Scandic

The leading hotel company in the Nordics

January – December 2019

CONTINUED IMPROVEMENT IN ADJUSTED EBITDA

FOURTH QUARTER IN SUMMARY

- Net sales rose by 5.1% to 4,831 MSEK (4,595) mainly due to more rooms in operation and strong sales growth in Finland.
- Organic sales growth totaled 4.4%, of which net sales for comparable units increased 2.2%.
- Adjusted EBITDA improved and amounted to 504 MSEK (487) thanks to strong results in Finland and Norway. Adjusted for the effect of finance leases and items affecting comparability, earnings per share totaled 1.83 SEK (1.84).
- Agreement for a new 350-room hotel in Helsinki and a 160-room hotel in Örebro, Sweden.
- During the quarter, Scandic exited the Finnish hotels Scandic Lappeenranta and Scandic Seurahuone which together had 213 rooms.

THE YEAR IN SUMMARY

- Net sales rose by 5.2% to 18,945 MSEK (18,007) and organic growth was 3.9%. For comparable units, net sales went up 1.5%.
- The free cash flow improved during the period and amounted to 777 MSEK (263), partly due to higher adjusted EBITDA, improvements in working capital and lower levels of capex.
- Adjusted for the effects of finance leases and items affecting comparability, earnings per share amounted to 7.49 SEK (7.87).
- For 2019, the Board of Directors proposes that the AGM resolve on a dividend of 3.70 SEK (3.50) per share.

EVENTS AFTER THE REPORTING DATE

- Launch of Scandic GO, a new brand in the growing economy segment, that increases Scandic's growth potential.

GROUP KEY RATIOS

MSEK	Oct-Dec 2019	Oct-Dec 2018	% change	Jan-Dec 2019	Jan-Dec 2018	% change
Financial key ratios						
Net sales	4,831	4,595	*5.1%*	18,945	18,007	*5.2%*
Adjusted EBITDA	504	487	*3.5%*	2,046	1,957	*4.5%*
Adjusted EBITDA margin, %	10.4	10.6		10.8	10.9	
EBIT (Operating profit/loss)	498	255	*95.3%*	2,144	983	*118.1%*
Net profit/loss for the period	126	165	*-23.6%*	725	678	*6.9%*
leases	189	172	*9.9%*	942	700	*34.6%*
Earnings per share, SEK	1.21	1.59	*-23.8%*	7.01	6.54	*7.2%*
Earnings per share, SEK, excl. effect finance leases	1.84	1.67	*9.9%*	9.15	6.80	*34.6%*
Earnings per share, SEK, excl. effect finance leases & items affecting comparability	1.83	1.84	*-0.8%*	7.49	7.87	*-4.8%*
Net debt/Adjusted EBITDA, LTM	1.7	2.0		1.7	2.0	
Hotel-related key ratios						
RevPAR (SEK)	672	651	*3.2%*	707	683	*3.5%*
ARR (Average Room Rate), SEK	1,080	1,060	*1.9%*	1,071	1,045	*2.5%*
OCC (Occupancy), %	62.2	61.4		66.0	65.3	
Total number of rooms on reporting date	52,755	51,693	*2.1%*	52,755	51,693	*2.1%*

CEO'S COMMENTS

A satisfactory end to the year

During the fourth quarter, organic sales growth was just over 4% and adjusted EBITDA rose to MSEK 504 (487) compared with last year's relatively strong fourth quarter. Adjusted EBITDA for the full year grew to 2,046 MSEK, the highest level ever for Scandic, while we also strengthened the cash flow and financial position.

RevPAR rose during the quarter mainly as a result of the continued strong Finnish market where the Finnish EU Presidency had a positive impact on demand. It was also gratifying that higher demand in Norway compensated for the capacity increase in Oslo during the first half of 2019.

Strong growth in demand

The demand for hotel experiences is growing in our markets. We estimate that the number of sold rooms in the Nordic countries has increased by around 3 to 4% per year since 2010, and development in 2019 was fully in line with this trend. Among other things, growth is being driven by increased tourism and greater numbers of international visitors, not least in the big cities. We are following the development of the new coronavirus and subsequent travel restrictions from China closely, but we expect this to have a limited effect on Scandic.

With a pipeline corresponding to 11% of our existing portfolio, we have excellent opportunities for continued profitable growth through new hotels in the coming years, especially between 2021 and 2022.

Scandic GO to increase long-term growth potential

We are very proud to launch Scandic GO, a new brand in the growing economy segment that increases Scandics growth potential. With a high share of room revenue, Scandic GO is expected to have higher margins and lower investments per room compared to our existing portfolio.

Continued work in five focus areas

We are continuing to maintain the pace of our work in our main focus areas to strengthen profitability and cash flow. Scandic has a clear ambition to improve profitability in its restaurant and conference operations and it may be necessary to exit additional hotels that do not show potential for satisfactory profitability over time.

To gain more control over our portfolio management and investments, we recently made organizational changes that involve coordinating expertise in areas from leasing to concept development and investment. I am convinced that this will strengthen Scandic's ability to develop and improve the hotel portfolio.

Stable market expected in Q1

We expect demand to continue to grow in the first quarter of 2020 and a 1-3% increase in sales for comparable units. More rooms in operation will only have a marginal impact on net revenues in the quarter.

Jens Mathiesen
President & CEO

"Adjusted EBITDA for the full year grew to 2,046 MSEK, the highest level ever for Scandic

"Demand for hotel experiences is growing in our markets"

" We are very proud to launch Scandic GO, a new brand in the growing economy segment that increases Scandics growth potential. "

NORDIC HOTEL MARKET DEVELOPMENT DURING THE QUARTER

During the fourth quarter, demand measured in terms of number of sold hotel rooms continued to increase in all Nordic markets, particularly in Norway. Market RevPAR is estimated to have risen in all of Scandic's markets with the greatest gains in Finland.

