of businesses	–	–	–	130.7	–	130.7
Depreciation for the year	–	–14.3	–14.3	–	–11.8	–11.8
Exchange rate differences	–10.5	–	–10.5	–4.6	–	–4.6
Closing balance	**3,177.1**	–26.1	**3,151.0**	**3,187.6**	**–11.8**	**3,175.8**
Other intangible assets						
Opening balance	312.9	–111.4	201.5	132.0	–80.3	51.7
Reclassification	–	–	–	–	0.5	0.5
Acquisition of businesses	26.7	–	26.7	185.2	–	185.2
Purchases	–	–	–	0.6	–	0.6
Depreciation for the year	–	–32.5	–32.5	–	–30.1	–30.1
Exchange rate differences	–16.6	1.8	–14.8	–4.9	–1.5	–6.4
Closing balance	**323.0**	–142.1	**180.9**	**312.9**	**–111.4**	**201.5**
Total intangible fixed assets						
Opening balance	9,174.6	–123.3	9,051.4	7,463.4	–80.3	7,383.1
Reclassification	–	–	–	–	0.5	0.5
Acquisition of businesses	123.4	–	123.4	1,643.3	–	1,643.3
Purchases	–	–	–	0.6	–	0.6
Depreciation for the year	–	–46.8	–46.8	–	–41.9	–41.9
Exchange rate differences	–222.5	1.8	–220.7	67.3	–1.5	65.9
Closing balance	**9,075.5**	–168.2	**8,907.3**	**9,174.6**	**–123.3**	**9,051.4**

Goodwill and trademark, MSEK	31 Dec 2015	31 Dec 2014
Sweden	4,293.4	4,286.3
Norway	2,407.8	2,255.3
Other Nordic countries & other segments	2,025.2	2,308.3
Total goodwill and trademark	**8,726.4**	**8,849.9**

Impairment testing

Impairment tests on goodwill and trademark are carried out annually, as well as on every occasion on which indications of a diminution of value are identified. The identified cash-generating units amount to three within the Group: Sweden, Norway and Other Nordic countries & other segments. The recoverable amount for cash-generating units is established on the basis of determination of the value in use. The calculations are based on estimates of future cash flows before tax over a 5-year period. The cash flow for 2016 is based on the budget approved by the Board of Directors of the company, and for 2017–2018 on the company's long-term forecasts and, for the following two years, on estimated market growth and increases in costs. The revenue forecasts are based on industry data regarding market development and on previous years' experiences regarding the ramp-up of new and renovated hotels. The cost forecasts are based on industry data regarding inflation and salary increases, on estimated realization of the synergies from the Rica acquisition and the experience of previous years. After 2018, a yearly market growth of 2.5 percent (2.5 percent) is estimated from 2019 to 2020. When calculating the value in use the WACC rate after tax and a sustainable terminal growth rate have been used according to the below table.

The impairment tests for the year show that no impairment is required for Sweden and Other Nordic countries & other segments even with reasonable changes in the parameters, such as a single change +/- 1.0 percentage point of WACC rate after tax and on EBITDA margin.

The recoverable amount exceeded the book value for Norway by approximately 377 MSEK at the end of the year. An increase of 0.5 percentage points in the WACC rate for Norway at the same time as EBITDA margin declines by 0.5 percentage points compared to the current EBITDA margin which has been used in the impairment test for the period 2016-2020 would imply that there is a need for impairment of approximately 200 MSEK.

	Sweden	Norway	Other Nordic countries & other segments
Forecast period, years	5 (5)	5 (5)	5 (5)
WACC rate, %	7.8 (8.8)	7.7 (8.9)	7.7 (8.7)
Terminal growth rate, %	2.5 (2.5)	2.5 (2.5)	2.5 (2.5)

§ Accounting principles

Intangible fixed assets

Goodwill

Goodwill represents the excess of the value of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired operation at the date of acquisition. Goodwill on acquisitions of operations is reported as an intangible asset. Goodwill accounted for is tested annually in order to identify any impairment requirement, and is reported at the acquisition value less the accumulated impairment.

Goodwill is allocated across cash-generating units when an assessment of any impairment requirement is made. The allocation is made to the cash-generating units or groups of cash-generating units that are expected to benefit from the acquisition of an operation giving rise to the goodwill item.

Trademarks

Trademarks acquired are reported at the acquisition value less depreciation and any impairment. The trademark Scandic Hotels with uncertain useful life is not depreciated, but instead assessed annually with regard to any impairment requirement. The trademark Scandic Hotels, in the acquired companies in the Scandic Group, has existed on the market since 1984 and today constitutes the basis for the Group's operations.

The trademark is used in all of the markets in which the companies are established. The trademark Rica Hotels, which was acquired in April 2014, has a certain useful life of eight years, mainly related to the franchise and management agreements Rica Hotels has signed, and depreciation is linear during the assessed useful life.

cont. Note 11

Other intangible assets

Customer relationships identified in the Rica Hotels acquisition are reported under Other intangible assets. Customer relationships have a certain useful life of nine years and depreciation is linear during the assessed useful life.

Development costs that are directly attributable to development of identifiable systems for the operations are also capitalized as intangible fixed assets when the following criteria are fulfilled:

- it is technically possible to complete the software so that it can be used;
- it is the company's intention to complete the software and to use it;
- there are prerequisites for using the software;
- it can be shown how the software will generate probable future financial benefits;
- adequate technical, financial and other resources exist for completing the development and for using the software; and
- the expenses attributable to the software during its development can be calculated in a reliable way.

During 2009, Scandic began a major investment in a new operational system that came into use at the first hotels during 2010 and was operational at all hotels at the end of 2011. The investment consists of both licence costs and considerable implementation work. The investment has been divided into stages based on when the system becomes operational at different hotels. Depreciation of each stage started when the system became operational.

During 2012, another major investment began on a new Group reporting system. The investment was completed in December 2013 and has been the subject of depreciation.

These two in-house developed systems are capitalized under Other intangible assets and will be written off over five years.

Important estimations and assumptions

The estimations that may have the greatest effect on the future profit and position of the Group are the assumptions made when considering the impairment of intangible assets. Every year, the Group investigates whether any need for impairment exists for goodwill and trademarks in accordance with the accounting principle described above. Recoverable amounts for cash-generating units have been determined through calculation of the value in use. Assumptions made in this calculation are described in the table in the section Impairment testing, from which it emerges that revenue was expected to rise in the coming years. Should growth be considerably weaker, an impairment requirement that significantly affects the Group's profit and position may arise.

NOTE 12 Tangible fixed assets

	2015			2014		
Group, MSEK	**Acquisition value**	**Accumulated depreciation**	**Reported residual value**	**Acquisition value**	**Accumulated depreciation**	**Reported residual value**
Land and buildings						
Opening balance	119.0	–19.1	99.9	0.0	–	0.0
Acquisition of businesses	–	–	–	119.0	–17.4	101.6
Depreciation for the year	–	–1.0	–1.0	–	–1.7	–1.7
Exchange rate differences	–11.9	1.7	–10.2	–	0.0	0.0
Closing balance	**107.1**	–18.4	**88.7**	**119.0**	**–19.1**	**99.9**

	2015			2014		
Group, MSEK	**Acquisition value**	**Accumulated depreciation**	**Reported residual value**	**Acquisition value**	**Accumulated depreciation**	**Reported residual value**
Equipment, fixtures and fittings						
Opening balance	7,145.6	–4,732.4	2,413.2	5,309.7	–3,563.3	1,746.4
Acquisition of businesses	38.2	–	38.2	1,282.1	–889.2	392.9
Purchases	638.7	–	638.7	682.3	–	682.3
Sales/disposals	–47.4	47.0	–0.4	–231.2	216.7	–14.5
Depreciation for the year	–	–454.0	–454.0	–	–431.2	–431.2
Exchange rate differences	–273.5	186.8	–86.7	102.7	–65.4	37.3
Closing balance	**7,501.6**	**–4,952.6**	**2,549.0**	**7,145.6**	**–4,732.4**	**2,413.2**
Total tangible fixed assets						
Opening balance	7,264.6	–4,751.5	2,513.1	5,309.7	–3,563.3	1,746.4
Acquisition of businesses	38.2	–	38.2	1,401.1	–906.6	494.5
Purchases	638.7	–	638.7	682.3	–	682.3
Sales/disposals	–47.4	47.0	–0.4	–231.2	216.7	–14.5
Depreciation for the year	–	–455.0	–455.0	–	–432.9	–432.9
Exchange rate differences	–285.4	188.5	–96.9	102.7	–65.4	37.3
Closing balance	**7,608.7**	**–4,971.0**	**2,637.7**	**7,264.6**	**–4,751.5**	**2,513.1**

Land and buildings refers to a property in Norway. This property was acquired in the Rica Hotels acquisition in April 2014. Ongoing constructions amounting to 343.1 MSEK (332.4) are included in Equipment, fixtures and fittings.

Accounting principles

Tangible fixed assets

Land and buildings comprise mainly hotel buildings. Land and buildings are reported at the Group's acquisition value, based on an external valuation made in conjunction with the acquisition of the operations less depreciation of buildings made subsequently. Buildings are the subject of component depreciation, where different parts of the building are depreciated based on differing useful lives. The depreciation period for buildings is between 25 and 50 years. Land is not subject to depreciation.

Equipment, fixtures and fittings are reported at the acquisition value less depreciation and impairment. The acquisition value includes expenditure that is directly attributable to the acquisition of the asset. Assets are depreciated in a linear way over the calculated useful life, which varies depending on the character of the assets. Assets consist of many different types of equipment, fixtures and fittings such as furniture, fixtures and fittings in hotel rooms and public areas, kitchen equipment and IT equipment with varying useful lives. For this reason, a number of different depreciation periods are used. In general, IT equipment is depreciated over three years, while other fixtures and fittings, installations and equipment are depreciated over 3 to 20 years. Equipment, fixtures and fittings with a useful life shorter than 3 years are reported as expenses in the income statement.

Important estimations and assumptions

Additional expenditure is added to the reported value of the asset only when it is probable that the future financial benefits associated with the asset will benefit the Group and that the acquisition value of the asset can be measured in a reliable way. All other forms of maintenance of a tangible fixed asset are reported as expenses in the income statement.

If there is a need for impairment, tangible fixed assets are impaired to the lowest of the recoverable amount and the reported value.

NOTE 13 Shares in associated companies

Group, MSEK	Share 31 Dec 2015	Share 31 Dec 2014	Reported value 31 Dec 2015	Reported value 31 Dec 2014
Scandic Dyreparken Hotel AS	–	50%	–	19.2
Gress-Gruppen AS	33%	33%	10.2	13.2
Total			**10.2**	**32.4**

Changes during the year, MSEK	2015	2014
Accumulated acquisition values, opening balance	32.4	0.0
Acquisitions	–	31.3
Result/dividends	2.1	2.2
Sales	–19.4	–
Exchange rate differences	–4.9	–1.1
Accumulated acquisition values, closing balance	**10.2**	**32.4**

Scandic Dyreparken Hotel AS was divested on October 1, 2015.

§ Accounting principles

Shares in associated companies

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Significant influence is normally present in situations where the company has a shareholding of between 20 percent to 50 percent of the voting rights.

The share of income represents the company's share in the net income (after tax) from these associates and is directly accounted for in the income statement.

NOTE 14 Financial investments

Changes during the year, MSEK	2015	2014
Accumulated acquisition values, opening balance	4.8	1.8
Acquisitions	–	2.9
Disposals	–0.1	–
Exchange rate differences	–0.4	0.1
Accumulated acquisition values, closing balance	**4.3**	**4.8**

The financial investments on the balance sheet date consists of approximately 50 (50) smaller investments.

NOTE 15 Inventory

The Group's inventory consists in its entirety of raw materials, mainly for restaurant operations.

§ Accounting principles

Inventory

Inventory is reported at the lower of the acquisition value or net selling price. The acquisition value is determined using the first in, first out (FIFO) principle.

NOTE 16 Accounts receivable

Accounts receivable, gross values, MSEK	31 Dec 2015	31 Dec 2014
Total accounts receivable	479.4	464.3
Deducted provision for doubtful accounts receivable	–15.7	–16.4
Accounts receivable, book value	463.7	447.9

The Group's costs in relation to bad debt loss amounted to MSEK 6.3 (14.8) during the financial year.

Age analysis, MSEK	31 Dec 2015	31 Dec 2014
Receivables not matured	243.4	269.0
Receivables matured 1–30 days	165.0	143.7
Receivables matured 31–60 days	32.3	21.0
Receivables matured 61–90 days	13.4	3.7
Receivables matured 91–120 days	18.7	15.4
Receivables matured more than 120 days	6.6	11.5
Accounts receivable, reported value	**479.4**	**464.3**

§ Accounting principles

Loans receivable and accounts receivable

Loans receivable and accounts receivable are financial assets that are not derivatives, that are not listed in an active market, and that have fixed or determinable payments. They are part of current assets, with the exception of items with due dates more than 12 months after the balance sheet date, in which case they are classified as fixed assets. Loans receivable and accounts receivable are classified as accounts receivable and other receivables on the balance sheet.

Loans receivable and accounts receivable are reported at the acquisition value less any provision for depreciation. According to IAS 39, loans receivable and accounts receivable shall be valued at the accrued acquisition value using the effective interest method, but as accounts receivable have very short durations and the interest effects are very small, the reported value of the Group is not deemed to diverge materially from the actual value. Loans receivable run with a variable rate of interest and therefore the actual value is not deemed to diverge materially from the reported value.

! Important estimations and assumptions

A provision for depreciation of accounts receivable is made when there is objective proof that the Group will not be able to recover all of the amounts due in accordance with the original terms and conditions of the accounts receivable. The provision amount constitutes the difference between the asset's reported value and the present value of future cash flows, discounted at the effective interest rate. The provision amount is reported in the income statement.

NOTE 17 Prepaid expenses

Division into type of expense MSEK	Group 31 Dec 2015	Group 31 Dec 2014	Parent Company 31 Dec 2015	Parent Company 31 Dec 2014
Prepaid rent	141.0	217.5	–	–
Other items	124.6	107.5	0.0	–
Total	**265.6**	**325.0**	**0.0**	–

NOTE 18 Cash equivalents

MSEK	Group 31 Dec 2015	Group 31 Dec 2014	Parent Company 31 Dec 2015	Parent Company 31 Dec 2014
Cash equivalents	247.5	716.4	1.9	1.1
Total	**247.5**	**716.4**	**1.9**	**1.1**

§ Accounting principles

Cash equivalents

Cash equivalents includes cash, bank balances and other current investments with a due date within three months from the time of acquisition.

NOTE 19 Share capital

MSEK	Preference share	Ordinary share Class A	Ordinary share class B/ Ordinary shares[1]	Total number of shares	Change in share capital, SEK	Share capital, SEK	Quota value, SEK
Number of shares 1 Jan 2015	1	24,999,999	10,000,000	35,000,000	–	100,000	0.002857
Bonus issue	–	–	–	35,000,000	400,000	500,000	0.014286
Reduction of share capital incl. redemption of shares	–1	–24,999,999	–	10,000,000	–357,143	142,857	0.014286
Bonus issue	–	–	–	10,000,000	19,857,143	20,000,000	2
Share split (1:8)	–	–	70,000,000	80,000,000	–	20,000,000	0.25
New issue	–	–	22,985,075	102,985,075	5,746,269	25,746,269	0.25
Number of shares on 31 Dec 2015	–	–	**102,985,075**	**102,985,075**	**25,646,269**	**25,746,269**	**0.25**

1) At the Extraordinary General Meeting held on September 15, 2015, the Article of Association were amended to the effect that Scandic Hotels Group AB shall have one share class only.

NOTE 20A Borrowings

Changes during the year, MSEK	Liabilities to credit institutions	Internal loans	Total borrowings
Opening balance 1 Jan 2014	**4,758.6**	**830.5**	**5,589.1**
Borrowings	772.7	–	772.7
Capitalization of interest	95.8	87.2	183.0
Capitalization of transaction costs[1]	–51.6	–	–51.6
Transaction costs expensed during the year[1]	33.4	–	33.4
Exchange rate differences	196.6	58.5	255.1
Opening balance 1 Jan 2015	**5,805.5**	**976.2**	**6,781.7**
Borrowings	4,764.9	–	4,764.9
Capitalization of interest	117.0	92.8	209.8
Capitalization of transaction costs[1]	–90.5	–	–90.5
Transaction costs expensed during the year[1]	60.1	–	60.1
Amortization of loans	–6,792.3	–	–6,792.3
Loan converted to shareholders' contribution	–	–1,036.4	–1,036.4
Exchange rate differences	–265.0	–32.6	–297.6
Closing balance 31 Dec 2015	**3,599.7**	**–**	**3,599.7**

1) Existing loans were renegotiated in the middle of 2015 and resulted in transaction costs of MSEK 90.5. These have been capitalized and the costs capitalized are distributed in a linear manner over the borrowing period.

