



Scandic Hotels AB (publ)

YEAR-END REPORT 2000

www.scandic-hotels.com

THE YEAR 2000 IN BRIEF

- Continued strong growth. Room capacity rose by 15 per cent during the year. Agreements have also been signed regarding the take-over/construction of a further 8 hotels.
- Sales rose by 14 per cent to SEK 5,971 million (5,253m).
- The operating margin was 7.6 per cent (6.7%).
- Income after net financial items rose by 24 per cent to SEK 460 million (372m).
- Earnings per share rose by 44 per cent to SEK 6.67 (4.64).
- There has been a buy-back of shares, corresponding to just under 6 per cent of the total number of shares issued. The Board recommends that the general meeting of shareholders renew its mandate to buy back company shares in 2001.
- The Board proposes a dividend of SEK 2.30, corresponding to 34 per cent of the profit after tax.

CONTINUED STRONG GROWTH

Scandic has continued to report strong growth. During the year, the company has increased its overall room capacity by 3,585 rooms, corresponding to a net growth of 15 per cent. Agreements have also been signed regarding the take-over/construction of a further eight hotels.

Over the past five years, Scandic's room capacity has each year grown at a rate of 10 per cent on average. The aim is to continue growing at a rate equal to or better than this. Growth will be achieved by a continued strengthening of the company's position as market leader in the Nordic region, and by establishing hotel operations under the Scandic brand in areas of northern Europe with a high percentage of Nordic travellers. Non-Nordic chain acquisitions are also a possibility for the future. Priority markets besides the Nordic region are the Baltic states, Poland, Germany, the UK and the Benelux countries.

GROWTH TARGETS AND FINANCIAL TARGETS MET BY COMFORTABLE MARGIN

Scandic aims to achieve an operating margin of at least 6 per cent and a return on equity of at least 20 per cent over a business cycle. The company's operating margin was 7.6 per cent (6.7%) and its return on equity was 23.2 per cent (17.7%).

The company's target for growth in terms of the number of hotel rooms is 10 per cent per annum. In 2000, the chain gained an additional 3,585 hotel rooms, a net increase in room capacity of 15 per cent. A further 1,633 rooms are currently under construction or due to be taken over in the future as part of agreements already reached.

<i>Key ratios Group</i>	2000	1999
• Operating margin, %	7.6	6.7
• Operating margin, excluding item affecting comparability, %	6.5	
• Return on capital employed, %	24.2	23.9
• Return on equity, %	23.2	17.7
• Equity ratio, %	49	58
• Earnings per share, SEK ¹⁾	6.67	4.64
• Earnings per share after dilution, SEK ²⁾	6.64	
1) The number of shares has been calculated on the basis of a weighted average that takes into consideration the new issue of shares effected in connection with the acquisition of Provobis and the buy-back of company shares.		
2) With regards taken to Scandic's warrants programme for employees.		

POSITIVE MARKET DEVELOPMENT

Scandic's markets have enjoyed positive development, with the exception of Norway. In all other markets, demand has risen, whilst capacity growth in the form of new hotels has remained low. In Norway, however, a slight fall in demand, due to factors such as structural changes in the oil industry, has been accompanied by growth in hotel room capacity. This has resulted in a decline in occupancy levels and room rates.

SCANDIC'S BUSINESS OPERATIONS

Scandic has enjoyed positive developments in all markets bar Norway. Despite the weaker growth trends in this market, the company has managed to sustain occupancy levels in the Nordic region as a whole and achieved improvements in room rates and RevPAR. Market shares have grown or been successfully defended in all markets.

Occupancy levels for Scandic rose to 63.3 per cent (62.8%) and the average room rate rose to SEK 715 (704), corresponding to a 2 per cent increase in the RevPAR to SEK 453 (442). Adjusted to take into account the effects of exchange rate movements, the RevPAR rose by 4 per cent.