Sweden

In Sweden, the number of available and sold rooms went up by 2.7% during the quarter. RevPAR increased by 0.9%, driven by higher average room rates while occupancy remained unchanged compared with the same period in the previous year.

In Stockholm, the number of available rooms went up 3.3%, while the number of sold rooms rose 3.7%. RevPAR in Stockholm increased by 2.2% due to somewhat higher average room rates.

In 2020, Scandic expects the number of available rooms to grow by approximately 5% in the Stockholm and to be relatively unchanged in Gothenburg and Malmö.

Norway

In Norway, the number of available rooms went up by 5.1%, driven mainly by increased capacity in Oslo. Growth in demand was high during the quarter and the number of sold rooms went up 7.6%. Market RevPAR grew by 3.5% mainly due to higher occupancy. In Oslo, the number of sold rooms increased by 12.5% which means that the market nearly completely absorbed an increase in capacity of just over 13%. Most of the new hotel capacity was added during the first half-year. RevPAR in Oslo dropped 3.0% during the quarter with a slight decrease in average room rates.

Scandic expects the number of available rooms in Oslo to increase by around 3% in 2020.

Finland

In Finland, the number of available rooms grew by 1.5% while the number of sold rooms went up 4.1%. Market RevPAR increased by 8.2% during the quarter and both average room rates and occupancy rose.

In Helsinki, market RevPAR increased 6.1% and the 7.6% rise in the number of available rooms was more than offset by strong growth in demand. The Finnish EU Presidency is thought to have had a positive impact on market development.

During 2020, Scandic expects the number of available rooms in Helsinki, including the Vantaa area, to rise by about 6%.

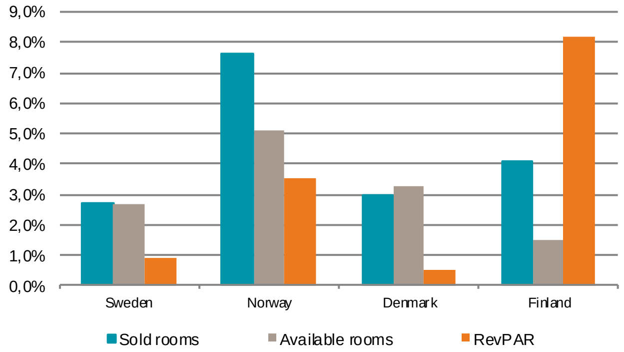
Denmark

In the Danish market, RevPAR went up by 0.5% compared with the same period in 2019.

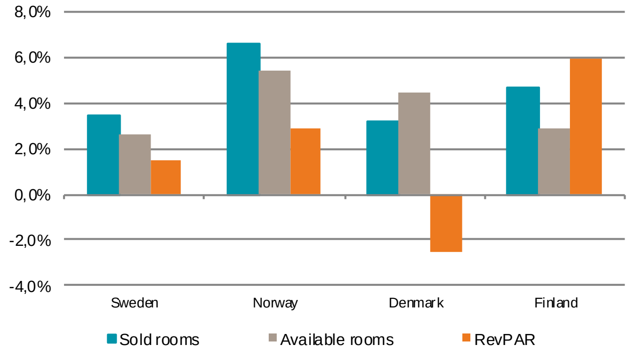
In Copenhagen, market RevPAR decreased by 0.4% as a result of increased capacity.

During 2020, Scandic expects the number of available rooms in Copenhagen to grow by about 10%, or approximately 2,000 rooms.

MARKET DEVELOPMENT OCTOBER–DECEMBER 2019
CHANGE YEAR-ON-YEAR



MARKET DEVELOPMENT JANUARY–DECEMBER 2019
CHANGE YEAR-ON-YEAR



Source: Benchmarking Alliance.

HOTEL PORTFOLIO

Existing hotel portfolio

At the end of the fourth quarter, Scandic had 52,755 rooms in operation at 268 hotels, 244 of which had lease agreements.

During the quarter, Scandic took over the operations of the Radisson Blu Royal in central Stavanger, a hotel with 215 rooms that is now Scandic Royal Stavanger.

Scandic also closed two Finnish hotels during the quarter: Scandic Lappeenranta and Scandic Seurahuone, which together had 213 rooms.

In total, the number of rooms in operation increased marginally during the quarter.

Portfolio changes	Number of rooms
Opening balance October 1, 2019	
Lease contracts	49,555
Franchise, Management & Other	3,189
Total	**52,744**
Change lease contracts	**11**
Change franchise	**0**
Total change during the quarter	**11**
Closing balance December 31, 2019	
Lease contracts	49,566
Franchise, Management & Other	3,189
Total	**52,755**

Number of hotels in operation and in pipeline

	Operational on Dec 31, 2019				Pipeline on Dec 31, 2019	
	Hotels	of which with Lease contracts	Rooms	of which with Lease contracts	Hotels	Rooms
Sweden	84	78	17,479	16,687	4	1,248
Norway	87	71	16,275	14,155	3	1,122
Finland	64	63	12,328	12,261	2	1,199
Denmark	27	26	4,955	4,745	4	1,574
Other Europe	6	6	1,718	1,718	2	739
Total	**268**	**244**	**52,755**	**49,566**	**15**	**5,882**
Change during the quarter	*-1*	*-1*	*11*	*11*	*-1*	*306*

High-quality pipeline

At the end of the period, the pipeline included a net of 15 hotels with 5,882 rooms, corresponding to 11% of the current portfolio.

The number of hotels in the pipeline has been reduced by the planned exit of Scandic Ferrum with 171 rooms due to the ongoing transformation of the city of Kiruna, Sweden, as well as the planned closing of two hotels in Finland, Scandic Järvenpää and Scandic Salo that together have 159 rooms. The hotels will be exited during the year. The gross pipeline consisted of 18 hotels with 6,212 rooms in total. For 2020 to 2023, the pipeline's need for investments is estimated at 1,2 BSEK.