The company's external loans were refinanced in July 2015 with new terms and prolonged maturity. The loans comprise three long-term credit facilities in SEK, NOK and EUR with terms that are within 5 years and interest based on Stibor/Euribor/Nibor +1.00 to 2.90 percentage points, and a revolving multicurrency credit facility of 600.0 MSEK and duration of 5 years and interest based on a base rate +0.50 to 2.40 percentage units. The margin within the interest rate interval for all loans is dependent on the company's debt ratio. The loan terms stipulate that the following covenants shall be within certain ranges: interest cover and net debt in relation to adjusted EBITDA. At each measurement period and on the balance day, all covenants were fulfilled. There are no requirrements for amortization and no assets have been pledged as security for the loans. The loan agreement also includes conditions for compulsory notification to the lender and possibly refund prematurely up-to-date, if someone other than the current owner EQT Fund V owns more than 50 percent or if Scandic was delisted from the stock exchange. The Board of Directors monitors the company's financial position regarding the fulfillment of the loan terms. For the loans in EUR and NOK hedge accounting is applied to hedge net investments in foreign operations in Finland, Denmark and Norway. As the Danish krona is linked to the euro, these are also used for hedge accounting. The exchange loss of 50.6 MSEK from the translation of the loans into SEK has been reported in Other comprehensive income and added to the translation reserve in equity. The hedges were efficient regarding hedge accounting of foreign operations.

In June 2013, the company received a shareholder loan to strengthen the company's financial position and ensure that no covenants would fail. This shareholder loan is reported as an Internal loan and in 2015, it was converted into equity through an unconditional shareholders' contribution.

Accounting principles

Borrowings

Borrowings are financial liabilities that are initially reported at actual value, net after transaction costs. Borrowings are subsequently reported at the accrued acquisition value and any difference between proceeds (net of transaction costs) and the redemption value is reported in the income statement allocated over the period of the borrowing using the effective interest method. Borrowings are classified as liabilities to credit institutions and as internal loans in the balance sheet. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer the payment of the liability for at least 12 months after the balance sheet date.

NOTE 20B Management of financial risks

Market risk – Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

Risk management

Foreign exchange risk arises when future business transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency. The operations of the Scandic Group companies are mainly local, with revenues and expenses denominated in domestic currencies, and the Group's internal sales are low. This means that exchange rate exposure related to transactions is limited. According to the Group's Financial Policy, which requires Group companies to manage their foreign exchange risk against their functional currency, the Group companies hedge their foreign exchange risk in larger future business transactions via Group Finance. To manage the foreign exchange risk arising from future commercial transactions, the Group companies use forward contracts signed with Group Finance.

Exchange rate effects in the Group arise from the translation of foreign subsidiaries' financial statements into SEK. For the year, 42 percent of the Group's sales were in SEK, 30 percent in NOK and 28 percent in EUR and other currencies. Currency exposure arising from the Group's foreign net assets is managed primarily through borrowings denominated in the currencies involved. The Group's borrowing in different currencies is shown in the table below. The Board has decided that the exchange rate risk of net assets and liabilities after borrowings should not be hedged.

	31 Dec 2015	31 Dec 2014
Group borrowings divided into different currencies		
SEK	40%	43%
EUR	31%	57%
NOK	29%	–

Market risk – Interest rate risk

Interest rate risk arises from changes in market interest rates that can have a negative effect on the Group's revenue, cash flow and interest-bearing assets and liabilities.

Risk management

As the Group has no significant interest-bearing assets, the Group's revenues and cash flow from operating activities are essentially independent of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings. Loans issued at variable rates expose the Group to interest rate risk in respect of cash flow. Loans issued at fixed rates expose the Group to interest rate risk in respect of fair value. The Group's Financial Policy, which was established during 2015, stipulates that 25 to 75 percent of Scandic's loans must be taken at fixed interest rates. Deviations from this must be approved by the Board. The Group uses, when needed, interest rate swaps to manage this. The Group's borrowings on the balance sheet date are shown below.

The Group normally takes long-term loans at variable interest rates and converts them into fixed interest rates using interest rate swaps. In such transactions, the Group agrees with other parties to exchange, at specified intervals, the difference between the agreed fixed and variable interest rates, calculated based on the agreed nominal value.

	31 Dec 2015	31 Dec 2014
Group borrowings divided between fixed and variable interest		
Fixed interest	64%	27%
Variable interest	36%	73%

All external borrowings at fixed interest have been carried out through the use of interest rate swaps.

Credit risk

Credit risk refers to the risk that counterparties cannot fulfill their obligations. Credit risk arises from cash and cash equivalents, derivative instruments and deposits with banks and financial institutions as well as credit exposures to customers, including outstanding receivables and agreed transactions.

Risk management

Credit risk is managed on the Group level. Only banks and financial institutions that have received an independent minimum rating of "A-1" are accepted. In cases where no independent credit rating exists, a risk assessment of the customer's creditworthiness is carried out considering the customer's financial position, previous experience and other factors. The use of credit limits is monitored regularly. Sales in the company's operations are for the most part settled by cash or via credit cards, although invoicing is also used. Credit losses relating to customers as per 2015-12-31 amounted to 6.3 (14.8) million, see Note 16.

Group, MSEK	< 1 year	1–3 years	4–5 years	> 5 years
As at 31 Decemeber 2015				
Liabilities to credit institutions	–	–	3,599.7	–
Derivative instruments	60.1	7.0	9.6	–
Accounts payable and other liabilities	672.4	–	–	–

Group, MSEK	< 1 year	1–3 years	4–5 years	> 5 years
As at 31 December 2014				
Liabilities to credit institutions	232.2	5,573.3	–	–
Internal borrowing	–	–	–	976.2
Derivative instruments	37.2	3.1	–	–
Accounts payable and other liabilities	751.7	–	–	–

Liquidity risk

Liquidity risk is the risk that the Group does not have sufficient liquidity to pay its debts and meet its commitments.

Risk management

Liquidity risk is managed by maintaining within the Group sufficient cash and cash equivalents and short-term investments with a liquid market, available financing through agreed credit facilities and the ability to close market positions. The Group's liquidity in the form of cash and cash equivalents and short-term investments is monitored and forecast on a daily basis by Group Finance. The Group's liquidity reserve on December 31, 2015, consisting of cash and unutilized credit facilities, amounted to 847.5 MSEK (838.4).

NOTE 20C Management of capital risk

The Group's goal for capital structure is to safeguard the Group's ability to maintain its operations so that it can continue to generate returns for shareholders and benefits for other stakeholders, as well as to maintain an optimal capital structure to keep capital costs down.

The Group's managed capital is made up of shareholders' equity. To maintain or adjust the capital structure, the Group may change the dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce liabilities.

In the same way as other companies in the industry, the Group assesses capital on the basis of the debt/equity ratio. This key figure is calculated as net debt divided by shareholders' equity. Net debt is calculated as borrowings from credit instutions, internal loans and financial leases less cash and cash equivalents.

Group, MSEK	31 Dec 2015	31 Dec 2014
Total borrowings	3,603.0	6,789.5
Excluding: cash and cash equivalents	–247.5	–716.4
Interest-bearing net liabilities	3,355.5	6,073.1
Total shareholders' equity	6,204.5	3,613.9
Debt/equity ratio	0.5 times	1.7 times

Due dates, MSEK	31 Dec 2015	31 Dec 2014
Liabilities become due for payment		
– within 1 year	–	232.2
– between 1 and 3 years	–	5,573.3
– between 4 and 5 years	3,599.7	–
– later than 5 years	–	976.2
Total	**3,599.7**	**6,781.7**

Bank overdraft facilities, MSEK	31 Dec 2015	31 Dec 2014
Amounts utilized	–	–
Amounts not utilized	600.0	122.0
Total bank overdraft facilities granted	**600.0**	**122.0**

NOTE 21 Provisions for pensions and similar obligations

Provisions for pensions and similar obligations refer in their entirety to defined-benefit pension plans in which the employees have the right to benefits after their employment ends, and where the level of benefits is based on final salary and length of service. Provision for such plans has been made for FPG/PRI occupational pensions in Sweden (ITP 2-plan). In other countries, defined-contribution pension plans have been adopted. The defined-benefit plan in Sweden provides the employees with a quaranteed level of pension payouts during their lifetime. The defined-benefit plan is adjusted for annual inflation of 1.5 percent set out by the Swedish Central Bank.

Defined benefit pension plans

Calculation of provision, MSEK	31 Dec 2015	31 Dec 2014
Present value of obligations	380.2	462.0
Actual value of plan assets	–	–
Total provision for defined benefit pension plans	**380.2**	**462.0**

Changes in provision during the year, MSEK	2015	2014
Net liability, opening balance	–462.0	–281.5
Acquisition of businesses	–	–14.6
Remeasurements reported in Other comprehensive income[1]	75.5	–119.0
Net expense reported in the income statement	–16.8	–22.3
Relocation of ITPK	0.1	0.1
Pensions paid	4.8	4.6
Change in special employer's contribution	18.3	–29.2
Net liability, closing balance[2]	**–380.2**	**–462.0**

1) Remeasurements recorded in Other comprehensive income during 2015 consist of actuarial gains from a change in financial assumptions of +73.2 MSEK and experienced-based gains are +2.3 MSEK.
2) Weighted average duration of the pension obligations is 24 years.

Important estimations and assumptions

Important actuarial assumptions	31 Dec 2015	31 Dec 2014
Discount rate	3.15%	2.75%
Future salary increases	3.00%	3.00%
Future pension increases (inflation)	1.50%	2.00%
Employee turnover	3.00%	3.00%

Sensitivity analysis in the actuarial assumptions	Change	Increase	Decrease
Discount rate	+/–0.5%	–11.0%	+12.9%
Future salary increases	+/–0.5%	+4.9%	–3.7%
Future pension increases (inflation)	+/–0.5%	+9.5%	–8.4%
Life expectancy	+/–1 year	+3.4%	–3.4%

Pension expenses for defined benefit and defined contribution pension plans

MSEK	2015	2014
Expenses relating to service during the current year, defined benefit pension plans	–5.4	–10.8
Expenses relating to service during the current year, defined contribution pension plans	–311.9	–272.2
Total pension expenses included in personnel expenses	**–317.3**	**–283.0**
Interest expenses for defined benefit pension plans	–11.4	–11.5
Total expenses in the income statement	**–328.7**	**–294.5**

Payments for next year are expected to be at the same level as this year.

Multi-employer plans

The company has secured the ITP plan through insurance from the insurance company Alecta. Although this plan is classified as a defined benefit plan, it is not possible to receive sufficient information from Alecta to be able to report it as a defined benefit plan. Information regarding allocation between employers is missing and instead all earnings are allocated to the last employer. A breakdown of Alecta's assets and provisions for individuals is not possible which means that these plans are accounted for as defined contribution plans. Collective consolidation is the buffer of Alecta's insurance commitments to be able to handle fluctuations in investement returns and insurance risks, and it is calculated as the difference between investments and the insurance commitments. The consolidation level is calculated as Alecta's assets in relation to the insurance commitments. Alecta has a target ratio of 140 percent for the consolidation level and during 2015, the consolidation level was 153 percent (143 percent). For 2016, the contribution to the plan is estimated to be at the same level as 2015, 55 MSEK.

§ Accounting principles

Pension undertakings

Group companies operate various pension schemes. These pension plans are usually financed through payments to insurance companies or managed funds, where the payments are determined according to actuarial calculations. The Group has both defined-benefit and defined -contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate legal entity. The Group has no legal or constructive obligations to pay further contributions if this legal entity does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined-benefit plan is a pension plan where the contribution is not defined, but defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary.

For defined-contribution pension plans, the Group pays fees to publicly or privately managed pension insurance schemes on an obligatory, contractual or voluntary basis. The Group has no further payment obligations once the fees are paid. The fees are reported as personnel expenses during the period they relate to.

The liability recognized in the balance sheet in respect to defined-benefit pension plans is the present value of the defined-benefit obligation at the balance sheet date, less the actual value of plan assets. The defined-benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The net present value of the defined-benefit obligation is determined by discounting the estimated future cash outflows using interest rates of first-class corporate bonds that are denominated in the same currency in which the benefits will be paid and that have terms of maturity approximating the terms in the related pension liability.

Actuarial gains and losses that arise from experience-based adjustments and changes in actuarial assumptions are reported in other comprehensive income during the period when they arise.

Past-service costs are recognized immediately in income unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (vesting period). In this case, the past-service costs are allocated on a linear basis over the vesting period.

NOTE 22 Other provisions

	31 Dec 2015			31 Dec 2014		
Changes in other provisions during the year, MSEK	**Provisions for frequent guest program**	**Other provisions**	**Total other provisions**	**Provisions for frequent guest program**	**Other provisions**	**Total other provisions**
Opening balance	**116.5**	**2.9**	**119.4**	**93.9**	**2.7**	**96.7**
Change through the income statement	4.5	–0.1	4.4	22.5	0.2	22.7
Closing balance	**121.0**	**2.8**	**123.8**	**116.5**	**2.9**	**119.4**

Scandic has a frequent guest program, Scandic Friends, in which members earn points for overnight stays that can then be used for free overnight stays. This frequent guest program is covered by the rules in IFRIC 13. The liability is valued at the market value of the anticipated free-night usage. In measuring the liability for the frequent guest program, the first step is to calculate the liability for the number of free nights expected to be used on the basis of the level of utilization and estimated points withdrawal per free night, based on the outstanding balance of points. The anticipated utilization of free nights is then multiplied by the average market price of such free nights. That part of the liability which is expected to be utilized after more than one year is reported under Other provisions above, while that part which is expected to be utilized within one year is recognized as deferred income under Accrued expenses and deferred income (see note 24). The total liability for the frequent guest program and its allocation between current and non-current liabilities is shown in the table below. The provision is expected to be utilized within 5 years. In October 2014, Rica's frequent guest program was transferred into Scandic Friends.

	2015			2014		
Total liability regarding frequent guest program	**Non-current provision**	**Current provision**	**Total liability in respect of frequent guest program**	**Non-current provision**	**Current provision**	**Total liability in respect of frequent guest program**
Opening balance	116.5	77.6	194.1	93.9	62.6	156.5
Change through the income statement	4.5	9.0	13.5	22.5	15.0	37.6
Closing balance	121.0	86.6	207.6	116.5	77.6	194.1

The assessed market value of free overnight stays used during 2015 amounted to MSEK 106.6 (83.5). For the current provision, see Note 24.

§ Accounting principles

Provisions

Provisions for environmental restoration measures, restructuring expenses and legal claims are reported when the Group has a legal or informal obligation as a result of earlier events, it is probable that an outflow of resources will be required to settle the undertaking and the amount has been calculated in a reliable manner. Provisions are valued based on the best possible estimate of expenditure that will be required to resolve the obligation in question on the balance sheet date. Provisions for restructuring includes costs for terminating leasing agreements and severance pay. No provisions are made for future operating losses.

! Important estimations and assumptions

Reporting of provisions for loyalty programs for customers

In accordance with IFRIC 13, provisions for loyalty programs for customers (frequent guest programs) is reported as a reduction in revenue in conjunction with the earning of the right to future use. The reserve outstanding at any time is divided up into a long-term part, which is reported under Other provisions, and a short-term part, which is reported under Accrued costs and prepaid income.

NOTE 23 Deferred tax assets and tax liabilities

Deferred tax assets and liabilities are reported net when there is a legally enforceable right to offset the recognized tax assets and liabilities and when the deferred taxes are expected to be settled at the same time.