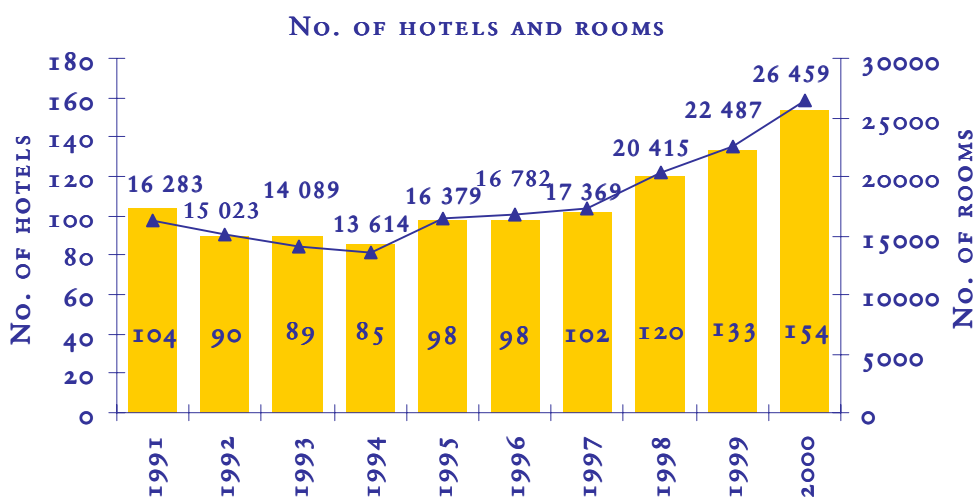
Occupancy levels for business operations in Nordic markets remained unchanged at 63 per cent, whilst the average room rate rose by 2 per cent to SEK 730 (718). Adjusted to take into account the effects of exchange rate movements, the RevPAR rose by 4 per cent in the Nordic region.

For business operations in non-Nordic markets, occupancy levels rose to 65.2 per cent (63.7%), whilst the average room rate was SEK 625 (629). Adjusted to take into account the effects of exchange rate movements, the RevPAR for non-Nordic operations rose by 4 per cent.

In June, Scandic acquired Provobis Hotel & Restauranger, comprising 16 hotels and four independent restaurants in Sweden plus a hotel in Turku, Finland. Since the acquisition, the independent restaurants have been sold off. Agreements have also been signed regarding the disposal of five of the hotels. One of these hotels was transferred already during year 2000 while the transfer of the rest of the hotels is due to take place in the first quarter of 2001. The incorporation of the remaining hotels into the chain has proceeded according to plan and all are now operated under the Scandic brand. A restructuring reserve has been allocated to cover costs arising from IT systems, signs, etc. Non-recurring costs arising from training, printed materials, uniforms, etc. have also been charged to the accounts. Despite depreciation in goodwill, the Provobis hotels started to contribute positively to earnings per share already in 2000. More substantial benefits are expected this year and beyond.

In addition to the acquisition of Provobis, one hotel in Sweden, one in Denmark, three in Norway and three in Finland have opened for business. The company has wound up operations at two hotels.

In 2000 and at the beginning of the current financial year, agreements were signed regarding a further one hotel in Denmark, two in Sweden, two in Germany, one in Vilnius, Lithuania and two in Norway of which one has already been taken over. These hotels are either currently under construction or will be taken over in the future.



SALES UP 14 PER CENT AND INCOME AFTER NET FINANCIAL ITEMS UP 24 PER CENT

Sales in 2000 amounted to SEK 5,971 million (5,253m), corresponding to an increase of 14 per cent compared to the previous year. Sales for comparable units, adjusted to take into account the effect of exchange rate movements, rose by 3 per cent year-on-year. Q4 sales totalled SEK 1,715 million (1,395m), an increase of 23 per cent compared with the same period of the previous year.

Operating income for the full year amounted to SEK 452 million (354m), an increase of 28 per cent. This corresponds to an operating margin of 7.6 per cent (6.7%). Operating income includes an item affecting comparability, relating to a payment of SEK 63 million made by insurance company SPP as a result of its excess consolidation. Of this amount, SEK 39 million relates to Scandic's operations, whilst the remaining SEK 24 million is attributable to the acquired hotel chain Provobis. The operating margin for comparable operations, adjusted to take into account the effect of exchange rate movements and the above-mentioned extraordinary item, was 6.8 per cent (6.9%).

The operating income for the fourth quarter amounted to SEK 120 million (118m). Adjusted to take into account the effect of rent provisions and other allocations, operating income in the fourth quarter rose by approximately 15 per cent year-on-year.