During the quarter, Scandic signed agreements for a new 350-room conference and meeting hotel in Helsinki as well as a 160-room hotel in Örebro, Sweden.

SALES & ADJUSTED EBITDA

Group

	Oct-Dec 2019	Oct-Dec 2018	%	Jan-Dec 2019	Jan-Dec 2018	%
Net sales (MSEK)	**4,831**	**4,595**	**5.1%**	**18,945**	**18,007**	**5.2%**
Currency effects	33		0.7%	239		1.3%
Organic growth	203		4.4%	699		3.9%
New hotels	*169*		*3.7%*	*626*		*3.5%*
Exits	*-68*		*-1.5%*	*-195*		*-1.1%*
LFL	*102*		*2.2%*	*268*		*1.5%*
Adjusted EBITDA	**504**	**487**	**3.5%**	**2,046**	**1,957**	**4.5%**
% margin	10.4%	10.6%		10.8%	10.9%	
RevPAR (SEK)	**672**	**651**	**3.2%**	**707**	**683**	**3.5%**
Currency effects	5		0.8%	9		1.3%
New hotels/exits	6		0.8%	6		0.9%
LFL	11		1.7%	9		1.3%

Fourth quarter

Net sales rose by 5.1% to 4,831 MSEK (4,595). Currency effects affected net sales positively by 0.7%.

Organic growth, i.e. sales growth excluding currency effects and acquisitions, amounted to 4.4% or 203 MSEK. Organic growth was affected positively by new hotels, chiefly in Norway, Finland and Other Europe. For comparable units, net sales rose by 2.2%, where Finland contributed strong growth.

Average Revenue Per Available Room (RevPAR) rose by 2.4% in local currency compared with the previous year. RevPAR for comparable units grew by 1.7%. RevPAR for comparable units grew in Finland and Sweden but fell somewhat in Norway and Other Europe.

Revenue from restaurant and conference operations grew by 4.2% and the share of total net sales fell to 36.3% (36.6).

Rental costs excluding the effect of finance leases accounted for 26.4% (25.9) of net sales. Fixed and guaranteed rental costs were 66.5% (66.5) of total rental costs.

Results for central functions fell to -126 MSEK (-119). Higher IT costs contributed to the increase.

Adjusted EBITDA rose to 504 MSEK (487). The adjusted EBITDA margin fell to 10.4% (10.6). Currency translation effects had a positive impact of 7 MSEK on adjusted EBITDA compared with the same period of the previous year. Sweden and Other Europe reported somewhat lower adjusted EBITDA while Norway and Finland reported an improvement. The fourth quarter 2018 was positively affected by pension provisions in Finland.

The period January–December

Net sales rose by 5.2% to 18,945 MSEK (18,007). Currency effects affected net sales positively by 1.3%. Organic growth, i.e. sales growth excluding currency effects and acquisitions, amounted to 3.9% or 699 MSEK.

All segments contributed positive organic growth. At 9.8%, Other Europe had the highest growth, mainly due to the opening of Scandic Kødbyen and Scandic Falkoner in Copenhagen.

Average Revenue Per Available Room (RevPAR) rose by 2.2% in local currency compared with the previous year. RevPAR for comparable units grew by 1.3%. RevPAR for comparable units grew in all segments except Other Europe, where increased capacity in Copenhagen contributed to lower RevPAR.

Revenue from restaurant and conference operations grew by 4.0% and the share of total net sales fell to 32.2% (32.6).

Rental costs excluding the effect of finance leases accounted for 26.7% (26.5) of net sales. Fixed and guaranteed rental costs were 66.5% (65.0) of total rental costs. The increase is due to newly opened hotels that are paying rent according to the guarantee level during the startup phase.

Results for central functions fell to -408 MSEK (-349). The reason for the decrease is that the previous year was affected positively by 43 MSEK due to the market valuation of forward contracts for electricity. Increased IT costs contributed to the underlying cost increase.

Adjusted EBITDA rose to 2,046 MSEK (1,957). The adjusted EBITDA margin fell slightly to 10.8% (10.9). Currency translation effects had a positive impact of 31 MSEK on adjusted EBITDA compared with the previous year. The increase in adjusted EBITDA is mainly due to newly opened hotels and the improved performance of the hotels that were added in the Restel acquisition.

Segment reporting

Quarterly, Oct-Dec	**Net sales**		**Adjusted EBITDA**		**Adjusted EBITDA margin**	
MSEK	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Sweden	1,622	1,621	239	244	14.7%	15.1%
Norway	1,277	1,260	115	100	9.0%	7.9%
Finland	1,222	1,084	216	186	17.7%	17.2%
Other Europe	710	630	60	76	8.5%	12.1%
Central costs and Group adjustments	-	-	-126	-119	-	-
Total Group	**4,831**	**4,595**	**504**	**487**	**10.4%**	**10.6%**

Period, Jan-Dec	**Net sales**		**Adjusted EBITDA**		**Adjusted EBITDA margin**	
MSEK	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Sweden	6,291	6,275	910	910	14.5%	14.5%
Norway	5,343	5,116	539	502	10.1%	9.8%
Finland	4,547	4,168	707	590	15.5%	14.2%
Other Europe	2,764	2,448	298	304	10.8%	12.4%
Central costs and Group adjustments	-	-	-408	-349	-	-
Total Group	**18,945**	**18,007**	**2,046**	**1,957**	**10.8%**	**10.9%**

EFFECTS OF IFRS 16

As of January 1, 2019, the Group applies IFRS 16 Leases. The new accounting principle means that lease agreements with fixed or minimum rent are recognized in the balance sheet as a right-of-use asset and a finance lease liability. IFRS 16 has a major impact on Scandic's income statement and balance sheet. Reported EBITDA increases as the cost of leases falls while depreciation of right-of-use assets and interest expenses for the finance lease liability grow. With the current portfolio of lease agreements at the end of 2019, net profit after tax for 2020 is expected to be negatively affected by approximately 180 MSEK (217). With an unchanged portfolio of finance lease agreements and unchanged assumptions, the negative effect on results is expected to diminish over time and affect the net result positively from 2026. The reason for this is that interest costs related to the finance lease debt is reduced over time.