	31 Dec 2015					
Distribution of deferred tax items on underlying balance sheet items and their changes during the year, MSEK	**Pensions**	**Derivative instruments**	**Elimination of internal goodwill**	**Losses carried forward**	**Issuing costs**	**Total deferred tax assets**
Deferred tax assets						
Opening balance 1 Jan 2015	52.0	8.8	5.4	397.9	–	464.1
Reported in income statement	3.3	3.1	–0.1	–27.3	–	–21.0
Tax attributable to items in Other comprehensive income	–20.6	–	–	–	–	–20.6
Items recognized in equity	–	–	–	–	6.2	6.2
Exchange rate differences	–	–	0.0	–0.8	–	–0.8
Closing balance 31 Dec 2015	**34.7**	**11.9**	**5.3**	**369.8**	**6.2**	**427.9**
– of which receivables to be utilized within 12 months	–	–	–	–	–	–

	Intangible fixed assets	**Land & buildings**	**Untaxed reserves**	**Accelerated depreciation**	**Hedge accounting**	**Total deferred tax liabilities**
Deferred tax liabilities						
Opening balance 1 Jan 2015	–748.6	–13.9	–85.6	–2.7	–	–850.8
Acquisition of businesses	–7.2	–	–	–	–	–7.2
Reported in income statement	7.6	0.2	24.5	–0.1	–	32.3
Tax attributable to items in Other comprehensive income	–	–	–	–	–11.1	–11.1
Exchange rate differences	18.8	–2.2	11.7	0.5	–	28.8
Closing balance 31 Dec 2015	**–729.4**	**–15.9**	**–49.4**	**–2.3**	**–11.1**	**–808.1**
– of which liabilities to be paid within 12 months	*–36.2*	*–1.0*	–	–	–	*–37.2*

	Deferred tax liabilities, net
Net deferred tax liabilities	
Opening balance 1 Jan 2015	–386.7
Acquisition of businesses	–7.2
Reported in income statement	11.2
Tax attributable to items in Other comprehensive income	–31.7
Items recognized in equity	6.2
Exchange rate differences	28.0
Closing balance 31 Dec 2015	**–380.2**

cont. Note 23

Distribution of deferred tax items on underlying balance sheet items and their changes during the previous year, MSEK	Pensions	Derivative instruments	31 Dec 2014 Elimination of internal goodwill	Losses carried forward	Total deferred tax assets
Deferred tax assets					
Opening balance Jan 1 2014	15.4	9.2	5.6	337.5	367.6
Reported in income statement	0.4	–0.3	–0.1	60.4	60.3
Tax attributable to items in Other comprehensive income	36.3	–	–	–	36.3
Exchange rate differences	–	–	–0.1	–	–0.1
Closing balance 31 Dec 2014	**52.0**	**8.8**	**5.4**	**397.9**	**464.1**
– of which receivables to be utilized within 12 months	–	–	–	–	–

	Intangible fixed assets	Land & buildings	Untaxed reserves	Accelerated depreciation	Total deferred tax liabilities
Deferred tax liabilities					
Opening balance 1 Jan 2014	–673.5	0.0	–5.9	–4.2	–683.5
Acquisition of businesses	–82.3	–14.1	–79.7	–	–176.2
Reported in income statement	7.5	0.2	0.5	1.8	10.0
Exchange rate differences	–0.3	0.0	–0.5	–0.3	–1.0
Closing balance 31 Dec 2014	**–748.6**	**–14.0**	**–85.6**	**–2.7**	**–850.8**
– of which liabilities to be paid within 12 months	*–37.0*	*–1.1*	–	–	*–38.1*

	Deferred tax liabilities, net
Net deferred tax liabilities	
Opening balance Jan 1, 2014	–315.9
Acquisition of businesses	–176.2
Reported in income statement	70.3
Tax attributable to items in Other comprehensive income	36.3
Exchange rate differences	–1.1
Closing balance 31 Dec 2014	**–386.7**

Tax loss carry-forwards

The Group has reported loss carry-forwards amounting to 1,660.9 MSEK (1,762.8) mainly in Sweden, Norway and Denmark. These loss carry-forwards can be utilized against future taxable surpluses. Recorded deferred tax assets related to the reported loss carry-forwards amounted to 369.8 MSEK (397.9), the Group has assessed that these loss carry-forwards will be possible to offset in the future, based on the forecasts of the Group for coming years. Non-recorded deficiencies amounted to 346.5 MSEK in 2015 and are mainly related to Denmark, Germany, Poland and Belgium where it still is uncertain to what extent they are offsettable towards taxable surpluses. These deficiencies amount to 69.3 MSEK (15.6). None of the deductible deficiencies are limited in time. All deferred tax on deductible deficiencies is valued on taxable deficiencies.

Deferred tax assets, Parent Company	31 Dec 2015	31 Dec 2014
Opening balance	**192.4**	**191.9**
Reported in income statement	–116.2	0.5
Reported in equity	6.2	–
Closing balance	**82.4**	**192.4**

Deferred tax assets in the Parent Company consist solely of unused deductible deficiencies that the Parent Company had on the closing date.

§ Accounting principles

Deferred income tax

Deferred income tax is reported, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their reported amounts in the balance sheet. However, deferred tax is not reported if it arises as a result of a transaction that constitutes the first reporting of an asset or liability that is not an operational acquisition and which, at the time of the transaction, affects neither the reported nor the tax result. Deferred tax is not reported either on the first reporting of goodwill. Deferred income tax is determined using the tax rates (and laws) that have been applied or notified by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are reported to the extent it is probable that future tax surpluses will be available, against which the temporary differences can be utilized.

NOTE 24 Accrued expenses and deferred income

Division into type of expense, MSEK	Group 31 Dec 2015	Group 31 Dec 2014	Parent Company 31 Dec 2015	Parent Company 31 Dec 2014
Accrued leasing expenses	44.7	12.3	–	–
Accrued personnel expenses	607.5	502.8	5.6	–
Accrued interest expenses	10.6	29.0	5.9	–
Deferred income	31.3	0.4	–	–
Current portion of frequent guest program	86.6	77.6	–	–
Other items[1]	558.4	502.7	51.6	–
Total	**1,339.1**	**1,124.8**	**63.1**	**–**

[1] The bonus check liability is included in Other items and amounted to 63.4 MSEK (64.3) and is a payment method permitting discounted stays at all Scandic hotels. Bonus checks have a limited period of validity. When bonus check booklets are sold, a liability is recorded. The liability is liquidated when the checks are utilized or when the customer is judged to be no longer able to utilize or redeem the bonus check.

NOTE 25 Adjustment for items not included in cash flow

Adjustment for items not included in cash flow, MSEK	Group 2015	Group 2014	Parent Company 2015	Parent Company 2014
Depreciation	501.8	474.8	–	–
Gain/loss on sale of associated companies	4.1	–	–	–
Change in accrued expenses/income and provisions	14.8	–2.7	86.4	–
Total	**520.7**	**472.1**	**86.4**	**–**

§ Accounting principles

The cash flow analysis has been prepared in accordance with the indirect method. The cash flow reported only includes transactions that entail payments in or out.

In addition to cash and bank balances, short-term financial investments are classified as liquid funds since these are exposed only to an insignificant risk of value fluctuations or have a remaining term of less than three months from the acquisition date.

NOTE 26 Business combinations

On February 1, 2015, the Scandic Group acquired 100 percent of the share capital of Scandic Strand Hotel Bergen AS, Scandic Neptun Hotel Bergen AS and Scandic Bergen Hotel Scandic City AS for 160.0 MNOK. Before the acquisition, the companies operated hotels in Bergen, Norway under the Scandic brand through a long-term franchise agreement.

The reason behind the acquisitions was to strengthen Scandic's position in Bergen, one of Norway's most important hotel markets.

The revenue from the acquired companies that was included in the consolidated income statement from February 1, 2015 amounted to 199.2 MSEK. The acquired companies also contributed 13.3 MSEK to the Group's net profit for the same period. If the acquired companies had been consolidated from January 1, 2015, the consolidated income statement would have shown revenues of 12,221.0 MSEK and a profit of 117.5 MSEK

Acquisition-related expenses of –0.2 MSEK are included in non-recurring items in the consolidated income statement as per December 2015. Goodwill of 108.0 MSEK that has arisen as a result of the acquisitions is related primarily to the value of additional sales in the future that the Group expects as well as the positive effects of the lease model with which Scandic operates. The identified intangible assets that have been valuated relate mainly to customer relationships.

No part of the recognized goodwill is expected to be tax deductible.

All acquired companies were merged with Scandic Hotels AS during the year.

The following table outlines the purchase price paid as well as the actual value of assets acquired and liabilities taken over:

Purchase price on February 1, 2015, MSEK	Group
Cash and cash equivalents	162.4
Total purchase price paid	**162.4**
Recognized amounts of identifiable assets acquired and liabilities taken over	
Tangible fixed assets	38.2
Customer relations	26.7
Long-term receivables	1.1
Inventories	1.9
Accounts receivable and other receivables	17.1
Cash and cash equivalents	29.5
Deferred tax liabilities, net	–7.2
Borrowing	–7.6
Accounts payable and other liabilities	–45.4
Total identifiable net assets	**54.4**
Goodwill	108.0
	162.4
Effects on Group cash and cash equivalents	
Cash purchase price	–162.4
Cash and cash equivalents in acquired entities	29.5
Cash flow from acquistion of subsidiary	–132.9

NOTE 27 Participation in Group companies

Changes during the year MSEK	Parent Company 2015	2014
Accumulated acquisition values, opening balance	3,532.1	2,586.5
Given shareholders' contribution	4.4	945.5
Accumulated acquisition values, closing balance	**3,536.5**	**3,532.1**

Holdings on the balance sheet date	Organization number	Registered address	31 Dec 2015 Shareholding	31 Dec 2014 Shareholding	31 Dec 2015 Reported value	31 Dec 2014 Reported value
Scandic Hotels Holding AB	556723-5725	Stockholm	100	100	3,536.5	3,532.1
Scandic Hotels AB	556299-1009	Stockholm	100	100	–	–
Hotell Skogshöjd AB[1)]	556065-6109	Södertälje	–	100	–	–
Scandic Hotels AS	953 149 117	Oslo, Norway	100	100	–	–
Scandic Hotels Holding A/S	30 61 64 56	Copenhagen, Denmark	100	100	–	–
Scandic Hotels A/S	12 59 67 74	Copenhagen, Denmark	100	100	–	–
Scandic Polen Sp.z o. o.	288532	Warsaw, Poland	100	100	–	–
Scandic Hotels Europe AB	556351-7373	Stockholm	100	100	–	–
Scandic Hotels Deutschland GmbH	HRB 8618 HL	Berlin, Germany	100	100	–	–
Scandic Berlin Kurfürstendamm GmbH	HRB 158329 B	Berlin, Germany	100	100	–	–
Scandic Hotel NV	462 318 529	Antwerp, Belgium	100	100	–	–
Scandic Netherland B.V	807059602B01	Amstelveen, Netherlands	100	100	–	–
Scandic Hotels Holding AS	912 198 022	Oslo, Norway	100	100	–	–
Rica Hotels AS	984 695 322	Oslo, Norway	100	100	–	–
Scandic Hotels Finnmark AS	941 654 614	Hammerfest, Norway	100	100	–	–
Holmenkollen Park Hotel Rica AS[2)]	944 692 916	Oslo, Norway	–	100	–	–
Grand Hotel Driftsselskap AS[2)]	965 408 614	Oslo, Norway	–	100	–	–
Scandic Hotellene Oslo AS[2)]	942 100 787	Oslo, Norway	–	100	–	–
Scandic Hotel Øst AS	941 187 706	Furnes, Norway	100	100	–	–
Rica Hotels AB	556520-9797	Stockholm	100	100	–	–
Scandic Hotels Troms AS	974 459 809	Tromsø, Norway	100	100	–	–
Scandic Hotels Midt-Norge AS	941 249 957	Hell, Norway	100	100	–	–
Scandic Hotels Sunnfjord AS	981 045 467	Førde, Norway	100	100	–	–
Scandic Hotels Vest AS	941 081 371	Bergen, Norway	100	100	–	–
Scandic Hotels Sør AS	951 791 555	Sandefjord, Norway	100	100	–	–
Scandic Hotels Gardermoen AS	880 289 772	Gardermoen, Norway	50	50	–	–
Scandic Hotels Oy	1447914-7	Helsinki, Finland	100	100	–	–
HTL Hotels AB	556723-5717	Stockholm	100	100	–	–
HTL Hotels AS	813 361 272	Oslo, Norway	100	100	–	–
Total					**3,536.5**	**3,532.1**

1) On November 10, 2015 the company was merged with Scandic Hotels AB and has ceased to exist.
2) On November 1, 2015 the company was merged with Scandic Hotels AS and has ceased to exist.

The acquired Bergen companies, see Note 26, were merged with Scandic Hotels AS during the year and have ceased to exist.

NOTE 28 Pledged assets and contingent liabilities

MSEK	Group 31 Dec 2015	Group 31 Dec 2014	Parent Company 31 Dec 2015	Parent Company 31 Dec 2014
Pledged assets				
Floating charges	–	85.0	–	–
Real estate mortgages	45.0	–	–	–
Shares in subsidiaries	–	7,103.6	–	–
Total pledged assets	**45.0**	**7,188.6**	**–**	**–**
Contingent liabilities				
Guarantee undertakings, FPG/PRI	4.4	4.2	–	–
Lease guarantees	92.8	99.9	–	–
Guarantee undertakings, other	–	1.4	–	–
Contingent liabilities	106.9	111.4	–	–
Travel guarantees	3.2	1.5	–	–
Total contingent liabilities	**207.3**	**218.4**	**–**	**–**

Lease guarantees relate mainly to guarantees for lease contracts for premises in the Danish and Norwegian subsidiaries. These have remaining periods of contract of up to 13 years. Fixed rental fees for the whole remaining period have been accounted for above. These rental fees are included in future leasing undertakings in Note 5.

No significant liabilities are expected to arise due to the contingent liabilities reported. No disputes have been identified within the Group for which any material payments are expected. Scandic is involved in a small number of commercial disputes. None of these disputes is deemed to have any major negative impact on the company's financial position or profit. No contingent assets have been identified within the Group.

The valuation of shares in subsidiaries is based on the Group's net assets.

Important estimations and assumptions

In February 2011 and in January 2012, the unit for monitoring taxpayers' rights in Finland sent a correction claim to the company's Finnish branch, where the branch's right to deduct interest expenses from the Finnish subsidiary was challenged for the tax years 2008 and 2009. During 2012, a challenge relating to the tax years 2010 and 2011 was also received. The company has received opinions from various tax experts in Finland and the probability of a decision in the branch's favor is assessed to be more probable than a negative decision. Against the background of these opinions, the company has not made any provision in relation to this claim, but has reported a contingent liability of 106.9 MSEK only.

NOTE 29 Financial assets and liabilities

31 Dec 2015, MSEK	Loans receivable and accounts receivable	Financial liabilities at fair value through profit and loss	Borrowings	Other financial receivables/liabilities	Total
Financial investments	–	–	–	4.3	4.3
Accounts receivable	463.7	–	–	–	463.7
Cash equivalents	247.5	–	–	–	247.5
Total financial assets	**711.2**	**–**	**–**	**4.3**	**715.5**
Liabilities to credit institutions	–	–	3,599.7	–	3,599.7
Advance payments from customers	–	–	–	88.3	88.3
Accounts payable	–	–	–	482.2	482.2
Derivative instruments	–	76.7	–	–	76.7
Total financial liabilities	**–**	**76.7**	**3,599.7**	**570.5**	**4,246.9**

31 Dec 2014, MSEK	Loans receivable and accounts receivable	Financial liabilities at fair value through profit and loss	Borrowings	Other financial receivables/liabilities	Total
Financial investments	–	–	–	4.8	4.8
Accounts receivable	447.9	–	–	–	447.9
Cash equivalents	716.4	–	–	–	716.4
Total financial assets	**1,164.3**	**–**	**–**	**4.8**	**1,169.1**
Liabilities to credit institutions	–	–	5,805.5	–	5,805.5
Advance payments from customers	–	–	–	71.1	71.1
Accounts payable	–	–	–	535.2	535.2
Derivative instruments	–	40.2	–	–	40.2
Total financial liabilities	**–**	**40.2**	**5,805.5**	**606.3**	**6,452.0**

Liabilities to credit institutions have variable interest rates and are reported at the accrued acquisition value. A fixed rate of interest is achieved through interest swaps. Variable unit prices for electricity have been swapped to fixed prices for parts of the Group's electricity consumption. The Group also entered in a share swap agreement related to the long-term incentive program, see Note 6. These are accounted for the fair value through profit and loss, and are reported as derivative instruments above. The actual value of other financial assets and liabilities is not assessed as diverging materially from the reported value.

cont. Note 29

§ Accounting principles

Financial instruments

The Group classifies its significant financial assets and liabilities into the following categories: Financial assets valued at actual value via the income statement, loans receivable and accounts receivable, borrowings and accounts payable. The classification depends on the purpose for which the financial asset or liability was acquired. The management determines the classification of the financial assets and liabilities at the first time of reporting and reassesses this decision at each time of reporting.