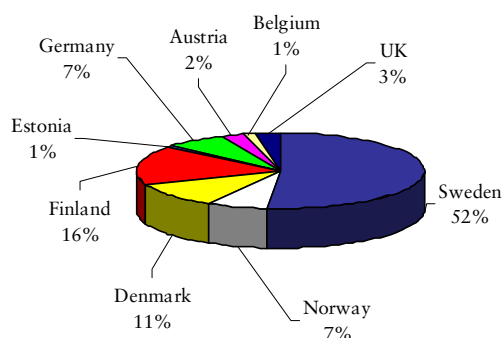
Operating income amounted to SEK 393 million (331m) for Nordic operations and to SEK 59 million (23m) for non-Nordic operations.

Income after net financial items amounted to SEK 460 million (372m), an increase of 24 per cent compared to the previous year. For comparable units, after adjustments made to take into account the effect of exchange rate movements, earnings improved by 3 per cent. Income after net financial items amounted to SEK 118 million (125m) for the fourth quarter. The difference between the years is also related to increased financial costs during year 2000.

Besides the lump sum payment made by SPP, year-on-year comparability is affected by several factors. These include the disposal of 20 independent Finnish restaurants in 1999, the acquisition of Provobis, which has an impact on the expenses and income for the last six months of 2000, and the buy-back of company shares. The acquisition of Provobis and the buy-back of company shares have affected the level of debt and accordingly financial expenses. The disposal of hotels yielded a capital gain of SEK 12 million in 1999 and SEK 3 million in 2000.

Income after tax amounted to SEK 423 million (296m), corresponding to earnings per share of SEK 6.67 (4.64). This strong growth in post-tax profits is partly a consequence of the company's healthy earnings trend, the lump sum payment from SPP and partly attributable to a tax deduction of SEK 317 million claimed in respect of losses previously incurred in connection with Scandic's sale of the hotel property company Hotellus. This tax-related issue was an isolated case for 2000.

SALES BY COUNTRY FOR THE PERIOD JANUARY – DECEMBER 2000



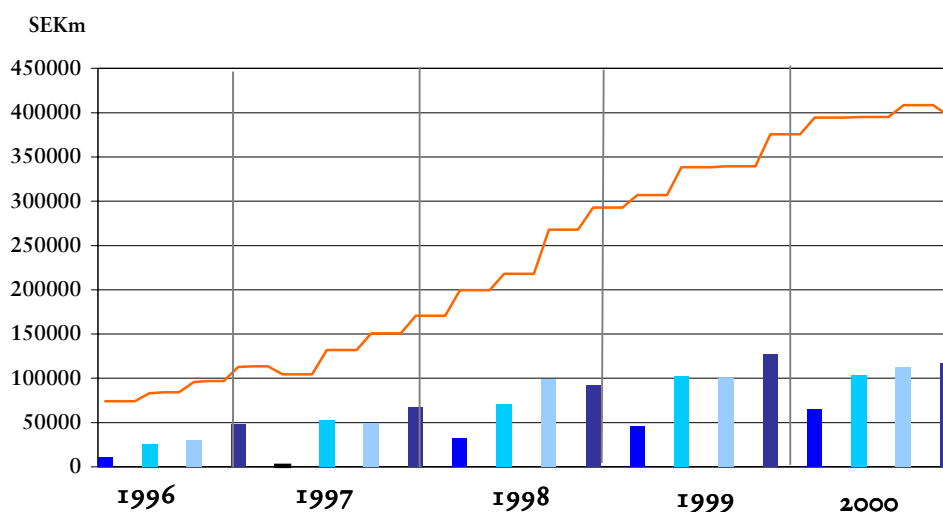
STRONG CASH FLOW

Scandic's cash flow has remained strong throughout 2000. The cash flow for current operations stood at SEK 643 million (661m). The cash flow from investment activities amounted to SEK -800 million (-420m). Investments relate primarily to the acquisition of Provobis and investments made in existing hotels and hotels currently under construction. The cash flow for 1999 includes the sale of the independent Finnish restaurants included in the acquisition of the Arctia chain.

PARENT COMPANY

Parent Company sales in 2000 amounted to SEK 2,454 million (2,335m). Income after financial items amounted to SEK 418 million (325m). Liquid assets as at 31 December 2000 amounted to SEK 16 million (322m). Investments amounted to SEK 246 million (257m).