The definition of adjusted EBITDA has not changed compared with the previous year and excludes the effect of finance leases. The year 2018 includes finance leases according to IAS 17 from the right-of-use asset and corresponding finance lease liability from the acquisition of Restel. The effect of finance leases for the full year 2018 on EBITDA was 129 MSEK and the effect on net profit after tax was -22 MSEK. The table below shows the bridge between the income statement excluding the effect of finance leases to the reported income statement according to IFRS.

Summary of the effects of IFRS 16

	Jan-Dec 2019		
	Excl. effect IFRS 16	Effect IFRS 16	Reported
Total operating income	**18,945**	**0**	**18,945**
EBITDAR	**7,107**	**0**	**7,107**
Total rental charges	-5,061	3,291	-1,770
Adjusted EBITDA	**2,046**		
Pre-opening costs	-81	0	-81
Items affecting comparability	169	0	169
EBITDA	**2,134**	**3,291**	**5,425**
Depreciations and amortizations	-859	-2,421	-3,281
EBIT	**1,275**	**869**	**2,144**
Net financial items	-99	-1,143	-1,242
EBT (Profit before tax)	**1,176**	**-274**	**902**
Tax	-234	57	-177
Profit/loss for the period	**942**	**-217**	**725**
Earnings per share, SEK	9.15	-2.11	7.01

Result excluding effect of finance leases

	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Total operating income	**4,831**	**4,595**	**18,945**	**18,007**
EBITDAR	**1,778**	**1,676**	**7,107**	**6,721**
Total rental charges	-1,274	-1,189	-5,061	-4,764
Adjusted EBITDA	**504**	**487**	**2,046**	**1,957**
Pre-opening costs	-13	-3	-81	-92
Items affecting comparability	1	-23	169	-141
EBITDA	**492**	**461**	**2,134**	**1,724**
Depreciations and amortizations	-229	-216	-859	-781
EBIT	**263**	**245**	**1,275**	**943**
Net financial items	-19	-27	-99	-105
EBT (Profit before tax)	**245**	**218**	**1,176**	**838**
Tax	-56	-46	-234	-138
Profit/loss for the period	**189**	**172**	**942**	**700**
Earnings per share, SEK	1.84	1.67	9.15	6.80

REPORTED RESULT

Fourth quarter

EBITDA was 1,401 MSEK (494) and 490 MSEK (461) excluding the effect of finance leases. EBITDA included pre-opening costs for new hotels of -13 MSEK (-3). Items affecting comparability amounted to 1 MSEK (-23). In the corresponding period last year, items affecting comparability comprised integration costs related to the acquisition of Restel.

EBIT amounted to 498 MSEK (255) and 261 MSEK (245) excluding the effect of finance leases. Depreciation and amortization totaled -903 MSEK (-239). The increase in depreciation and amortization is chiefly due to the effect of finance leases. Excluding the effect of finance leases, depreciation and amortization amounted to -229 MSEK (-216).

The Group's net financial expense amounted to -334 MSEK (-44) MSEK and -18 (-27) excluding the effect of finance leases. The interest expense, excluding the effect of finance leases, was -22 MSEK (-27). Reduced net debt and the fact that Scandic has continued issuing commercial papers contributed to continued low interest expenses.

Profit before tax was 164 MSEK (211) and 243 MSEK (218) excluding the effect of finance leases.

Reported tax amounted to -38 MSEK (-46).

Net profit dropped to 126 MSEK (165). Excluding the effect of finance leases, net profit increased to 189 MSEK (172).

Earnings per share after dilution amounted to 1.21 SEK per share (1.59) and 1.84 SEK (1.66) excluding finance leases. Adjusted for items affecting comparability, earnings per share totaled 1.83 SEK (1.84).

The period January–December

EBITDA was 5,425 MSEK (1,853) and 2,134 MSEK (1,724) excluding the effect of finance leases. EBITDA included pre-opening costs for new hotels of -81 MSEK (-92) and items affecting comparability of 169 MSEK (-141). In 2019, items affecting comparability comprised a capital gain of 181 MSEK from the sale of Scandic Hasselbacken in Stockholm and costs of -12 MSEK in connection with the change of President & CEO. In 2018, items affecting comparability amounted to -141 MSEK comprising integration costs of 135 MSEK related to the acquisition of Restel and restructuring costs.

EBIT amounted to 2,144 MSEK (983) and 2,134 MSEK (1,724) excluding the effect of finance leases. Depreciation and amortization totaled -3,281 MSEK (-870). The increase in depreciation and amortization is primarily due to the effect of finance leases. Excluding the effect of finance leases, depreciation and amortization amounted to -859 MSEK (-781). Depreciation includes a write-down of 14 MSEK on equipment at four Norwegian hotels.

The Group's net financial expense amounted to -1,242 MSEK (-173) MSEK and -99 (-105) excluding the effect of finance leases. Excluding the effect of finance leases, the interest expense was -101 MSEK (-113).

Profit before tax was 902 MSEK (810) and 1,176 MSEK (838) excluding the effect of finance leases.

Reported tax amounted to -177 MSEK (-132). Reported tax in the previous year was positively impacted by 40 MSEK due to the decision to reduce the corporate tax rate in Sweden.