(a) Financial assets/liabilities reported at actual value via the income statement
Financial assets/liabilities valued at actual value via the income statement are financial assets/liabilities held for resale. A financial asset/liability is classified in this category if it is acquired mainly for the purpose of being resold shortly. Derivatives are classified as if held for resale unless they are identified as hedges. Assets/liabilities in this category are classified as current assets/liabilities. Changes in the value of these financial assets/liabilities are reported as financial income/expenses in the income statement.

(b) Loans receivable and accounts receivable
Loans receivable and accounts receivable are financial assets that are not derivatives, not listed on an active market and that have fixed or determinable payments. They are part of the current assets, with the exception of items with due dates more than 12 months after the balance sheet date, in which case they are classified as fixed assets. Loans receivable and accounts receivable are classified as accounts receivable and other receivables on the balance sheet.

Loans receivable and accounts receivable are reported at the acquisition value less any provision for depreciation. According to IAS 39, loans receivable and accounts receivable shall be valued at the accrued acquisition value using the effective interest method, but as accounts receivable have very short durations and the interest effects are very small, the reported value of the Group is not deemed to diverge materially from the actual value. Loans receivable have a variable interest rate and therefore the actual value is not deemed to diverge materially from the reported value.

A provision for depreciation of accounts receivable is made when there is objective proof that the Group will not be able to receive all of the amounts due in accordance with the original terms and conditions of the accounts receivable. The provision amount constitutes the difference between the asset's reported value and the present value of future cash flows, discounted at the effective interest rate. The provision amount is reported in the income statement.

(c) Borrowings
Borrowings are financial liabilities that are initially reported at the actual value, net after transaction costs. Borrowings are subsequently reported at the accrued acquisition value and any difference between proceeds (net of transactions costs) and redemption value is reported in the income statement allocated over the period of the borrowing, using the effective interest method. Borrowings are classified as liabilities to credit institutions and as internal loans in the balance sheet. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer the payment of the liability for at least 12 months after the balance sheet date.

(d) Accounts payable
Accounts payable are financial liabilities with fixed or determinable payments that are not quoted in an active market. They are part of current liabilities, with the exception of items with due dates more than 12 months after the balance sheet date, in which case they are classified as long-term liabilities. Accounts payable are reported at the acquisition value.

According to IAS 39, accounts payable shall be valued at the accrued acquisition value using the effective interest method, but as the Group's accounts payable have very short durations and the interest effects are very small, the reported value of the Group is not deemed to diverge materially from the actual value.

Fair value:

The table below shows the Group's financial assets and financial liabilities at the fair value and categorized in the fair value hierarchy. The different levels are defined as follows:
– Level 1: Quoted prices on an active market for identical assets or liabilities
– Level 2: Other observable data than quoted prices included in Level 1, either directly or indirectly
– Level 3: Data not based on observable market data

Liabilities to credit institutions and the shareholder loan are booked at the fair value. There were no financial assets at fair value during 2015 and 2014.

31 Dec 2015, MSEK	Level 1	Level 2	Level 3	Total
Liabilities to credit institutions	–	3,599.7	–	3,599.7
Derivative instruments used for hedging	–	76.7	–	76.7
Total financial liabilities	**–**	**3,676.4**	**–**	**3,676.4**

31 Dec 2014, MSEK	Level 1	Level 2	Level 3	Total
Liabilities to credit institutions	–	5,805.5	–	5,805.5
Shareholder loan	–	–	976.2	976.2
Derivative instruments used for hedging	–	40.2	–	40.2
Total financial liabilities	**–**	**5,845.7**	**976.2**	**6,821.9**

In accordance with the Group's Financial Policy, derivative instruments and interest rate swaps have been entered into to hedge the Group against interest rate risk. These interest rate swaps were valued on the reporting date at the market value declared by the issuers, which constitutes a Level 2 valuation under IFRS 7.

NOTE 30 Transactions with related parties

EQT Fund V owns through companies the majority of the Parent Company's shares. The company, and its ownership in Dometic Group AB, are treated as related parties based on their owner share and their representation on the Board during the year. In addition, the group Braganza AS is also treated as related party based on their ownership and their representation in the Board during the year. For transactions with subsidaries, OECD's guidelines for Transfer Pricing are applied. The following transactions have been carried out with related parties:

On October 1, 2015 Scandic divested its 50 percent share of the associated company Scandic Hotel Dyreparken AS. The buyer was Dyreparken Utvikling AS and the purchase price was 16.0 MNOK. The hotel is now operated as a franchise hotel under the Scandic brand.

	Group		Parent Company	
MSEK	**31 Dec 2015**	**31 Dec 2014**	**31 Dec 2015**	**31 Dec 2014**
Purchases of services				
Owners	–	0.1	–	–
Braganza AS	–	0.5	–	–
Dometic Group AB	0.1	0.1	–	–
Total purchases of services	**0.1**	**0.7**	**–**	**–**
Sales of services				
Owners	0.6	0.4	–	–
Braganza AS	3.0	5.9	–	–
Dometic Group AB	–	–	–	–
Subsidaries	–	–	–	–
Total sales of services	**3.6**	**6.3**	**–**	**–**
Closing balances at year end from purchases and sales of services				
Receivables from related parties				
Owners	–	0.0	–	–
Braganza AS	0.1	0.5	–	–
Subsidaries	–	–	–	–
Total receivables from related parties	**0.1**	**0.5**	**–**	**–**
Liabilities to related parties:				
Owners	0.0	0.0	–	–
Total liabilities from related parties	**0.0**	**0.0**	**–**	**–**

	Group		Parent Company	
MSEK	**31 Dec 2015**	**31 Dec 2014**	**31 Dec 2015**	**31 Dec 2014**
Loans to related parties				
Subsidaries				
Opening balance	–	–	956.5	813.8
Transactions during the year	–	–	–	–
Interest	–	–	98.6	85.5
Exchange rate differences	–	–	–40.8	57.3
Closing balance	**–**	**–**	**1,014.3**	**956.5**
Loans from related parties				
Group companies				
Opening balance	–976.2	–830.5	–976.2	–830.5
Transactions during the year	1,036.4	–	1,036.4	–
Interest	–92.8	–87.2	–92.8	–87.2
Exchange rate differences	32.6	–58.5	32.6	–58.5
Closing balance	**–**	**–976.2**	**–**	**–976.2**

Loans from the Parent Company consist of the shareholder loan that the company has received in order to ensure that none of the covenants was breached. The interest rate amounts to 10 percent and the loan expires within 10 years from the issuing date. In connection with the stock market listing of Scandic the loan was converted to a shareholders' contribution.

For terms and remuneration to the Group Management, see the Corporate Governance Report.

NOTE 31 Dividend per share

In accordance with the Board's dividend policy adopted on September 14, 2015, Scandic aims to distribute at least 50 percent of its net profit from the financial year 2016 onwards.

In accordance with what has been communicated earlier, the Board will propose to the Annual General Meeting on May 12, 2016 that no dividend be paid for the financial year 2015.

NOTE 32 Events after the reporting date

Following the Rica acquisition, Scandic has a good network of hotels in Stavanger. Given this and current market conditions, Scandic has agreed with the property owner not to build the planned Stavanger Congress hotel.

Gunilla Rudebjer, CFO, has decided to leave Scandic Hotels Group. The process to recruit a successor has begun and Gunilla Rudebjer will remain at Scandic until August 31, 2016.

Scandic Hotels is taking over the operation of the centrally located First Hotel Europa Aalborg from June 1, 2016. In conjunction with the takeover, the hotel will change name to Scandic Aalborg City.

The company will also take over the operation of the current Radisson Blu Falconer Hotel & Conference Centre in central Copenhagen from October 1, 2018. In connection with the re-opening of the hotel, the hotel will change its name to Scandic Falconer.

NOTE 33 Adoption

The Board of Directors and the CEO certify that the Annual Report has been prepared in accordance with the International Reporting Standards, IFRS, endorsed by the EU and gives a true and fair view of the Group's financial position. The Annual Report has been prepared in accordance with accepted accounting principles in Sweden and gives a true and fair view of the Parent Company's financial position.

Income statements and balance sheets will be submitted to the Annual General Meeting on May 12, 2016 for approval.

Stockholm April 13, 2016

Vagn Sørensen
Chairman of the Board

Per G. Braathen
Board member

Caspar Callerström
Board member

Grant Hearn
Board member

Lottie Knutson
Board member

Eva Moen Adolfsson
Board member

Niklas Sloutski
Board member

Rikard Steiber
Board member

Fredrik Wirdenius
Board member

Jan Wallmark
Employee representative

Frank Fiskers
President & CEO

Our audit report was presented on April 13, 2016
PricewaterhouseCoopers AB

Magnus Brändström
Authorized Public Accountant
Auditor-in-charge

AUDITOR'S REPORT

To the annual meeting of the shareholders of Scandic Hotels Group AB (publ), corporate identity number 556703-1702

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of Scandic Hotels Group AB (publ) for the year 2015, except for the corporate governance statement on pages 88–95. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 44–85.

Responsibilities of the Board of Directors and the President & CEO for the annual accounts and consolidated accounts

The Board of Directors and the President & CEO are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the President & CEO determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the President & CEO, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of December 31, 2015 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 88–95. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the Parent Company and the Group.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President & CEO of Scandic Hotels Group AB for the year 2015. We have also conducted a statutory examination of the corporate governance statement.

Responsibilities of the Board of Directors and the President & CEO

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the President & CEO are responsible for administration under the Companies Act and that the corporate governance statement has been prepared in accordance with the Annual Accounts Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the President & CEO is liable to the company. We also examined whether any member of the Board of Directors or the President & CEO has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Furthermore, we have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the President & CEO be discharged from liability for the financial year.

A corporate governance statement has been prepared, and its statutory content is consistent with the other parts of the annual accounts and consolidated accounts.

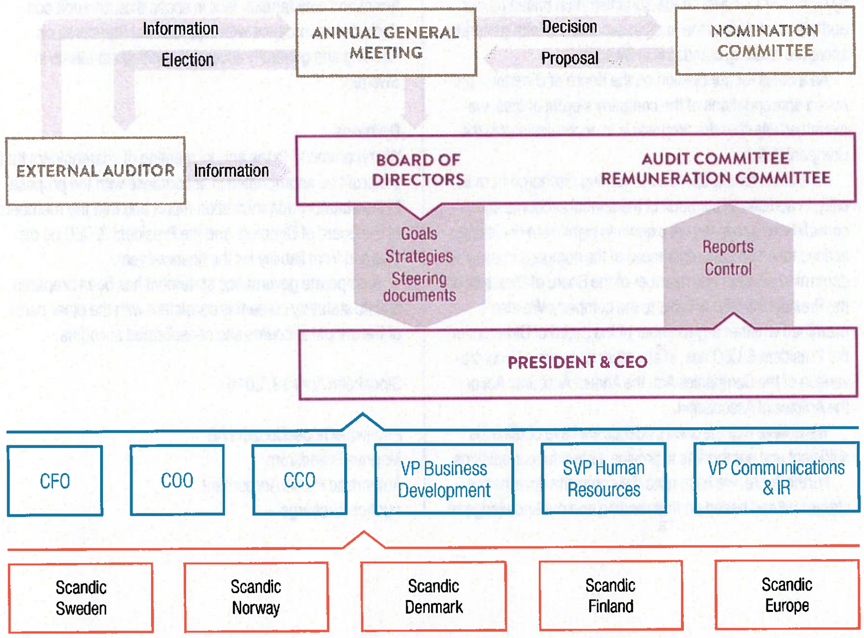
Stockholm April 13, 2016

PricewaterhouseCoopers AB
Magnus Brändsröm
Authorized Public Accountant
Auditor-in-charge

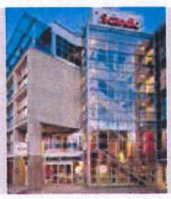
CORPORATE GOVERNANCE

Scandic is a Swedish public limited liability company, with its registered office in Stockholm, whose shares have been listed on Nasdaq Stockholm's Mid Cap list since December 2, 2015. Scandic applies the Swedish Corporate Governance Code and hereby submits its Corporate Governance Report for the 2015 financial year.

CORPORATE GOVERNANCE AT SCANDIC



EXTERNAL STEERING INSTRUMENTS
- Swedish Companies Act
- Annual Accounts Act
- Other applicable legislation
- Nasdaq Stockholm's Rulebook for Issuers
- The Swedish Corporate Governance Code



INTERNAL STEERING INSTRUMENTS
- Articles of Association
- Instructions for the Board/President
- Values
- Codes of Conduct
- Policies and guidelines

THE BASICS OF SCANDIC'S CORPORATE GOVERNANCE

Scandic's corporate governance aims to support the Board of Directors and the Executive Committee so that all operations create long-term value for shareholders and other stakeholders. This includes upholding:
- an efficient organizational structure;
- a system for risk management and internal control; and
- transparent internal and external reporting.

GOVERNANCE STRUCTURE

Responsibility for the governance and control of Scandic is distributed between the shareholders, the Board of Directors, its appointed committees and the CEO. The governance of Scandic is based on external and internal governance instruments. The external governance framework includes the Swedish Companies Act, Nasdaq Stockholm's Rule Book for Issuers, the Swedish Corporate Governance Code (the Code) and other applicable Swedish and foreign laws and regulations.

The internal binding governance instruments include the Articles of Association, the Rules of Procedure for the Board, instructions for the Board's committees and the CEO, values, the Code of Conduct, the authorization and delegation procedure, the Financial Policy, the Information Policy, the Insider Policy, the IT Security Policy and the guidelines for leases.

DEVIATIONS FROM THE CODE

Scandic complies with the Swedish Corporate Governance Code with the following exceptions:
- Rule 2.5: The Nomination Committee – according to the Code, the composition of the Nomination Committee shall be announced no later than six months before the Annual General Meeting. The Annual General Meeting will be held on May 12. As Scandic was listed on the Nasdaq Stockholm exchange on December 2, an unavoidable deviation was made for the 2015 financial

GRI: G4-7, G4-34

year. The composition of the Nomination Committee before the 2016 Annual General Meeting is based on shareholder statistics as at December 11 and it was announced on December 29, 2015.

- Rule 9.7: Incentive programs – in order to adapt the vesting period for potential future share-related incentive programs, the vesting period in the long-term incentive program implemented in December 2015 is approximately 2.4 years and accordingly, it does not meet the requirement that the vesting period to the date for acquisition of shares is to be no less than three years.

SIGNIFICANT EVENTS IN 2015

The work of the Board of Directors in 2015 was characterized by preparations for Scandic's listing on the stock exchange. Two new members joined the Board and three new members joined the Executive Committee. A performance-based, long-term incentive program for senior executives was implemented during the year.

THE SHARE AND SHAREHOLDERS

The Scandic share has been listed on Nasdaq Stockholm's Mid Cap list since December 2, 2015. At year-end 2015, the share capital of Scandic was 25.7 MSEK, divided into 102,985,075 shares with all shares conferring equal voting rights, an equal share of assets and earnings and an equal share of any dividends. Of the total share capital, 82.9 percent was held by Swedish institutions and funds, 14.5 percent by foreign investors and 2.6 percent by Swedish private investors. The ten largest shareholders represented 72.4 percent of the share capital and votes in the company. Sunstorm Holding AB is the largest shareholder, with 50.0 percent of the share capital and votes. Sunstorm Holding AB is controlled by EQT V Ltd, advised by EQT Partners (an indirect holding of approximately 86 percent of the shares), with Accent Equity 2003 fund as a co-investor (an indirect holding of approximately 12 percent of the shares).

On January 4, 2016, Sunstorm Holding AB used the overallotment option issued in connection with the listing process. Sunstorm Holding AB's share of ownership thereby increased to 56.0 percent of the total number of shares in Scandic. For additional information about the Scandic share, see page 102.

Shareholders' influence through the general meeting

The shareholders exercise influence at the general meeting, which is Scandic's highest decision-making body. The general meeting adopts the Articles of Association and at the Annual General Meeting, which is the regular general meeting held annually, the shareholders elect the Board members, the Chairman of the Board and the auditor, and determine their fees. The Annual General Meeting further adopts the income statement and the balance sheet and decides on the appropriation of profits and whether to discharge the Board members and the CEO from liability to the company. The Annual General Meeting also appoints the Nomination Committee, determines their work and adopts principles of remuneration and terms of employment for the CEO and other senior executives. Scandic's Annual General Meeting is held annually in Stockholm before the end of June. Extraordinary general meetings may be held as and when needed.