INCOME AFTER NET FINANCIAL ITEMS BY QUARTER AND ROLLING 12-MONTH FIGURES EXCLUDING ITEMS AFFECTING COMPARABILITY



FINANCING AND LIQUIDITY

The Group's interest-bearing net debt at the year-end totalled SEK 583 million (-155m). The year-on-year increase is primarily attributable to the cash element of the acquisition of Provobis and the company's buy-back of shares, which accounted for SEK 401 million. Net financial items for the year were SEK -32 million (-11m). During the year, a 5-year syndicated loan for USD 125 million was negotiated, replacing the previous agreement for USD 90 million. A bond loan for SEK 200 million has been issued with a maturity date of 5 years.

OPTIONS PROGRAMME FOR EMPLOYEES

To increase further employees' commitment to and interest in the business, an offer for warrants has been extended to all Scandic employees. Around 40 per cent of employees subscribed to a total of 1,753,900 options, which corresponds to more than 60 per cent of the total offer.

An options programme aimed at senior company executives has also been completed. The offer, which was for a total of 637,500 synthetic options, has been subscribed in full. The company has hedged itself against the risk of exposure due to rises in the share price.

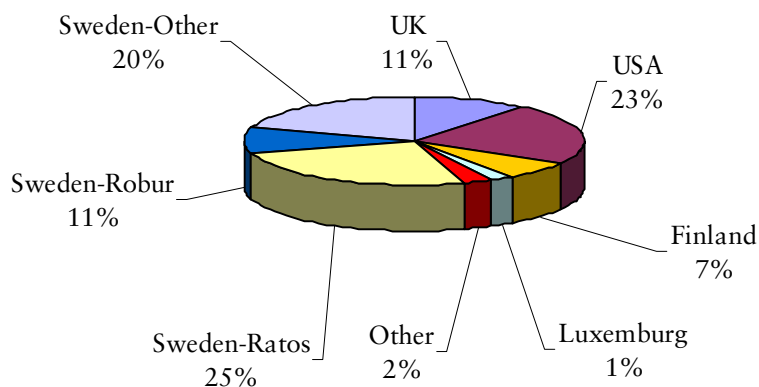
SCANDIC SHARE UP 58 PER CENT

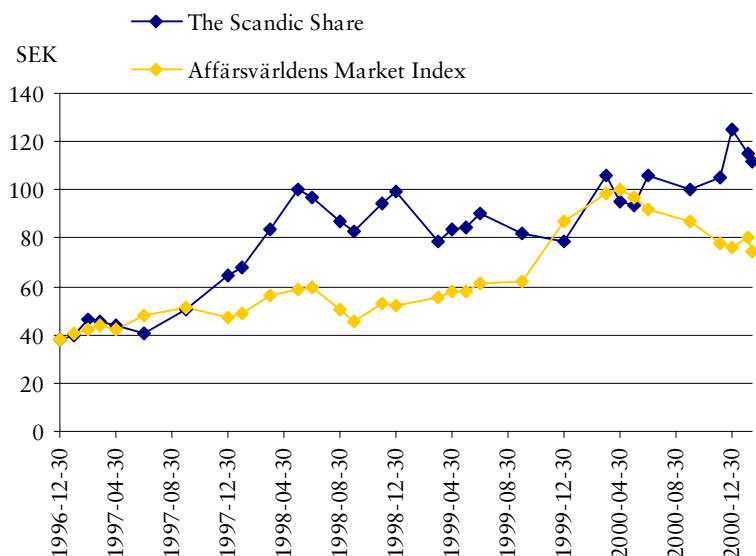
The Scandic share's closing price on 29 December 2000 was SEK 125, an increase of 58 per cent compared to the opening price of SEK 79 at the beginning of the year. Affärsvärlden's market index dropped 14 per cent during the same period.

Over the year, the company has acquired 3,930,968 shares, corresponding to just under 6 per cent of the total number of shares in the company. A new directed share issue of 2,253,338 shares was completed in connection with the acquisition of the hotel chain Provobis.