Net profit rose to 725 MSEK (678) and 942 MSEK (700) excluding the effect of finance leases.

Earnings per share after dilution amounted to 7.01 SEK per share (6.54) and 9.15 SEK (6.80) excluding finance leases. Adjusted for items affecting comparability, earnings per share totaled 7.49 SEK (7.87).

	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Earnings per share, SEK	**1.21**	**1.59**	**7.01**	**6.54**
Effect from finance lease	-0.61	-0.10	-2.12	-0.26
Earnings per share, SEK, excl. effect finance lease	**1.84**	**1.67**	**9.15**	**6.80**
Items affecting comparability	0.01	-0.17	1.66	-1.07
Earnings per share, SEK, excl. effect finance lease & items affecting comparability	**1.83**	**1.84**	**7.49**	**7.87**

CASH FLOW & FINANCIAL POSITION

Operating cash flow, excluding finance leases, was 1,704 MSEK (1,516) for the full year 2019. The cash flow contribution from the change in working capital amounted to 158 MSEK (45). The improvement is due to a reduction in accounts receivable, an increase in deferred income and an increase in operating liabilities.

Paid tax was -343 MSEK (-174), of which approximately 180 MSEK refers to a decision on supplementary taxation in Finland for the years 2012–2017. Scandic and its tax advisors are of the opinion that the company has complied with applicable legislation and, accordingly, that the decision is incorrect. The company has appealed the decision and requested that the tax decision be rejected in its entirety. For this reason, the company does not include any cost for these imposed taxes in the accounts. Scandic's assessment is that the total exposure for the years 2008–2017 is approximately 370 MSEK including interest, which is recognized as a contingent liability. The amount has been paid in full.

Net investments totaled -1,160 MSEK (-1,216), of which hotel renovations accounted for -722 MSEK (-768) and IT for -71 MSEK (-72). Investments in new hotels and increased room capacity totaled -367 MSEK (-376). During the year, Scandic received proceeds of 232 MSEK for the divestment of Scandic Hasselbacken.

In total, the free cash flow increased to 777 MSEK (263), mainly due to the increased profit, improved working capital development and lower investments.

Operating cash flow

MSEK	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Adjusted EBITDA	504	487	2,046	1,957
Pre-opening costs	-13	-3	-81	-92
Non-recurring items	1	-23	169	-141
Adjustments for non-cash items	1	23	-173	-1
Paid tax	-42	-54	-343	-174
Change in working capital	502	581	158	45
Interests paid, credit institutions	-15	-24	-71	-77
Cash flow from operations	**938**	**987**	**1,705**	**1,517**
Investments in hotel renovations	-279	-241	-722	-768
Investments in IT	-27	-9	-71	-72
Free cash flow before investments in expansions	**632**	**737**	**912**	**677**
Acquisitions/sales of operations	-	16	232	-38
Investments in new capacity	-33	-57	-367	-376
Free cash flow	**599**	**696**	**777**	**263**
Other items in financing activities	-	-	-14	-41
Transaction costs expensed	-3	-3	-8	-17
Exchange difference in net debt	50	42	-55	-61
Dividend	-180	-174	-361	-352
Change net debt	**466**	**561**	**339**	**-208**

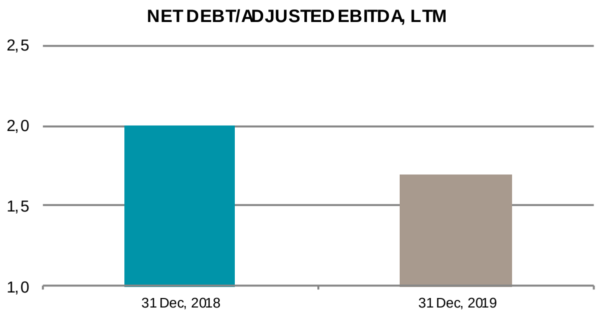
The balance sheet total on December 31, 2019 was 43,509 MSEK compared with 17,737 MSEK on December 31, 2018. When IFRS 16 was introduced on January 1, 2019, the Group's total assets increased by approximately 24 billion SEK.

Interest-bearing net liabilities, excluding finance lease liabilities, fell by 339 MSEK during the year to 3,497 MSEK. The reduction was due to the increase in free cash flow, dividends and currency effects.

Net debt on December 31, 2019 corresponded to 1.7x adjusted EBITDA for the past twelve months (2.0x per December 31, 2018).

Total credit facilities amounted to 5,500 MSEK. Loans from credit institutions accounted for 3,036 MSEK, commercial papers totaled 487 MSEK and cash and cash equivalents amounted to 26 MSEK at year-end.

On December 31, 2019, the average number of shares and votes was 103,036,484 after dilution. Equity was 6,601 MSEK compared with 7,806 MSEK on December 31, 2018 and was affected negatively by 1,466 MSEK due to the implementation of IFRS 16.



SEGMENT REPORTING

Sweden

	Oct-Dec 2019	Oct-Dec 2018	%	Jan-Dec 2019	Jan-Dec 2018	%
Net sales (MSEK)	**1,622**	**1,621**	**0.1%**	**6,291**	**6,275**	**0.3%**
Organic growth	2		0.1%	16		0.3%
New hotels	*-*			*-*		
Exits	*-22*		*-1.4%*	*-82*		*-1.3%*
LFL	*24*		*1.5%*	*98*		*1.6%*
Adjusted EBITDA	**239**	**244**	**-2.0%**	**910**	**910**	**0.0%**
% margin	14.7%	15.1%		14.5%	14.5%	
RevPAR (SEK)	**703**	**701**	**0.3%**	**727**	**719**	**1.1%**
New hotels/exits	-1		-0.1%	-2		-0.3%
LFL	3		0.4%	10		1.4%
ARR (SEK)	1,069	1,067	0.1%	1,052	1,054	-0.1%
OCC %	65.8%	65.7%		69.0%	68.2%	

Fourth quarter

Net sales rose marginally by 0.1% to 1,622 MSEK (1,621). For comparable units, net sales increased by 1.5%.