2015 ANNUAL GENERAL MEETING

At the Annual General Meeting held on April 27, 2015, the sole shareholder was present in person, thereby representing the entire share capital and all votes.
At the Annual General Meeting, resolutions were passed on the following topics:

- Adoption of the income statement and balance sheet for 2014 and appropriation of profits.
- The Board of Directors and the CEO were discharged from liability to the company.
- Vagn Sørensen, Chairman of the Board, and Board members Eva Moen Adolfsson, Per G. Braathen, Caspar Callerström, Grant Hearn, Erika Henriksson, Niklas Sloutski, Rikard Steiber and Benny Zakrisson were re-elected.
- PricewaterhouseCoopers was reappointed as auditor, with Magnus Brändström as the auditor-in-charge for the period until the end of the 2016 Annual General Meeting.
- Remuneration to the Board of Directors and the auditor.
- The Articles of Association were amended to include the change of name to Scandic Hotels Group AB.

Extraordinary general meetings in 2015

In addition to the ordinary Annual General Meeting held on April 27, 2015, four extraordinary general meetings were held during the year on June 18, July 15, September 15 and November 15, 2015. These extraordinary general meetings were held as a step in the preparations for the company's listing on the stock exchange.

At the extraordinary general meetings, resolutions were passed on the following topics:

- Lottie Knutsson and Fredrik Wirdenius were elected as new Board members, while Erika Henriksson and Benny Zakrisson declined re-election.
- A new share issue.
- Principles for the appointment of the Nomination Committee.
- The Articles of Association were amended: the share capital was increased by way of a bonus issue, the number of shares was increased and the company category was changed to public company.
- Remuneration to the Board of Directors and adoption of guidelines for remuneration to senior executives.
- A performance based, long-term incentive program, conditional upon the listing of the Scandic share on the Nasdaq Stockholm exchange, applicable to approximately 40 senior executives and key people.

2016 ANNUAL GENERAL MEETING

Scandic's Annual General Meeting will be held on May 12, 2016 in Stockholm. For more information, see page 103.

NOMINATION COMMITTEE

The Nomination Committee represents the company's shareholders and is tasked with preparing proposals for the Annual General Meeting regarding the election of the chairman of the Annual General Meeting, Board members, the Chairman of the Board and the auditor, as well as proposals for fees to the Board of Directors, fees to the auditors and, to the extent it is considered required, propose changes to the instruction to the Nomination Committee. These proposals shall be justified based on the company's needs and the Code's requirement to strive for an even gender distribution.

At the extraordinary general meeting held on September 15, 2015, it was resolved, conditional on a listing of the company's shares on the Nasdaq Stockholm exchange, that the company shall have a Nomination Committee consisting of the Chairman of the Board and a representative of each of the three largest shareholders, based on shareholder statistics from Euroclear Sweden AB, as at the last banking day in August every year. The Nomination Committee's term of office shall run until a new Nomination Committee has been appointed.

Unless otherwise agreed by the members of the Nomination Committee, the Chairman of the Nomination Committee shall be the member who represents the largest shareholders based on the number of votes. If a shareholder should cease to be one of the three largest shareholders by number of votes during the Nomination Committee's term of office, the representative appointed by the shareholder in question shall resign, and the shareholder who has become one of the three largest shareholders by number of votes shall appoint a representative. Such a change is not necessary if the change in votes is marginal or if the change occurs later than three months prior to the Annual General Meeting, unless there are special reasons for it.

The names of the three shareholder representatives and the names of the shareholders represented by them shall be announced no later than six months prior to the Annual General Meeting.

The Nomination Committee for the 2016 Annual General Meeting

Scandic was listed on the Nasdaq Stockholm exchange on December 2, which means that the Nomination Committee's composition prior to the 2016 Annual General Meeting is based on shareholder statistics as at December 11, 2015. The Nomination Committee for the 2016 Annual General Meeting comprised four members, including the Chairman of the Board and representatives from the three largest shareholders. The work of the Nomination Committee was led by Joel Lindeman of Provobis. The Nomination Committee was presented in a press release on December 29, 2015.

Nomination Committee	Representing	% of the number of votes as at December 11, 2015
Caspar Callerström	Sunstorm Holding AB	50.0
Joel Lindeman	Provobis AB	5.1
Katja Bergqvist*	Handelsbanken Fonder	4.8

* On April 4, 2016, Handelsbanken Fonder announced that Magdalena Wahlqvist Alveskog had replaced Katja Bergqvist as Handelsbanken Fonder's representative on the Nomination Committee.

2015

JAN	FEB	MAR	APR
			1 2
MAY	**JUN**	**JUL**	**AUG**
	3		4
SEP	**OCT**	**NOV**	**DEC**
5	6	7	8 9

1

Board meeting following election

2

CEO's report

Follow-up on financial performance

Follow-up on Rica Strategy and investment decisions

3

CEO's report

Follow-up on financial performance

Evaluation of management CSR

4

CEO's report

Q2 Interim Report

Investment decisions

Listing process

5

CEO's report

Listing process

Incentive program

6

CEO's report

Q3 Interim Report

Investment decisions

Listing process

7

Listing process

8

Listing process

9

CEO's report

Follow-up on financial performance

Investment decisions

In the work on nominations for the 2016 Annual General Meeting, the Nomination Committee assessed the size and composition of the current Board of Directors as well as Scandic's operations. Special weight was attached to industry-specific and financial expertise and an even gender distribution. The Nomination Committee complies with the rules in the Code regarding Board Member independence. The 2016 Nomination Committee has held four meetings and has had a number of contacts. The Nomination Committee based its work on the Chairman of the Board's report on the work of the Board of Directors and communication with the CEO regarding operations.

The Nomination Committee has proposed to re-elect Vagn Sørensen, Per G. Braathen, Grant Hearn, Lottie Knutson, Eva Moen Adolfsson, Niklas Sloutski and Fredrik Wirdenius to the Board and to elect Ingalill Berglund, Albert Gustafsson, Stephan Leithner and Christoffer Lundström as new members of the Board. The Nomination Committee considers the proposed composition of the Board to be appropriate to meet Scandic's term long-term needs. A report on the work of the Nomination Committee will be submitted to the 2016 Annual General Meeting. Additional information about its work is available at www.scandichotelsgroup.com

Shareholders who wish to submit proposals to the Nomination Committee may do so by email to nomination-committee@scandichotels.com

BOARD OF DIRECTORS

The Board of Directors is responsible for Scandic's organization and the management of the company's affairs. According to the Articles of Association, the Board of Directors shall consist of no less than three and no more than ten Board members, with no more than two alternates. In addition, trade unions are entitled to appoint two regular Board members and two alternates. The Board members are elected annually at the Annual General Meeting for the period up until the end of the subsequent Annual General Meeting.

Composition of the Board of Directors in 2015

The Board of Directors currently comprises nine Board members elected for the period up until the end of the 2016 Annual General Meeting (of which seven were re-elected by the Annual General Meeting held on April 27, 2015, and two were newly appointed as Board members at the extraordinary general meetings held on June 18, 2015, and July 15, 2015). Three of the nine Board members are foreign nationals. At present, one employee representative and one alternate employee representative have been appointed to the Board of Directors. The CEO and the Group's Chief Financial Officer participate in Board meetings, as well as the Group's officer responsible for programs, who is the Secretary of the Board. Other employees in the Group participate in Board Meetings when necessary to report on special matters.

Independence

None of the Board members are employees of Scandic or other Group companies. All Board members are considered to be independent in relation to the company and the senior executives. Seven Board members, who are independent in relation to the Board of Directors and the senior executives, are also independent in relation to the company's major shareholders. Consequently, Scandic complies with the requirements in the Code regarding the Board of Directors' independence in relation to the company, the senior executives and the company's major shareholders.

The work of the Board of Directors

The duties of the Board of Directors are regulated in the Swedish Companies Act, the Company's Articles of Association and the Code. The work and procedures of the Board of Directors are decided annually in written rules of procedure. These rules govern the distribution of work and responsibilities among the Board members, the Chairman of the Board and the CEO, and the CEO's procedures for financial reporting. The Board of Directors also adopts instructions for the committees of the Board of Directors.

The duties of the Board of Directors include the adoption of strategies, business plans, budgets, interim reports, year-end accounts, annual reports and the adoption of instructions, policies and guidelines. The Board of Directors shall also monitor the financial performance, ensure the quality of financial reporting and internal control and evaluate the operations in relation to the objectives and guidelines adopted by the Board of Directors. The Board of Directors also resolves whether to enter into or extend leases, franchise agreements and management agreements and whether significant investments or changes in the Group's organization and operations should be made.

The Chairman of the Board is responsible for the work of the Board of Directors, including ensuring that the work of the Board of Directors is conducted efficiently and that the Board of Directors fulfills its obligations in accordance with applicable laws and regulations. The Chairman of the

Name	Position	Elected, year	Independent in relation to the company and senior executives	Independent in relation to the largest shareholders	Attendance and number of meetings[1)]	Committees, attendance and number of meetings[1)]	Remuneration 2015[2)]
Vagn Sørensen	Chairman	2007	Yes	Yes	9 (9)	Audit Committee 6 (6), Remun. Comm. 2 (3)	700,000
Per G. Braathen	Member	2007	Yes	Yes	9 (9)	–	300,000
Caspar Callerström	Member	2007	Yes	No	9 (9)	Audit Committee 6 (6), Remun. Comm. 2 (3)	0
Grant Hearn	Member	2014	Yes	Yes	8 (9)	Remun. Comm. 1 (3)	683,333
Erika Henriksson	Member	2012	Yes	No	4 (9)	–	0
Lottie Knutson	Member	2015	Yes	Yes	6 (9)	–	450,000
Eva Moen Adolfsson	Member	2014	Yes	Yes	8 (9)	Remun. Comm. 3 (3)	666,667
Niklas Sloutski	Member	2011	Yes	No	9 (9)	Audit Committee 2 (6)	0
Rikard Steiber	Member	2014	Yes	Yes	7 (9)	–	300,000
Benny Zakrisson	Member	2011	Yes	No	5 (9)	Audit Committee 4 (6)	300,000
Fredrik Wirdenius	Member	2015	Yes	Yes	6 (9)	–	425,000
Jan Wallmark	Member, employee repres.	2015			9 (9)		36,000
Daniel Håkansson	Alternate, employee repres.	2015			0 (9)		0
Total							**3,861,000**

1) Total number of meetings during the year. Lottie Knutson joined the Board on June 18, 2015 and Fredrik Wirdenius joined on July 15, 2015. Erika Henriksson left the Board on July 15, 2015 and Benny Zakrisson left on September 15, 2015.

2) Caspar Callerström, Erika Henriksson and Niklas Sloutski declined remuneration during 2015. Due to the extra work involved in the listing process, additional remuneration of 300,000 SEK has been paid to Grant Hearn, Lottie Knutson, Eva Moen Adolfsson and Fredrik Wirdenius.

Board shall, in close cooperation with the CEO, monitor the Company's performance and prepare and chair board meetings. The Chairman of the Board is also responsible for ensuring that the Board members evaluate their work annually and continually receive the information required to conduct their work efficiently. The Chairman of the Board represents the company vis-à-vis the shareholders.

Work during the year

Over the year, six regular board meetings and three extraordinary board meetings were held, of which two extraordinary board meetings were held by phone. Many of the issues dealt with by the Board of Directors over the year were related to the company's listing on the stock exchange. Other major issues that were handled by the Board of Directors include the integration of Rica Hotels, the approval of a new incentive program for senior executives and the approval of new leases and extensions of existing leases.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors has established two committees: the Audit Committee and the Remuneration Committee. The Audit and Remuneration Committees are not authorized to make decisions, but they are to prepare matters and present them to the Board of Directors for decisions. The work of the committees is conducted in accordance with the written procedures for each committee, as adopted by the Board of Directors and the Rules of Procedure for the Board.

Remuneration Committee

The Remuneration Committee prepares resolutions in matters involving remuneration principles, salaries, benefits and remuneration to the CEO and senior executives who are subordinate to the CEO. The Remuneration Committee shall also supervise and evaluate the outcome of programs for variable remuneration and the company's compliance with the guidelines for remuneration adopted at a general meeting.

The Remuneration Committee shall consist of at least three Board members elected at a general meeting. The Chairman of the Board can also be the Chairman of the Remuneration Committee. The other members of the Committee shall be independent in relation to the company and its senior executives.

The Remuneration Committee consists of Eva Moen Adolfsson (Chairman), Vagn Sørensen and Grant Hearn. Grant Hearn resigned from the position of Chairman of the committee at the beginning of the year. Caspar Callerström resigned from the Remuneration Committee in connection with Scandic's listing on the stock exchange.

The Remuneration Committee held three meetings during the year. The Committee conducted a review of the basic remuneration of senior executives and their bonus program. In connection with the listing on the stock exchange, the guidelines for remuneration to senior executives were also updated and a new long-term incentive program was adopted.

Audit Committee

The Audit Committee prepares the Board of Directors' work on matters involving risk assessments, internal control, internal audit, accounting, financial reporting and audits. The Committee's work aims to ensure compliance with the adopted principles for financial reporting and internal control and that the company's relationship with its auditors is appropriate for the purpose.

The Audit Committee shall also evaluate and report on the audit and proposed auditors to the Nomination Committee.

The Audit Committee shall consist of at least three Board members. A majority of the members shall be independent in relation to the company and the senior executives, and at least one member shall be independent in relation to the company, the company's senior executives and the company's major shareholders and shall have experience in auditing or accounting.

At present, the Audit Committee is composed of Caspar Callerström (Chairman), Vagn Sørensen and Niklas Sloutski. The requirements of the Swedish Companies Act for accounting or audit expertise are thus met.

The Audit Committee held six meetings during the year, three of which were attended by the company's auditor.

The following matters were handled at the Audit Committee meetings:

- Interim reports – review prior to the approval by the Board of Directors.
- Status of internal control and risk analysis, and an evaluation of the structures and efficiency of the internal control.
- The auditors' reports on the review of the annual accounts, the interim report for the third quarter, "early warning" and internal control.
- Refinancing and new financing and hedging of interest rate exposure – preparation for resolutions by the Board of Directors.
- Audit plan and audit fees, and an evaluation of the auditors' work and independence.
- Evaluating the requirement for an internal audit function – recommendation to the Board of Directors.
- IT Security Policy, a review prior to the approval by the Board of Directors.
- Status of ongoing disputes and legal matters (a standing item at all meetings).

EVALUATION OF THE WORK OF THE BOARD OF DIRECTORS

The Chairman of the Board is responsible for evaluating the work of the Board of Directors. The Board of Directors evaluates its work annually. This evaluation concerns the procedure and main direction of the work of the Board of Directors. The evaluation also focuses on the Board of Directors' access to and need for special expertise. In 2015, the Chairman held individual meetings with all Board members. The result was presented to and discussed by the Board of Directors and the Nomination Committee. The evaluation was used as a tool for the development of the work of the Board of Directors and also constitutes support for the Nomination Committee's work.

Auditors

PricewaterhouseCoopers has been the Company's auditor since 2012. At the regular Annual General Meeting held on April 27, 2015, the accounting firm PricewaterhouseCoopers was reappointed as auditor, with Magnus Brändström as the auditor-in-charge for the time until the end of the regular 2016 Annual General Meeting. Magnus Brändström is an authorized public accountant and a member of FAR. In 2015, the auditor reported its observations once to the Board of Directors; no members of the Executive Management were present. In addition, the auditor participated in three meetings with the Audit Committee.

The Audit Committee evaluates the auditors' work and independence annually.

The auditor receives a fee for its work, according to a resolution at the Annual General Meeting. Information on audit fees is provided in Note 04 on page 66.

EXECUTIVE COMMITTEE

Scandic's Executive Committee is diversified and has solid experience from the hotel sector and consumer-oriented operations in various markets. The Executive Committee consists of the CEO and six senior executives: the Chief Financial Officer (CFO), the Chief Operating Officer (COO), the Chief Commercial Officer (CCO), the Senior Vice President Human Resources (SVP Human Resources), the Vice President Business Development (VP Business Development) and the Vice President Communications & IR (VP Communications & IR). The company's strategy manager is an associated member of the Executive Committee. The Country Managing Directors of the Group report to the COO. Three different nationalities are represented in the Executive Committee, which is composed of four men and three women. During the year, three new members joined the Executive Committee. See the table on pages 98–99 for additional details.