Major shareholders as at 31 December 2000	No. of shares	Proportion of capital and voting rights, %
Ratos	15,685,964	25.3
Robur fonder	6,865,000	11.0
Fidelity Fonder USA	6,018,340	9.7
Kapiteeli-bolagen Finland	4,350,150	7.0
Swedish shareholders, total	34,741,462	56.0
Foreign shareholders, total	27,331,058	44.0
Total numbers of shares excluding own holding	62,072,520	100.0

OWNERSHIP STRUCTURE BY COUNTRY





PROPOSAL FOR BUY-BACK AND SALE OF COMPANY SHARES

The Board of Directors has decided to recommend that the Annual General Meeting of shareholders renew its mandate to purchase and sell shares in the company in the period up to the next Annual General Meeting of shareholders. Shares shall be purchased on the OM Stockholm Exchange or through an offer directed to all shareholders. The purpose of buying back shares is to give the Board a greater freedom of action in its work with the company's capital structure and to be able to use the shares that have been bought back to finance future acquisitions. The buy-back of shares is limited with the effect that the company's holding of its own shares may never exceed 10 per cent of the total number of shares in the company. The company's own shares may be disposed of using channels other than the OM Stockholm Exchange to finance the acquisition of companies or business operations.

DIVIDEND

The Board of Directors has decided to recommend to the Annual General Meeting of shareholders that a dividend of SEK 2.30 per share (2.00) be paid in respect of operations in 2000. Scandic's dividend policy is that at least 30 per cent of the company's profit after tax shall be distributed as a dividend. The proposed dividend corresponds to 34 per cent of the profit after tax.

CONSOLIDATED INCOME STATEMENT (SEKm)	Full year 2000	Full year 1999	Q4 2000	Q4 1999
Net sales ¹⁾	5,971	5,253	1,715	1,395
Costs for goods sold	-4,821	-4,268	-1,362	-1,120
Gross income	1,150	985	353	275
Selling costs	-426	-344	-130	-79
Administrative costs	-353	-306	-107	-83
Other operating income	18	19	2	5
Items affecting comparability	63	-	2	-
Operating income	452	354	120	118
Income from associated companies	40	29	12	8
Financial items	-32	-11	-14	-1
Income after net financial items	460	372	118	125
Tax	-37	-75	-9	4
Minority interest	0	-1	0	0
Net income	423	296	109	129

1) Net sales for 1999 have been adjusted to take into account the change in accounting principles for hotels operated under management contracts.

CONSOLIDATED BALANCE SHEET
(SEKm)

31.12.2000

31.12.1999

Assets

Fixed assets

Intangible fixed assets	999	467
Tangible fixed assets	1,530	1,249
Participations in associated companies	413	421
Financial fixed assets	107	95
<i>Total fixed assets</i>	<i>3,049</i>	<i>2,232</i>

Current assets

Inventories	50	42
Current receivables	577	320
Receivables, associated companies	-	2
Short-term investments	-	324
Cash and bank	201	100
<i>Total current assets</i>	<i>828</i>	<i>788</i>

Total assets 3,877 3,020

Equity & liabilities

Equity 1,889 1,765

Minority interest 10 9

Provisions

Non-interest-bearing	78	91
Interest-bearing	62	55
<i>Total provisions</i>	<i>140</i>	<i>146</i>

Long-term liabilities

Non-interest-bearing	3	-
Interest-bearing	487	183
<i>Total long-term liabilities</i>	<i>490</i>	<i>183</i>

Current liabilities

Non-interest-bearing	1,113	886
Interest-bearing	235	31
<i>Total current liabilities</i>	<i>1,348</i>	<i>917</i>

Total equity and liabilities 3,877 3,020

Scandic's hotel portfolio as of 31 December 2000					Hotels under construction/ future acquisitions	
Country	Additional hotels 2000	Additional rooms 2000	Total no. of hotels	Total no. of rooms	No. of hotels	No. of rooms
Sweden*	16	3,146	72	13,116	2	554
Finland	3	555	24	4,197	0	0
Denmark	1	117	20	2,895	1	207
Norway	3	387	17	2,476	2	320
Total Nordic region	23	4,205	133	22,684	5	1,081
Germany	0	0	8	1,730	2	492
Belgium	0	0	3	591	0	0
Austria	0	0	2	543	0	0
UK	0	0	1	368	0	0
Netherlands	0	0	3	316	0	0
Estonia	0	0	4	227	0	0
Lithuania	0	0	0	0	1	60
Total outside Nordic region	0	0	21	3,775	3	552
	23	4,205	154	26,459	8	1,633