Scandic Hasselbacken in Stockholm was sold on March 1, 2019, which affected net sales for the quarter negatively by 22 MSEK compared with the previous year.

Average Revenue Per Available Room (RevPAR) increased by 0.3% compared with the same quarter the previous year. RevPAR for comparable units grew by 0.4%.

Adjusted EBITDA dropped to 239 MSEK (244). The adjusted EBITDA margin dropped from 15.1% to 14.7%.

The period January–December

Net sales rose by 0.3% to 6,291 MSEK (6,275). For comparable units, net sales increased by 1.6%.

Scandic Hasselbacken in Stockholm was sold on March 1, 2019, which affected net sales negatively by 82 MSEK compared with the previous year.

Average Revenue Per Available Room (RevPAR) increased by 1.1% compared with the previous year. RevPAR for comparable units grew by 1.4%.

Adjusted EBITDA was unchanged at 910 MSEK Despite unchanged price levels, cost-efficiency initiatives have fully offset the underlying cost increases. The adjusted EBITDA margin was 14.5%, which was the same as the previous year (14.5%).

Norway

	Oct-Dec 2019	Oct-Dec 2018	%	Jan-Dec 2019	Jan-Dec 2018	%
Net sales (MSEK)	**1,277**	**1,260**	**1.3%**	**5,343**	**5,116**	**4.5%**
Currency effects	-22		-1.7%	29		0.6%
Organic growth	39		3.1%	200		3.9%
New hotels	*46*		*3.7%*	*200*		*3.9%*
Exits	*0*		*0.0%*	*-14*		*-0.3%*
LFL	*-8*		*-0.6%*	*14*		*0.3%*
Adjusted EBITDA	**115**	**100**	**15.0%**	**539**	**502**	**7.4%**
% margin	9.0%	7.9%		10.1%	9.8%	
RevPAR (SEK)	**559**	**578**	**-3.3%**	**654**	**646**	**1.2%**
Currency effects	-12		-2.0%	4		0.6%
New hotels/exits	0		0.0%	2		0.3%
LFL	-8		-1.4%	2		0.4%
ARR (SEK)	1,030	1,079	-4.5%	1,062	1,044	1.7%
OCC %	54.2%	53.6%		61.6%	61.9%	

Fourth quarter

Net sales rose by 1.3% to 1,277 MSEK (1,260). Net sales for comparable units dropped by 0.6%.

New hotels contributed 46 MSEK during the quarter.

Average Revenue Per Available Room (RevPAR) dropped by 1.3% in local currency compared with the same quarter the previous year. RevPAR for comparable units dropped by 1.4%.

Adjusted EBITDA rose to 115 MSEK (100), chiefly due to contributions from newly opened hotels, a positive trend in western Norway and improved cost efficiency.

The adjusted EBITDA margin rose to 9.0% (7.9).

The period January–December

Net sales increased by 4.5% to 5,343 MSEK (5,116). For comparable units, net sales grew by 0.3%.

Changes in the hotel portfolio contributed 186 MSEK to net sales. The greatest contributors were Hotel Norge by Scandic in Bergen, which opened on July 1, 2018, and Scandic Alexandra in Molde, a hotel that opened on January 1.

Average Revenue Per Available Room (RevPAR) rose by 0.6% in local currency compared with the previous year.

RevPAR for comparable units grew by 0.4%. RevPAR grew in all districts except Oslo and the East.

Adjusted EBITDA rose to 539 MSEK (502), chiefly due to contributions from newly opened hotels. Profitability was affected negatively by higher capacity in Oslo, which was partly offset by the positive development in western and northern Norway and improved cost efficiency.

The adjusted EBITDA margin grew to 10.1% (9.8).

Finland

	Oct-Dec 2019	Oct-Dec 2018	%	Jan-Dec 2019	Jan-Dec 2018	%
Net sales (MSEK)	**1,222**	**1,084**	**12.8%**	**4,547**	**4,168**	**9.1%**
Currency effects	35		3.2%	135		3.2%
Organic growth	103		9.5%	243		5.9%
New hotels	*62*		*5.7%*	*163*		*3.9%*
Exits	*-45*		*-4.2%*	*-99*		*-2.4%*
LFL	*87*		*8.0%*	*178*		*4.3%*
Adjusted EBITDA	**216**	**186**	**16.1%**	**707**	**590**	**19.8%**
% margin	17.7%	17.2%		15.5%	14.2%	
RevPAR (SEK)	**702**	**609**	**15.3%**	**676**	**612**	**10.5%**
Currency effects	20		3.3%	20		3.3%
Acquisitions						
New hotels/exits	19		3.0%	14		2.4%
LFL	55		9.0%	30		4.9%
ARR (SEK)	1,127	1,024	10.0%	1,079	1,001	7.8%
OCC %	62.3%	59.5%		62.7%	61.1%	

Fourth quarter

Net sales rose by 12.8% to 1,222 MSEK (1,084). For comparable units, net sales grew by 8.0%.

New hotels/exits contributed a net of 17 MSEK. Marski by Scandic in Helsinki, which was opened on June 3, 2019 after a complete renovation, made the largest positive contribution.

Average Revenue Per Available Room (RevPAR) rose by 12.0% in local currency compared with the same quarter the previous year. For comparable units, RevPAR grew by 9.0% with a strong development in all districts. The EU presidency (July 1–December 31) had a positive effect on RevPAR, particularly in the Helsinki region.

Adjusted EBITDA rose to 216 MSEK (186). Increased RevPAR and cost synergies after the Restel acquisition contributed to the improved profits. The fourth quarter of the previous year was affected positively by an adjustment of pension costs of approximately 20 MSEK.