The CEO's areas of responsibility and powers are governed by the Rules of Procedure for the Board and the instructions to the CEO. The CEO is responsible for communicating and implementing Scandic's strategy, business plans and other decisions in the organization. The CEO is also ultimately responsible for ensuring that the governance, organization, risk management, internal processes and IT infrastructure are satisfactory.

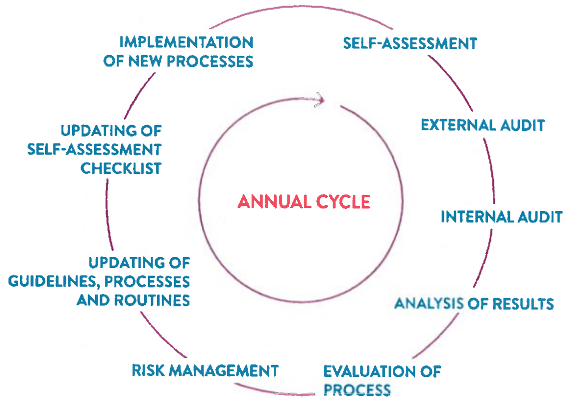
To achieve economies of scale and ensure a consistent customer offering, Scandic has organized a number of support functions centrally, including economy & finance, HR, purchasing, IT, marketing, product development, revenue management and restaurants & conferences. Those in charge of the various Group functions are also in charge of developing Group-wide policies, guidelines and working methods and for following up and ensuring that the Group's operations are conducted in compliance with adopted policies and standards.

Sustainability

Sustainability is an integrated part of Scandic's governance and reporting. The understanding of and commitment to challenges such as climate change, the creation of ethical and safe workplaces and responsible purchasing are of major importance to the Group. In these contexts, Scandic's governance documents are Scandic's overall Code of Conduct, Scandic's Code of Conduct for Suppliers, the Anti-Corruption Policy and the Environmental Policy. These governance documents were updated in 2015 and training activities will be carried out in 2016. The Board of Directors has joint responsibility for sustainability. The CEO reports on sustainability at a dedicated Board Meeting to be held at least once per year, in addition to when there are reasons to do so. Within the Executive Committee, sustainability is delegated to the head of each function: the CFO is responsible for anti-corruption and supply chain management, the VP Communications & IR is responsible for reporting and ESG information, the SVP Human Resources is responsible for labor rights, diversity and equality, and the CCO is responsible for sustainability as a whole. The operational implementation of sustainability is delegated by the CCO to Scandic's Director Sustainable Business.

SIGNIFICANT EVENTS HANDLED BY THE CEO AND EXECUTIVE COMMITTEE IN 2015

Many of the issues handled by the Executive Committee over the year were related to the company's listing on the stock exchange. Other major issues handled were the integration of the acquisition of Rica Hotels, the approval of new leases and extensions of existing leases and the work involved in expressing Scandic's vision for 2020 with related strategies.



REMUNERATION

At the extraordinary general meeting held on September 15, 2015, guidelines for remuneration and other terms of employment for senior executives, including the CEO, were adopted. These guidelines apply only to new agreements entered into by the company and senior executives, which is why there may also be agreements that do not follow the current guidelines in full. Earlier guidelines were addressed at the Board meeting held in December 2014 that was attended by representatives of the owners. These guidelines are in all material respects the same as the new guidelines adopted on September 15, 2015.

Guidelines for remuneration to the CEO and senior executives

Scandic's senior executives are the members of the Executive Committee. Following a resolution passed at the extraordinary general meeting held on September 15, 2015, the following guidelines apply.

Scandic shall offer terms that are in line with market conditions and that enable the company to recruit and retain the managers required to meet its short- and long-term targets. The remuneration to the CEO and senior executives may consist of a fixed salary, variable salary, pension and other benefits. The fixed salary of the CEO and the senior executives shall be commensurate with market conditions and reflect the demands and responsibility that the position entails, as well as individual performance. The variable salary of the CEO and the senior executives shall be based on the company's fulfillment of criteria set in advance. The variable salary shall amount to no more than 60 percent of the fixed annual salary of the CEO and 35 to 50 percent of the fixed annual salary of other senior executives. Long-term incentive programs may be offered as a supplement to the above in order to create long-term commitment.

The pension benefits to the CEO and other senior executives shall chiefly consist of defined-contribution pension schemes, but they may also be defined-benefit schemes if required by a collective bargaining agreement. Fixed salary during notice periods and severance pay, including compensation for anti-competition restrictions, shall in aggregate not exceed an amount corresponding to the fixed salary for two years. Other remuneration may consist of customary benefits such as health insurance, which shall not constitute a significant part of the total remuneration. Additional remuneration may be paid in extraordinary circumstances and is then to be agreed in the individual case.

The Board of Directors may deviate from the above-mentioned guidelines in individual cases if it is of the opinion that there are special reasons to do so.

Remuneration

For information on remuneration to the CEO and senior executives, see Note 06 on pages 67–68.

Long-term incentive program

At the extraordinary general meeting held on December 15, 2015, Scandic adopted a performance-based long-term incentive program, conditional upon Scandic's shares being admitted to the Nasdaq Stockholm exchange in 2015. An account of the terms and conditions of the program is provided in Note 06, pages 67–68.

Guidelines for remuneration to senior executives prior to the AGM 2016

The Board of Directors has proposed that the annual general meeting 2016 adopt guidelines that in all material respects correspond to the guidelines adopted at the extraordinary general meeting held on September 15, 2015 with the following exceptions: fixed salary during notice periods and severance pay, including compensation for any anti-competition restrictions, shall not in aggregate exceed an amount corresponding to fixed salary for 18 months (instead of two years according to current guidelines) and the total severance pay for all members of the Executive Committee shall be limited to their existing monthly salaries for the months remaining until age 65.

THE BOARD OF DIRECTORS' REPORT ON INTERNAL CONTROL

This description has been prepared in compliance with the Swedish Annual Accounts Act and the Swedish Corporate Governance Code (the Code) and is therefore limited to internal control related to financial reporting. The report has not been reviewed by the company's auditor.

According to the Swedish Companies Act and the Code, the Board of Directors is ultimately responsible for ensuring that internal control mechanisms are developed, communicated to and understood by the employees of Scandic who carry out individual control measures, and for ensuring that such control measures are monitored, implemented, updated and maintained.

Executives at all levels are responsible for ensuring that internal control mechanisms are established in their respective areas and that these controls achieve the desired results. Scandic's CFO is ultimately responsible for ensuring that the monitoring of and the work on Scandic's internal control are conducted in the manner determined by the Board of Directors.

Scandic's structure for internal control is based on the COSO model, the framework of which has been applied to Scandic's operations and conditions. According to the COSO model, a review and assessment is made within the areas of control environment, risk assessment, control activities, information and communication and monitoring activities. Based on this review, certain areas of development are identified and prioritized in the ongoing internal control work.

The procedures for internal control, risk assessment, control activities and monitoring of financial reporting have been devised to ensure reliable and relevant reporting and external financial reporting in accordance with the IFRS, applicable laws and regulations and other requirements on companies listed on the Nasdaq Stockholm exchange. This work involves the Board of Directors, the senior executives and other employees.

The manner in which the Board of Directors monitors and ensures the quality of the internal control is documented in the adopted Rules of Procedure for the Board of Directors and the instructions for the Audit Committee. The Audit Committee's duties include evaluating the Company's structure and guidelines for internal control.

The financial reporting to the Board of Directors is carried out on a monthly basis, according to a format described in the CEO's instructions for financial reporting. The Company's CFO also conducts a review of the financial performance and latest forecast for the current year during each Board meeting. Draft interim reports are first presented to the Audit Committee for discussion and consideration at a committee meeting before they are presented to the Board of Directors for approval.

The internal financial reporting complies with a standardized format, where the same set of definitions and key ratios are used for all subsidiaries and hotels. Reporting is carried out through a Group-wide reporting system that allows a high level of transparency and comparability of financial data. Financial performance is monitored through monthly reports from the subsidiaries and monthly reviews where members of the Executive Committee, the central accounting department and each country management team participate. Detailed follow-up of key ratios for different parts of the hotel operations enables benchmarking between hotels and also provides information quickly on deviations in operating margins and operating profit/loss compared to the expected outcome. Detailed follow-up is an important tool for strengthening internal control.

In 2015, BINC – "Best In Class" – was launched, which involves benchmarking key ratios for income, operational efficiency and customer satisfaction where key ratios per hotel are compared with other comparable hotels in a "BINC group." The purpose is to create a tool to identify good examples and stimulate learning and the development of best practices.

Control environment

The control environment forms the basis of internal control of financial reporting. An important element of the control environment is that channels for decisions, authority and responsibility are clearly defined and communicated between different levels of the organization and that governance documents in the form of internal policies and guidelines are available.

A good control environment is created through communication and training to ensure understanding and compliance of policies and regulatory frameworks. The control environment is strengthened by a good corporate culture and the transparent and relevant monitoring of financial performance and key ratios at all levels of the Group.

Risk assessment

Internal control is based on a risk analysis. The risk analysis related to internal control and the risk of errors in the financial reporting form a part of the risk analysis that the Executive Committee performs and presents to the Board of Directors annually. This analysis identifies and values risks based on their likelihood of occurring and the incident's potential impact on the operations and financial position of the Group. Thereafter, the Group's internal controls and control environment are evaluated, and any gaps compared with the desired level of control are identified. An action plan aimed at reducing the gaps is established where the value of reducing the risk is valued against the cost of establishing and maintaining internal controls. Based on the risk analysis, control activities are designed aimed at reducing risk at a reasonable cost. The activities shall also contribute to improved internal procedures and operational efficiency.

Control activities

The internal control is based on the company's established channels for decisions and the delegation and authorization procedures documented in governing policies and guidelines. Control activities may be IT-based or manual. To the greatest extent possible, they shall be an integrated part of defined and documented processes and procedures.

A number of control activities have been established that are common to all companies within the Group. Some of these are implemented on the hotel level, and some are implemented in the centralized accounting departments in each country. The control activities are described in a Group-wide instruction.

Information and communication

The part of Scandic's governance documents in the form of policies, guidelines and manuals that involve financial reporting is chiefly communicated via monthly meetings, where all heads of finance participate, and via the Group's finance handbook. The finance handbook is published on the Intranet and is updated regularly based on changes in external requirements and in Scandic's operations. Communications with internal and external parties are governed by a Communication Policy that provides guidelines on how such communication should be carried out. The purpose of the policy is to ensure compliance with all disclosure requirements in a correct and complete manner. Internal communication aims to make each employee understand Scandic's values and business operations. To keep employees informed, active work is carried out internally, whereby information is communicated regularly via the Group's Intranet.

Monitoring

Scandic's accounting functions are integrated through a common finance and accounting system and common accounting instructions. The Board of Directors and the Executive Committee regularly receive information on the Group's performance and financial position and the development of its operations. The efficiency of the internal control is evaluated annually by the company and the Audit Committee. It is also reviewed by the external auditors. The result of the evaluation forms the basis for improvements to processes and controls for subsequent years.

The internal control at hotel and country levels is monitored through self-assessments and internal audits.

- All hotels conduct self-assessments at least once a year based on a Group-wide checklist with mandatory and recommended controls.
- The internal audit is conducted by employees at the company's central accounting department for a number of hotels per year. The internal audit involves testing the controls on the checklist, spot checks within relevant areas and a general discussion with the hotel manager and department heads to ensure the understanding of and compliance with the internal control.

The results of the self-assessments and internal audit visits are reported by the local heads of finance to the management team of the country in question. The results are reported by the Group's CFO to the Audit Committee, together with a report of measures undertaken to improve internal control, if the results indicate that there is a need to do so, at the hotel level or generally.

As part of their review, the external auditors make additional hotel visits during which they test the controls according to the internal checklist. The aim is that these audit visits, from both Scandic's accounting department and the external auditors, shall cover approximately one third of all hotels every year.

Internal audit

Based on the Audit Committee's evaluation, the Board of Directors has decided to not establish a separate internal audit function. The decision is based on the assessment that the existing process for internal control is well established, efficient and supported by a good control environment, a clear governance model and well-functioning regular financial monitoring. The Board of Directors evaluates the need for a special internal audit function on an annual basis.

Measures in 2015

During the year, Scandic's process for internal control, including self-assessments and internal audits, was implemented at the former Rica hotels, which are thereby fully integrated into Scandic's operations with regard to financial reporting and internal control.

In 2015, governance documents and processes were revised to ensure that the company's internal controls comply with the requirements of the Code and the requirements for companies listed on the Nasdaq Stockholm exchange. This resulted in a revision of all policies adopted by the Board of Directors. The Group's IT and Information Security Policy was updated, including the guidelines regarding the organization, authorizations and supplier requirements to ensure a satisfactory level of security. In addition, work was carried out to clarify the internal control regarding the sets of authorizations for the financial systems and the distribution of financial information. The procedures for the distribution of and recipients of financial information were reviewed to ensure that sensitive information is handled according to the company's Information Policy and Insider Policy.

BOARD OF DIRECTORS

VAGN SØRENSEN

Chairman of the Board of Directors since 2007. Member of the Remuneration Committee and the Audit Committee.

Born: 1959.
Danish citizen.

Education:
Master of Science in Economics and Business Administration from Aarhus Business School, Denmark.

Other current assignments:
Chairman of the Board of Automatic Software, Bureau van Dijk Electronic Publishing BV, F L Smidth A/S, SPP Group Plc, Tia Technology A/S and TDC A/S and Zebra A/S. Deputy Chairman of the Board of DFDS A/S. Board member of Air Canada, Braganza AB, CP DYVIG A/S, JP/Politikens Hus, Lufthansa Cargo AG, Nordic Aviation Capital A/S and Royal Caribbean Cruises Ltd.

Previous assignments:
CEO of Austrian Airlines Group 2001–2006, Executive Vice President and Deputy CEO of Scandinavian Airlines Systems 1984–2001. Chairman of the Board of KMD A/S. Board member of VEGA.

Number of shares in Scandic: 44,776

EVA MOEN ADOLFSSON

Member of the Board of Directors since 2014. Chairman of the Remuneration Committee.

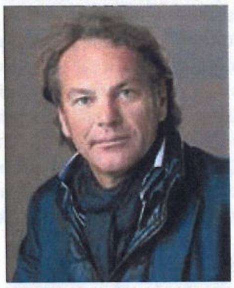
Born: 1960.
Swedish and American citizen.

Education:
Bachelor in Economics, University of Gothenburg, Sweden.

Other current assignments:
President & CEO of RESIA Travel Group AB and board assignments in a number of companies in the Resia Group. Board member of Svenska Resebyråföreningens Service AB and Västsvenska Handelskammaren Service AB.

Previous assignments:
General Manager, Scandic Rubinen; General Manager, Scandinavian Service Partner; CFO, Radisson SAS Park Avenue Hotel and CFO, AVAB Elektronik.

Number of shares in Scandic: 3,134



PER G. BRAATHEN

Member of the Board of Directors since 2007.

Born: 1960.
Norwegian citizen.

Education:
MBA from Schiller University London, United Kingdom.

Other current assignments:
Chairman of the Board/CEO of Braganza AB; Chairman of the Board of Braathens Regional Airlines (BRA) AB and Scenorama AS.

Previous positions:
Chairman of the Board Braganza AS, Escape Travel A/S, Europe Reiser A/S and SunHotels AG. Chairman of the Board/CEO of Saga Solreiser/Always Tour/Tjæreborg Rejser. Board member of Arken Zoo Holding AB and Ticket Leisure Travel AB and Ticket Biz AB.

Number of shares in Scandic: 14,925 (through companies)

CASPAR CALLERSTRÖM

Member of the Board of Directors since 2007. Chairman of the Audit Committee.

Born: 1973.
Swedish citizen.

Education:
Studies in Economics, Stockholm School of Economics, Sweden.

Other current assignments:
Partner, EQT Partners AB. Board member of Kramerica Industries AB. Deputy board member of AB Trill.

Previous assignments:
Board member of Dometic Holding AB, Frostbite Holding AB, Munksjö Oyj and Sanitec Oyj.

Number of shares in Scandic: –

GRANT HEARN

Member of the Board of Directors since 2014. Member of the Remuneration Committee.

Born: 1958.
British citizen.

Education:
Diploma in Hotel and Tourism Management, Shannon College of Hotel Management, Ireland.