*) The hotel in Vänersborg, with 119 room, was sold off during the period. The "old" hotel in Mölndal, with 164 rooms, has been replaced by a new hotel. Of the 16 hotels taken over in connection with the acquisition of Provobis, agreements have been reached regarding the sale of 5 hotels, with a total capacity of 620 rooms. One of these hotels has been transferred already during year 2000.

Cash flow Group (SEKm)	2000	1999
Income after financial items	460	372
Adjustment for items not included in the cash flow	273	305
Tax paid	-89	-33
Change in working capital and provisions	-1	17
Cash flow from current operations	643	661
Acquisition of subsidiary companies	-435	-140
Disposal of subsidiary companies	-	109
Investments		
- existing hotels	-243	-221
- new hotels	-224	-151
- financial assets	-	-17
Disposals		
- fixed assets	13	0
- financial assets	89	-
Cash flow from investment activities	-800	-420
Dividend paid	-127	-96
Buy-back of shares	-401	
Change in borrowing	457	94
Cash flow from financing	-71	-2
Change in liquid assets	-228	239

INFORMATION BY BUSINESS AREA

(SEKm)	2000	1999
<i>Net sales, hotel operations</i>		
Nordic region	5,125	4,443
Outside the Nordic region	846	810
Total for the Scandic Group	5,971	5,253
<i>Item affecting comparability</i>		
Nordic region	63	-
Outside the Nordic region	-	-
Total for the Scandic Group	63	-
<i>Operating income</i>		
Nordic region ¹⁾	393	331
Outside the Nordic region	59	23
Total for the Scandic Group	452	354
<i>Capital employed</i>		
Nordic region	2,322	1,479
Outside the Nordic region	160	138
Total for the Scandic Group	2,482	1,617
<i>Key operating performance indicators</i>		
Nordic region		
Occupancy level, %	63.0	62.8
Average room rate, SEK	730	718 ²⁾
RevPAR, SEK	460	451 ²⁾
Average number of rooms available per day	20,045	17,284
Outside the Nordic region		
Occupancy level, %	65.2	63.7
Average room rate, SEK	625	629 ²⁾
RevPAR, SEK	407	401 ²⁾
Average number of rooms available per day	3,177	2,945

Note. Conversion from local currencies to SEK has been calculated at the average exchange rate for the period.

1) All Group overhead costs, including information technology development costs, relate to the Nordic business.

2) Cleared for the effect of exchange rate movements, the average room rate for the Nordic region was SEK 707 in 1999 and the RevPAR was SEK 444. Outside the Nordic region, the average room rate for 1999 was SEK 614 and RevPAR SEK 391 cleared for the effect of the exchange rate movements.

Definition of key operating performance indicators:

Occupancy level: Number of rooms sold as a percentage of the number of rooms available.

Average room rate: Room revenues divided by number of rooms sold.

Room revenues: Revenues from room lettings.

RevPAR: Room revenues divided by number of rooms available.

Average number of rooms per day: Average room capacity available per day.

Stockholm, 12 February 2001

Roland Nilsson
President & CEO

FINANCIAL INFORMATION, 2001

Scandic Hotels intends to issue the following financial information in 2001:

Annual Report for 2000 - March 2001
Interim Report, three months - 4 May 2001
Interim Report, six months - 10 August 2001
Interim Report, nine months - 31 October 2001

Financial reports will be distributed directly to shareholders and may also be ordered from Scandic Hotels AB. The information is also available on Scandic's home page:
www.scandic-hotels.com

The Annual General Meeting of shareholders will be held at 4.30 p.m. on 29 March 2001 at Scandic Hotel Slussen, Stockholm.

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Scandic Hotels AB is the largest hotel company in the Nordic region's with 153 hotels in 10 countries. Scandic's strategy is to be a dedicated hotel operator and to continue to grow, both organically and through acquisitions. Scandic's business mission is "to offer many people the highest value for money when staying in its hotels, during work and leisure."



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