The adjusted EBITDA margin grew to 17.7% (17.2).

The period January–December

Net sales rose by 9.1% to 4,547 MSEK (4,168). For comparable units, net sales grew by 4.3%.

New hotels/exits contributed 64 MSEK net. Hotel Marski by Scandic in Helsinki, which opened on June 3, 2019 after a complete renovation, made the greatest positive contribution.

Average Revenue Per Available Room (RevPAR) rose by 7.2% in local currency compared with the previous year. RevPAR for comparable units grew by 4.9%.

RevPAR for hotels included in the Restel acquisition continued to perform better than average for Finnish hotels. The EU presidency (July 1–December 31) had a positive effect on RevPAR, particularly in the Helsinki region.

Adjusted EBITDA rose to 707 MSEK (590). Increased RevPAR and cost synergies after the Restel acquisition contributed to the improved profits.

The adjusted EBITDA margin grew to 15.5% (14.2).

Other Europe

	Oct-Dec 2019	Oct-Dec 2018	%	Jan-Dec 2019	Jan-Dec 2018	%
Net sales (MSEK)	**710**	**630**	**12.7%**	**2,764**	**2,448**	**12.9%**
Currency effects	20		3.2%	75		3.1%
Organic growth	61		9.5%	241		9.8%
New hotels	*60*		*9.6%*	*263*		*10.7%*
Exits	*-*			*-*		*0.0%*
LFL	*1*		*-0.1%*	*-22*		*-0.9%*
Adjusted EBITDA	**60**	**76**	**-21.1%**	**298**	**304**	**-2.0%**
% margin	8.5%	12.1%		10.8%	12.4%	
RevPAR (SEK)	**781**	**752**	**3.8%**	**831**	**811**	**2.4%**
Currency effects	24		3.2%	25		3.1%
New hotels/exits	13		1.7%	15		1.8%
LFL	-8		-1.1%	-20		-2.5%
ARR (SEK)	1,111	1,075	3.3%	1,124	1,100	2.2%
OCC %	70.3%	70.0%		73.9%	73.7%	

Fourth quarter

As of January 1, 2018, the Other Europe segment includes Scandic's operations in Denmark, Germany and Poland.

Net sales rose by 12.7% to 710 MSEK (630). Net sales for comparable units dropped by 0.1%.

New hotels contributed 60 MSEK. Scandic Frankfurt Museumsufer and Scandic Falconer in Copenhagen were the greatest contributors to the increase.

Average Revenue Per Available Room (RevPAR) dropped by 0.6% in local currency compared with the same quarter the previous year. RevPAR for comparable units dropped by 1.1%. RevPAR rose in Poland and Germany, while Denmark reported lower RevPAR due to increased capacity in Copenhagen.

Adjusted EBITDA dropped to 60 MSEK (76). Results improved in Germany and Poland but weakened in Denmark. All new hotels made positive contributions to adjusted EBITDA, while higher capacity in Copenhagen had a negative effect. The adjusted EBITDA margin fell to 8.5% (12.1).

The period January–December

Net sales rose by 12.9% to 2,764 MSEK (2,448). Net sales for comparable units dropped by 0.9%.

New hotels contributed 263 MSEK. Scandic Frankfurt Museumsufer, Scandic Kødbyen and Scandic Falkoner in Copenhagen were the greatest contributors to the increase.

Average Revenue Per Available Room (RevPAR) dropped by 0.7% in local currency compared with the previous year. RevPAR for comparable units dropped by 2.5%. RevPAR rose in Germany and Poland, while Denmark reported a reduced RevPAR due to increased capacity in Copenhagen.

Adjusted EBITDA dropped to 298 MSEK (304). Results improved in Germany and Poland but weakened in Denmark. All new hotels made positive contributions to adjusted EBITDA, while the increased capacity in Copenhagen had a negative effect. The adjusted EBITDA margin dropped to 10.8% (12.4).

Central functions

Adjusted EBITDA for central functions was -126 MSEK (-119) during the quarter and -408 MSEK (-349) for the year. The previous year was impacted positively by 43 MSEK due to the market value of forward contracts for electricity.

EMPLOYEES

The average number of employees in the Group was 11,666 on December 31, 2019 compared with 11,560 on December 31, 2018.

EVENTS AFTER THE REPORTING DATE

On February 18, Scandic launched Scandic GO, a new brand in the growing economy segment that will strengthen Scandic's growth potential.

OUTLOOK

We expect demand to continue to grow in the first quarter of 2020 and a 1-3% increase in sales for comparable units. More rooms in operation will only have a marginal impact on net revenues in the quarter.

FINANCIAL TARGETS

At the beginning of 2016, Scandic adopted the following financial targets:

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

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.

DIVIDEND & AGM

For 2019, the Board of Directors proposes that the Annual General Meeting 2020 resolve on a dividend of 3.70 SEK (3.50) per share to be paid out in two equal amounts of 1.85 SEK on two separate occasions.

Scandic's Annual General Meeting will be held on May 11 2020 at Vasateatern in Stockholm.