Other current assignments:
Chairman of Board of Amaris Hospitality, The Hotel Collection, Shearings Leisure Group; Board member of Poundland Group Plc.; Director Eudemon Ltd.

Previous assignments:
CEO of Travelodge Hotels Ltd, President of Hilton Ireland and UK, Managing Director of Premier Inn and COO of Marriott Hotel UK.

Number of shares in Scandic: –

Number of shares as per December 31, 2015.

LOTTIE KNUTSON
Member of the Board of Directors since 2015.

Born: 1964.
Swedish citizen.

Education:
Bachelor from the Department of Media Studies, Stockholm University, Sweden.

Other current assignments:
Board member of Cloetta AB, H&M Hennes & Mauritz AB, Stena Line BV, STS Alpresor AB, Swedavia AB and Wise Group AB.

Previous assignments:
Board member of TUI Nordic Holding AB.

Number of shares in Scandic: 3,134

NIKLAS SLOUTSKI
Member of the Board of Directors since 2011. Member of the Audit Committee.

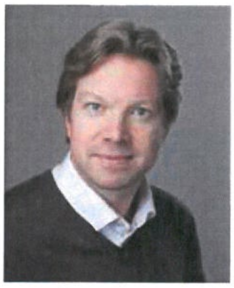
Born: 1976.
Swedish citizen.

Education:
M.Sc. Stockholm School of Economics, Sweden and postgraduate certificate in Business Administration, Edinburgh Business School, United Kingdom. Courses in law and financial instruments from Stockholm University, Sweden and Harvard University, the United States.

Other current assignments:
CEO and Board member of Accent Equity Partners AB. Chairman of the Board of Hoist-Locatel Holding AB. Board member of RenoNorden ASA, Candyking Holding AB, Northpaw Capital AB and Southpaw Capital Equity Partner AB.

Previous assignments:
Board member of Aviator Airport Alliance Europe AB, Autotube Group AB, Bergteamet Group AB, Crem International Holding AB, Hööks Group AB, Mont Blanc Group AB, NSS Group AB, Scandbook Holding AB and Troax Group AB.

Number of shares in Scandic: –



RIKARD STEIBER
Member of the Board of Directors since 2014.

Born: 1969.
Swedish citizen.

Education:
Master in International Economics and Management, SDA Bocconi Business School, Italy.

Other current assignments:
Board member of Swedish Space Travel Alliance AB.

Previous assignments:
Board member of Cision AB. CEO of MTGx International AB.

Number of shares in Scandic: 14,925 (closely-related 14,925)

FREDRIK WIRDENIUS
Member of the Board of Directors since 2015.

Born: 1961.
Swedish citizen.

Education:
Master of Science in Engineering, KTH Royal Institute of Technology, Sweden.

Other current assignments:
CEO of Vasakronan AB. Board member of RICS Sweden.

Previous assignments:
Board member of Vasakronan AB.

Number of shares in Scandic: 3,134

JAN WALLMARK
Member of the Board of Directors since 2015. Employee representative.

Born: 1951.
Swedish citizen.

Education:
IHM Business School, Stockholm, Sweden.

Other current assignments:
Employee within Scandic's hotel operations.

Previous assignments:
Board member (employee representative) of Scandic Hotels AB.

Number of shares in Scandic: –

Standing, from left to right: Jens Mathiesen, Peter Jangbratt, Lena Bjurner, Ann-Charlotte Johansson, Aki Käyhkö, Michel Schutzbach, Jesper Engman.
Sitting, from left to right: Linda Eriksson, Thomas Engelhart, Svein Arild Steen-Mevold, Gunilla Rudebjer, Frank Fiskers, Martin Creydt.

EXECUTIVE COMMITTEE AND COUNTRY MANAGEMENT

FRANK FISKERS*
President & CEO

Born: 1961. Employed and member of Scandic's Executive Committee since 2013. Danish citizen.

Other assignments: Industrial advisor to EQT Partners.

Education: Studies at Cornell University, USA, London Business School, United Kingdom and IMD Business School, Switzerland.

Previous assignments: President & CEO, Kooperativa Förbundet (KF), Co-owner, Azure Property Group; President & CEO, Scandic Hotels (2007–2010); Managerial positions within Hilton Hotels Corporation, Regional Manager Nordic and various managerial positions within Rezidor and CEO First Hotels. Chairman of the Board of Akademibokhandelsgruppen AB and KF Media AB. Board member of Svensk Dagligvaruhandel Ekonomisk Förening and Svensk Handel AB.

Number of shares in Scandic: 59,701

LENA BJURNER*
Senior Vice President HR

Born: 1968. Employed and member of Scandic's Executive Committee since August 2015. Swedish citizen.

Other assignments: –

Education: Bachelor in Business Administration, Borlänge University, Sweden.

Previous assignments: VP, HR Head of Market HR Nordics, Central Eastern Europe, Benelux and France American Express, Director HR Business Partner Customer Service Organisation Latin America/Canada, Head of Commercial Card & Business Travel Account Management Nordic.

Number of shares in Scandic: 2,507

MARTIN CREYDT*
Chief Operating Officer

Born: 1965. Employed since 2007. Member of Scandic's Executive Committee since 2013. Swedish citizen.

Other assignments: –

Education: Master of Science in Economics, School of Business, Economics and Law, Gothenburg, Sweden, courses within leadership development at Cornell University, USA and INSEAD, Fontainebleau, France.

Previous assignments: Head of Sweden and VP Business Development, Scandic Hotels, Head of Nordics, Rezidor Hotel Group, Managing Director, Choice Hotels Sweden and Vice President Operations, First Hotels.

Number of shares in Scandic: 14,925

THOMAS ENGELHART*
Chief Commercial Officer

Born: 1967. Employed and member of Scandic's Executive Committee since 2015. Norwegian citizen.

Other assignments: –

Education: Bachelor in Hotel Management, Glion Education Group/Hosta, Switzerland and Master in International Business, Ceram University, Grand Ecole, France.

Previous experience: Area VP Nordics, Rezidor AB, CEO, Coop Marknad AB, Senior Vice President Commercial Operation & Brand Experience, Scandic Hotels. Chairman Coop Butiksutveckling AB, Coop Sverige AB and MedMera Bank AB.

Number of shares in Scandic: 14,924

JESPER ENGMAN*
Vice President Business Development

Born: 1974. Employed since 2006. Member of Scandic's Executive Committee since 2014. Swedish citizen.

Other assignments: –

Education: Masters of Science in Engineering, KTH Royal Institute of Technology, Sweden.

Previous experience: Business Area Director, Analyst at Pandox. Analyst at Hotellus.

Number of shares in Scandic: 5,970

ANN-CHARLOTTE JOHANSSON*
Vice President Communications & IR

Born: 1968. Employed since 2015. (Consultant to company 2014–2015). Member of Scandic's Executive Committee since 2014. Swedish citizen.

Other assignments: –

Education: International Business Administration with concentration marketing and Russian, Uppsala University, Sweden, studies at the Faculty of Law, Stockholm University, Sweden.

Previous experience: Senior Advisor, Hallvarsson & Halvarsson and Intellecta Corporate; Director of Communications and Fundraising, Swedish Red Cross; Director of Communications, GE Money Bank; VP Communications and IR, Trade-Doubler; Regional Manager, Framfab; Consultant, Accenture and various communication roles within Nasdaq Stockholm.

Number of shares in Scandic: –

GUNILLA RUDEBJER*
Chief Financial Officer

Born: 1959. Employed since 2009. Member of Scandic's Executive Committee since 2009. Swedish citizen.

Other assignments: –

Education: Master of Science, Stockholm School of Economics, Stockholm.

Previous experience: CFO and Director of Strategic Projects, Cision, CFO Parks & Resorts Scandinavia, Mandator, TUI Nordic (Fritidsresor), Group Controller, Sara Travel & Hotel Group and Finance Director at Nordstjernan Group.

Number of shares in Scandic: 29,850

LINDA ERIKSSON
Strategy & Programme Manager

Born: 1983. Employed and adjunct member of Executive Committee since August 2015. Swedish citizen.

Other assignments: –

Education: Master of Science in Engineering, Media technology and Master of Industrial Management from the Royal Institute of Technology (KTH), Sweden.

Previous assignments: Management Consultant at Bain & Company and Head of Marketing at Norvida.

Number of shares in Scandic: –

* Executive Committee

PETER JANGBRATT
Head of Sweden

Born: 1967. Employed by the Group 1995–2008 and since 2015. Swedish citizen.

Other assignments: –

Education: Education through Scandic Business School and Hilton.

Previous experience: Several senior positions at Scandic, such as President Marketing & Communications and Director of Operations Sweden, and CEO of Rica Hotels Sweden.

Number of shares in Scandic: 11,194

AKI KÄYHKÖ
Head of Finland

Born: 1968. Employed by the Group since 2012. Finnish citizen.

Other assignments: Member of the Board of the Finnish Hospitality Industry Association.

Education: Bachelor of Business Administration in International Business and Management, Schiller International University, London.

Previous experience: Several senior positions with Procter & Gamble and Reckitt Benckiser, Commercial Director at Oy Hartwall and CEO at Palace Kämp Group.

Number of shares in Scandic: 11,194

JENS MATHIESEN
Head of Denmark

Born: 1969. Employed by the Group since 2008. Danish citizen.

Other assignments: Member of the Board and Executive Committee of Dansk Erhverv (Danish Chamber of Commerce), the Board of Wonderful Copenhagen and member of the committee Growth Forum Copenhagen.

Education: Shipping Broker, Transocean Shipping, Denmark.

Previous experience: Director of Sales & Marketing, Choice Hotels Scandinavia, CEO Fountain Scandinavia A/S and Head of Sales & Marketing, Avis Rent a Car.

Number of shares in Scandic: 11,194

MICHEL SCHUTZBACH
Head of Europe

Born: 1961. Employed by the Group since 2009. Swiss citizen.

Other assignments: –

Education: Diploma from Hotels Management School, Glion, Switzerland.

Previous experience: Several senior positions within Rezidor, such as Vice President HR and Regional Director Poland and Ireland.

Number of shares in Scandic: 11,194

SVEIN ARILD STEEN-MEVOLD
Head of Norway

Born: 1967. Employed by the Group since 2010. Norwegian citizen.

Other assignments: Board member of Forum for Reiseliv, Guma Sport Ltd and Grand Hotel Driftesselskap AS.

Education: Bachelor in Service Management, Norwegian School of Hotel Management.

Previous experience: Several senior positions within Scandic, General Manager Radisson SAS and Senior Vice President Clarion Collection, Nordic Choice.

Number of shares in Scandic: 11,194

Number of shares as per December 31, 2015.

SUSTAINABLE SUPPLY CHAINS

As the leading hotel operator in the Nordic region, Scandic has undertaken to maintain an informed and sustainably managed supply chain. In 2015, Scandic established a systematic process for selecting suppliers that meet the company's requirements.

METICULOUS SELECTION PROCESS

To ensure that Scandic only cooperates with suppliers that share its values and show consideration for people and our planet, sustainability is included as an item already in the selection process when new suppliers are procured. Accepted suppliers must then pass Scandic's risk assessment process.

In 2015, Scandic assessed 1,154 suppliers for risks related to the environment, anti-corruption, human rights and labor rights.

From 2016, approved suppliers must sign and comply with Scandic's Code of Conduct for Suppliers. Existing suppliers that are considered to entail increased risk for Scandic must undergo additional steps in Scandic's risk assessment process in which suppliers respond to self-assessment forms.

SPECIAL REVIEWS

When special expertise is required or when a supplier is considered to be critical to Scandic's business such as when only one supplier is available or when the supplier is considered key to the business, third-party inspectors are engaged. All deviations identified during self or third-party audits must be addressed in the manner described in a corrective action plan approved by Scandic. The measures stated must be implemented within the agreed timeframe for the supplier to remain under contract.

CONTINUOUS DIALOG

Scandic has been committed to sustainability for decades and considers that it has a special responsibility to share its developed knowledge and experiences. Scandic therefore maintains a continuous dialog with suppliers in parallel with the review processes to support them and help them evolve.

A chain is only as strong as its weakest link. Consideration, commitment and responsibility must never be weak points.

IN 2015, SCANDIC ASSESSED 1,154 SUPPLIERS FOR RISKS

GRI: G4-12, G4-DMA, EN-32, LA-14, HR-10, SO-9

SCANDIC'S PROCESS INVOLVES THE FOLLOWING STEPS:

1. **SUSTAINABILITY SCREENING** PERFORMED BY SCANDIC'S PROCUREMENT TEAM
2. **SELF-ASSESSMENT FORMS** COMPLETED BY SUPPLIERS
3. **AUDITS** OF SUPPLIERS PERFORMED BY SCANDIC'S PROCUREMENT TEAM
4. **THIRD-PARTY AUDITS** OF SUPPLIERS CONSIDERED TO BE HIGH-RISK SUPPLIERS OR WHO HAVE BEEN INVOLVED IN TRANSGRESSIONS
5. **CORRECTIVE ACTION PLANS AND DIALOG** WITH SUPPLIERS TO SUPPORT THEIR DEVELOPMENT

STAKEHOLDER DIALOGS

HOW SCANDIC SELECTED MATERIAL ASPECTS

In 2015, Scandic conducted its first annual materiality analysis to determine relevant sustainability aspects affecting the company. Internal and external stakeholders were asked to rank defined aspects related to Scandic's operations. The stakeholders were asked to prioritize the aspects they thought Scandic should focus on and prioritize in its sustainability work based on how these aspects affect the stakeholder's assessment and decision to choose Scandic as a hotel chain and based on Scandic's material impact in the social, environmental and economic aspects. The aspects were selected based on Scandic's governance, operations, employees and guests.

STAKEHOLDERS' EXPECTATIONS ON MATERIAL ASPECTS

The stakeholders invited to the annual dialog are internal and external stakeholders who have shown commitment to sustainability issues and a supplementary group of external stakeholders from whom Scandic wants input only for the materiality analysis. The dialogs were conducted online and through questionnaires and personal meetings. Scandic reports to the Board of Directors annually on developments within its sustainability work in accordance with the owners' ESG policies and it considers the stakeholders' responses to meet external expectations on sustainability and on Scandic's development.

Stakeholder group	Main aspects
Employees	• Satisfied customers • Hotel security • Minimizing waste
Owners and investors	• Reducing CO_2 emissions • Minimizing waste • The Board and Executive Committee's commitment to sustainability issues
Non-governmental organizations	• Reducing CO_2 emissions • Minimizing waste • Fair working conditions
Future employees	• Fair working conditions • Minimizing waste
Guests	• Minimizing waste • Reducing CO_2 emissions • Occupational health and safety
Corporate customers	• Fair working conditions • Occupational health and safety • Choosing interiors with consideration for environmental impacts
ESG analysts	• Active work to prevent trafficking and prostitution • Reducing CO_2 emissions • The Board and Executive Committee's commitment to sustainability issues
Business partners	• Ensuring that all employees have equal rights and opportunities • Active efforts to prevent trafficking and prostitution • Fair working conditions

Over the year, extensive work on the company's sustainability strategy was carried out resulting in the main classific-ations provided below. They include main aspects where Scandic aims to inspire, focus aspects where Scandic aims to be engaged and responsibility, which forms a part of Scandic's basic work related to governance and reporting.

INSPIRE

Inclusion and diversity

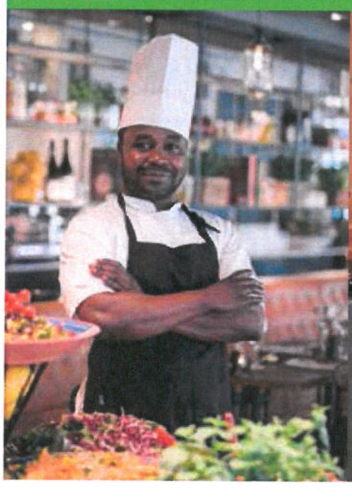
ENGAGE

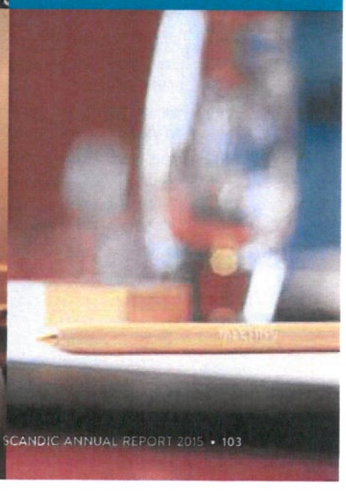
- Health
- CO_2
- Waste

BE RESPONSIBLE

Hotel security, water, chemicals, energy, sustainable supply chain, anti-corruption, trafficking & prostitution, food safety, community engagement and working conditions.

OVER THE YEAR, CONSIDERABLE WORK ON THE COMPANY'S SUSTAINABILITY STRATEGY WAS CARRIED OUT





GRI INDEX

ABOUT THE SUSTAINABILITY REPORT

This is Scandic's first Annual Sustainability Report and it includes all of Scandic's hotels operated under lease agreements in all countries of operation, as well as the Group's various support offices. Scandic's partner hotels are excluded as they act under their own governance systems. Franchises are not included in this year's report due to limitations related to the collection of data. HTL is excluded from the environmental data for the same reason as above.

The Annual Sustainability Report was prepared in accordance with GRI G4 on a self-declared Level Core. It also constitutes Scandic's COP to the Global Compact and complies with the requirements on the Active level. The sustainability information provided has not been externally assured by a third party. Environmental data has been verified by Ethos International in accordance with AA1000AS.

The Report refers to the period from January 1 to December 31, 2015. The base year for environmental data is 2015. Emissions data was calculated based on the GHG protocol, Defra's emission factors and third party reports on emission factors for district heating and cooling. Waste data is based on a compilation provided annually by waste management suppliers. Human resources data is compiled using a head count and supplier data is compiled based on Scandic's risk assessment tool. Customer satisfaction data is excluded from this year's Report since it was measured in different ways in the past. The results are reliable and will be included in the 2016 Annual Report.

CONTACT DETAILS

Scandic's contact for questions regarding Scandic's operational sustainability work is Inger Mattsson, Director Sustainable Business at Scandic. Questions regarding Scandic's Annual Report and Sustainability Report should be directed to the Communications & IR department at ir@scandichotels.com. Both functions are located at Scandic's head office in Stockholm, Sweden.

● Fulfilled ◒ Partially fulfilled

GENERAL STANDARD DISCLOSURES

	Title	Page	Fulfillment	Comments
Strategy and analysis				
G4-1	Statement from the most senior decision-maker of the organization	p. 5–7	●	
Organizational profile				
G4-3	Name of the organization	p. 44	●	
G4-4	Primary brands, products, and services	p. 14	●	
G4-5	The organization's headquarters	p. 104	●	
G4-6	Number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report	p. 16–17	●	
G4-7	Nature of ownership and legal form	p. 88	●	
G4-8	Markets served by the organization	p. 14–17	●	
G4-9	Scale of the organization	p. 16–17, 55	●	
G4-10	Compilation of the organization's workforce	p. 34–36	●	
G4-11	Percentage of total employees covered by collective bargaining agreements	p. 34–36	●	
G4-12	The organization's supply chain	p. 100–101	●	
G4-13	Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	p. 89	●	
G4-14	Whether and how the precautionary principle is addressed by the organization	p. 38	●	GC Principle 7

	Title	Page	Fulfillment	Comments
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	p. 42	●	
G4-16	Memberships of associations and national or international advocacy organizations	p. 43	●	
Identified material aspects and boundaries				
G4-17	Entities included in the financial statements	p. 44, 104	●	
G4-18	Process for defining material aspects	p. 102–103	●	
G4-19	Material aspects	p. 42–43, 103	●	
G4-20	Aspect boundary within the organization	p. 102–103	●	
G4-21	Aspect boundary outside the organization	p. 102–103	●	
G4-22	The effect of any restatements of information provided in previous reports		N/A	Our first sustainability report
G4-23	Significant changes from previous reporting periods in the scope and aspect boundaries		N/A	Our first sustainability report
Stakeholder Engagement				
G4-24	List of stakeholder groups	p. 102	●	
G4-25	Basis for identification and selection of stakeholders with whom to engage	p. 102	●	
G4-26	The organization's approach to stakeholder engagement	p. 102	●	
G4-27	Key topics and concerns that have been raised through stakeholder engagement	p. 102	●	

GRI: G4-5, G4-17, G4-28, G4-30, G4-31, G4-32

	Title	Page	Fulfill-ment	Comments
Reporting profile				
G4-28	Reporting period	p. 104	●	
G4-29	Date of most recent previous report		N/A	Our first sustainability report
G4-30	Reporting cycle	p. 104	●	
G4-31	Contact point for questions regarding the report or its contents	p. 104	●	
G4-32	GRI Content Index	p. 104–105	●	
G4-33	Assurance process		N/A	The Annual Sustainability Report has been self-declared at Level Core and has not been assured by a third part

	Title	Page	Fulfill-ment	Comments
Governance				
G4-34	The governance structure of the organization, including committees responsible for economic, environmental and social issues	p. 88, 93	●	
Ethics and integrity				
G4-56	The organization's values, principles, standards and norms of behavior	p. 93	●	GC Principle 10

SPECIFIC STANDARD DISCLOSURES

DMA and indica-tors	Title	Page	Fulfill-ment	Comments
G4-DMA	Disclosure regarding sustainability governance	p. 34–37, 38–41, 42–43, 100–101, 102–103	●	GC Principles 1, 2, 3, 7, 8, 9, 10
Economic performance				
EC-1	Direct economic value	p. 43	●	GC Principle 10
Energy consumption and the emission of greenhouse gases				
EN-3	Energy consumption within the organization	p. 38–41	◓	GC Principle 8
EN-15	Direct greenhouse gas emissions (Scope 1)	p. 38–41	●	GC Principle 7
EN-16	Indirect greenhouse gas emissions (Scope 2)	p. 38–41	●	GC Principle 7
EN-17	Other indirect greenhouse gas emissions (Scope 3)	p. 38–41	●	GC Principle 7
EN-18	Greenhouse gas emissions intensity	p. 38–41	●	Includes Scopes 1, 2 and 3
EN-23	Total weight of waste by type and disposal method	p. 38–41	●	GC Principle 7
Supplier assessment				
EN-32	Screening of suppliers using environmental criteria	p. 100–101	●	GC Principles 7, 8 and 9
LA-14	Screening of suppliers using labor practices criteria	p. 100–101	●	GC Principles 3, 4, 5 and 6
HR-10	Screening of suppliers using human rights criteria	p. 100–101	●	GC Principles 1, 2
SO-9	Screening of suppliers using criteria for impacts on society	p. 100–101	●	

DMA and indica-tors	Title	Page	Fulfill-ment	Comments
Employment				
LA-1	New employee hires and employee turnover	p. 34–36	●	GC Principle 6
Health and safety				
LA-8	Health and safety topics covered in formal agreements	p. 34–36	●	
Training				
LA-9	Average hours of training	p. 34–36	●	The table "vocational training" shows the number of training hours based on Scandic Business School's standard courses and does not include externally provided courses. External trainers make up a large part of the executive committee's education. As there is no systemized way to incorporate these hours in the overall statistics, their training hours have been merged with all managers within the company.
Diversity and equal opportunity				
LA-12	Composition of the Board of Directors and the Executive Management, and breakdown of employees per employee category	p. 34–36	●	GC Principle 6 The employee figures have not been divided into all diversity categories desired by the GRI, as this would contravene Swedish law.
Training on human rights				
HR-2	Employee training on human rights	p. 34–36, 42–43	◓	GC Principle 2

SCANDIC MAKES A COMEBACK ON THE STOCK EXCHANGE

Scandic was listed on the Stockholm Stock Exchange already in 1986 as the first hotel operator to be publicly traded. The company was bought by Hilton in 2001 and the share was delisted. On December 2, 2015, Scandic made a comeback on the stock exchange when its shares were listed on the Nasdaq Stockholm exchange. Scandic is listed on the exchange's Mid Cap list and is included in the Travel & Leisure sector index.

SHARE PRICE TREND

Based on the subscription price prior to the listing (67 SEK) and up to year-end, Scandic's share rose by 0.7 percent while the sector index OMX Stockholm Travel & Leisure rose by 2.7 percent and the broad index OMX Stockholm dropped by 4.4 percent. Based on the last price paid on December 20, 2015, which amounted to 67.50 SEK, the total market capitalization of Scandic was approximately 6.95 billion SEK.

TURNOVER

Between December 2 and December 30, 2015, 31 million shares were traded at a value of 1,987.4 MSEK. Trading on Nasdaq Stockholm accounted for approximately 83 percent. The share was also traded in other marketplaces including BATS Chi-X, BOAT and LSE.

SHARE CAPITAL AND OWNERSHIP STRUCTURE

The share capital amounts to 25.7 MSEK divided into 102,985,075 shares, conferring one vote each. At the end of 2015, Scandic had 5,725 shareholders, of which Sunstorm Holding AB was the largest owner with 50.0 percent of the votes and capital. As at January 4, 2016, Sunstorm Holding held 56.0 percent. This was due to the fact that the issued overallotment option was never fully utilized during the IPO. At year-end, the total Swedish holding amounted to 85.5 percent of the shares, of which Swedish institutions held 71.8 percent, Swedish mutual funds held 11.1 percent and private individuals held 2.6 percent.

DIVIDEND AND DIVIDEND POLICY

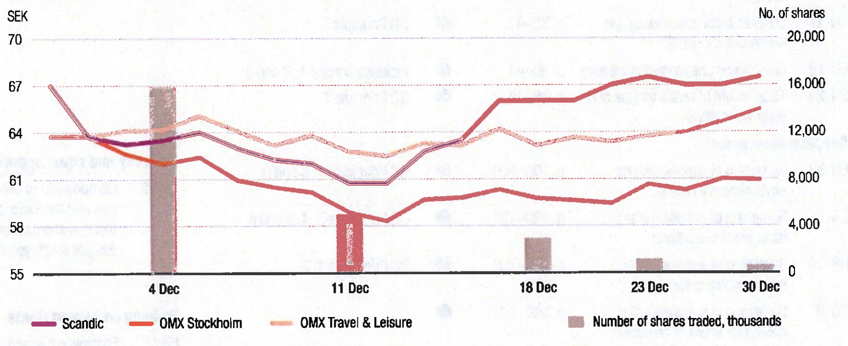
The Board of Directors has adopted a dividend policy that aims to distribute at least 50 percent of the net profit as of the 2016 financial year. Accordingly, no dividends were proposed for the 2015 financial year.

10 largest owners as at December 31, 2015	Number of shares	Proportion of capital and votes, %
Sunstorm Holding	51,492,539	50.0
Provobis	5,500,000	5.3
Handelsbanken Fonder	5,199,448	5.0
AMF Försäkring & Fonder	4,600,000	4.5
Third Swedish National Pension Fund (AP3)	2,381,000	2.3
SEB-Stiftelsen	1,500,000	1.5
Säästöpankki Fonder	1,362,427	1.3
Svolder	905,000	0.9
Brummer & Partners Fonder	800,000	0.8
PGGM Pensioenfonds	800,000	0.8
Total ten largest owners	**74,540,414**	**72.4**
Other shareholders	28,444,661	27.6
Total	**102,985,075**	**100.0**

Ownership structure December 31, 2015	Proportion of owners, %	Number of owners	Proportion of votes and capital, %
Categories of size:			
0 – 1,000	89.5	5 124	1.1
1,001 – 250,000	9.9	567	7.5
250,001 – 2,500,000	0.4	23	15.3
2,500,001 – 25,000,000	0.1	6	20.1
25,000,001 – 100,000,000	0.1	6	56.0
	100.0	**5 725**	**100.0**

Share data	
Ticker symbol	SHOT
ISIN	SE0000635401
Trading lot	1 share
List	Nasdaq Stockholm Mid Cap list
Sector index	OMX Stockholm Travel & Leisure

THE SHARE PRICE AND TURNOVER TREND IN 2015*



* The price trend for Scandic is based on the subscription price (67 SEK).

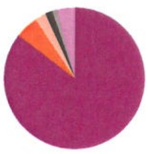
GRI: G4-5

ANNUAL GENERAL MEETING MAY 12, 2016 IN STOCKHOLM

Analysts following Scandic

Stefan Andersson	SEB
Nicolas McBeath	SEB
Annie Grube	Morgan Stanley
Andreas Lundberg	ABG
Daniel Lindkvist	ABG
Geof Collyer	Deutsche Bank
Iona Dent	Deutsche Bank

GEOGRAPHICAL DISTRIBUTION OF OWNERS, %



Sweden 85.5 | UK 5.2 | US 2.5
Finland 1.6 | Denmark 1.2 | Other 4.0

INFORMATION TO THE SHAREHOLDERS

2016 Annual General Meeting

The Annual General Meeting of the shareholders in Scandic Hotels Group AB (publ) will be held on Thursday, May 12, 2016 at 13:00 CET at Scandic Anglais in Stockholm. Registration will begin at 12:00 CET.

Participation in the Annual General Meeting

Shareholders who wish to participate in the Annual General Meeting must be included in the share register maintained by Euroclear Sweden AB no later than Friday, May 6, 2016 and notify their intention to participate in the Annual General Meeting no later than Friday, May 6, 2016.

The notice may be sent to: Computershare AB c/o Scandics årsstämma, Box 610, 182 16 Danderyd, Sweden or alternatively by telephone to +46 8 588 04 200.

The notice should contain the name, personal or corporate identify number, address and telephone number and any accompanying assistant. Shareholders attending by proxy shall state the name and the corporate or personal identity number of the proxy.

To participate in the Annual General Meeting, shareholders whose shares are nominee registered must temporarily register the shares in their own names with Euroclear Sweden AB. Shareholders should inform the nominees well in advance of notifying their attendance.

Notice convening the Annual General Meeting

The Annual General Meeting is convened through a notice on the Company's website and an announcement in the Swedish Official Gazette (*Post- och Inrikes Tidningar*). The fact that the notice has been published will be announced in *Svenska Dagbladet*.

Any documents that are to be presented at the Annual General Meeting will be made available on the company's website at least three weeks prior to the Annual General Meeting and on the day of the Annual General Meeting.

Nomination Committee

Joel Lindeman	Provobis through Novobis AB (Chairman of the Nomination Committee)
Caspar Callerström	Sunstorm Holding AB
Katja Bergqvist	Handelsbanken Fonder
Vagn Sørensen	Chairman of the Board

Among other things, the Nomination Committee proposes Board Members to the Annual General Meeting and if applicable, auditors and fees to the Board of Directors.

Financial information 2016

Interim report January–March 2016	May 12, 2016
Interim report January–June 2016	August 16, 2016
Interim report January–September 2016	November 8, 2016

Financial reports are available on the company's website, www.scandichotelsgroup.com

To subscribe for Scandic's press releases and interim reports, register your email address on Scandic's website.

Contact details

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Ann-Charlotte Johansson, VP Communications & IR,
ann-charlotte.johansson@scandichotels.com

DEFINITIONS

HOTEL-RELATED KEY RATIOS

ARR (Average Room Rate)
The average room rate is the average room revenue per sold room.

Full-time equivalents (FTEs)
The number of full-time employees calculated as the total number of working hours for the period divided by annual working time.

LFL (Like-for-Like)
LFL refers to the hotels that were in operation during the entire period in question as well as during the corresponding period of the previous year (no new or exit hotels are included for the year) at unchanged exchange rates.

OCC (Occupancy)
Refers to sold rooms in relation to the number of available rooms. Expressed as a percentage.

Pre-opening costs
Refers to costs for contracted and newly opened hotels before opening day.

RevPAR (Revenue Per Available Room)
Refers to the average room revenue per available room.

FINANCIAL KEY RATIOS

Adjusted EBIT
Earnings before pre-opening costs, non-recurring items, interest and taxes.

Adjusted EBITDA
Earnings before pre-opening costs, non-recurring items, interest, taxes, depreciation and amortization.

Adjusted EBITDAR
Earnings before pre-opening costs, non-recurring items, interest, taxes, depreciation, amortization and rent.

EBIT
Earnings before interest and taxes.

EBITDA
Earnings before interest, taxes, depreciation and amortization.

EBITDA margin
EBITDA as a percentage of net sales.

EBT
Earnings before tax.

Interest-bearing net liabilities
Interest-bearing assets minus interest-bearing liabilities.

Non-recurring items
Items that are not directly related to the normal operations of the company, for example costs for transactions, exits and restructuring.

Working capital, net
Current non-interest bearing receivables minus current non-interest bearing liabilities.

EQUITY-RELATED KEY RATIOS

Earnings per share
The profit/loss during the period, related to the shareholders of the company, divided by the average number of shares.

Cover photo: The terrace, Scandic Continental, Stockholm, Sweden.
Production: Scandic in cooperation with Hallvarsson & Halvarsson
Printing: Göteborgstryckeriet 2016

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