PRESENTATION OF THE REPORT

On February 18, Scandic will hold a Capital Markets Day that will start with a webcast presentation of the company's year-end report at 8:50 CET by President & CEO Jens Mathiesen and CFO Jan Johansson. The webcast will be live on Scandic's website at scandichotelsgroup.com and there will be opportunities to post questions. The webcast from the full Capital Markets Day will be available afterwards at scandichotelsgroup.com

FOR MORE INFORMATION

Jan Johansson
Chief Financial Officer
Phone: +46 70 575 89 72
jan.johansson@scandichotels.com

Henrik Vikström
Director Investor Relations
Phone: +46 70 952 80 06
henrik.vikstrom@scandichotels.com

FINANCIAL CALENDAR

2020-05-05	Interim report Q1 2020 (silent period from April 4, 2020)
2020-05-11	Annual General Meeting
2020-07-17	Interim report Q2 2020 (silent period from June 16, 2020)
2020-11-03	Interim report Q3 2020 (silent period from October 2, 2020)

SIGNIFICANT RISKS & UNCERTAINTY FACTORS

Scandic operates in a sector where demand for hotel nights and conferences is influenced by the underlying domestic economic development and purchasing power in the geographic markets in which Scandic does business as well as in the markets from which there is a significant amount of travel to the Nordic countries. Additionally, profitability in the sector is impacted by changes in room capacity. Increased capacity can initially lead to lower occupancy in the short term, but in the long term, it can also help stimulate interest in business and leisure destinations, which in turn have a positive effect on hotel nights.

Scandic's business model is based on lease agreements where approximately 90% of its hotels (based on the number of rooms) have variable revenue-based rents. This leads to lower profit risks since revenue losses are partly offset by reduced rental costs. Scandic's other costs also include a high share of variable costs where above all, staffing flexibility is critical for being able to adapt cost levels to variations in demand. This gives Scandic a flexible cost structure that helps lessen the effects of seasonal and economic fluctuations.

On December 31, 2019, Scandic's goodwill and intangible assets amounted to 9,941 MSEK. The recognized value mainly relates to operations in Sweden, Norway and Finland. A significant downturn in the hotel markets in these countries would affect expected cash flow negatively, and consequently, the value of goodwill and other intangible assets.

SENSITIVITY ANALYSIS

Scandic has a cost structure consisting of variable costs that are affected by changes in volume and costs that are fixed and independent of changes in volume in the short term. Costs that are affected by changes in volume are primarily sales commissions and other distribution costs, the cost of goods sold, sales-based rental costs, property-related costs (energy, water, etc.), payroll expenses for hotel employees without guaranteed working hours and cost of certain services such as laundry. Costs that are not affected by changes in volume largely consist of payroll expenses for hotel employees with guaranteed working hours, fixed and guaranteed rental costs and costs related to country and Group-wide functions.

Based on figures for the full year 2019, it is estimated that a rise or fall in occupancy or a change in volume in restaurant and conference operations of 1 percent would affect adjusted EBITDA by approximately 150 MSEK and the adjusted EBITDA margin by 0.6 percent on an annual basis. The assessment refers to changes in volume within a minor interval (+/- 2%) and assumes that the change in sales would not cause any leases to pass the minimum rent threshold.

The operations of Scandic's subsidiaries are mainly local with revenues and expenses in domestic currencies and the Group's internal sales are low. This means that currency exposure due to transactions is limited to the operating profit/loss. Exchange rate fluctuations in the Group arise from the revaluation of Scandic's foreign subsidiaries' income statements and balance sheets to SEK.

Consolidated income statement

MSEK	2019	2018	2019	2018
INCOME				
Room revenue	2,991	2,824	12,416	11,721
Restaurant and conference revenue*	1,752	1,682	6,095	5,862
Franchise and management fees	7	7	30	29
Other hotel-related revenue	81	82	404	395
Net sales	***4,831***	***4,595***	***18,945***	***18,007***
Other income	-	-	-	-
TOTAL OPERATING INCOME	**4,831**	**4,595**	**18,945**	**18,007**
OPERATING COSTS				
Raw materials and consumables	-430	-434	-1,634	-1,605
Other external costs	-1,133	-1,087	-4,335	-4,061
Personnel costs	-1,490	-1,398	-5,869	-5,620
Fixed and guaranteed rental charges	63	-758	-74	-2,968
Variable rental charges	-428	-398	-1,696	-1,667
Pre-opening costs	-13	-3	-81	-92
Items affecting comparability	1	-23	169	-141
EBITDA	**1,401**	**494**	**5,425**	**1,853**
Depreciation and amortization	-903	-239	-3,281	-870
TOTAL OPERATING COSTS	**-4,333**	**-4,340**	**-16,801**	**-17,024**
EBIT (Operating profit/loss)	**498**	**255**	**2,144**	**983**
Financial income	6	2	11	12
Financial expenses	-340	-46	-1,253	-185
Net financial items	**-334**	**-44**	**-1,242**	**-173**
EBT (Profit/loss before taxes)	**164**	**211**	**902**	**810**
Taxes	-38	-46	-177	-132
PROFIT/LOSS FOR PERIOD	**126**	**165**	**725**	**678**
Profit/loss for period relating to:				
Parent Company shareholders	125	164	722	674
Non-controlling interest	1	1	3	4
Profit/loss for period	**126**	**165**	**725**	**678**
Average number of outstanding shares before dilution	103,006,267	102,990,062	103,006,267	102,990,062
Average number of outstanding shares after dilution	103,036,484	103,075,976	103,036,484	103,075,976
Earnings per share before dilution, SEK	**1.21**	**1.59**	**7.01**	**6.54**
Earnings per share after dilution, SEK	**1.21**	**1.59**	**7.01**	**6.54**

**) Revenue from bars, restaurants, breakfasts and conferences including rental of premises.*

Consolidated statement of comprehensive income

MSEK	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Profit/loss for period	126	165	725	678
Items that may be reclassified to the income statement	-160	-117	69	176
Items that may not be reclassified to the income statement	31	-14	-159	-40
Other comprehensive income	**-129**	**-131**	**-90**	**136**
Total comprehensive income for period	**-3**	**34**	**635**	**814**
Relating to:				
Parent Company shareholders	-7	35	626	805
Non-controlling interest	4	-1	9	9

Consolidated balance sheet, summary

MSEK	31 Dec 2019	31 Dec 2018
ASSETS		
Intangible assets	9,941	9,899
Buildings and land	26,759	1,676
Equipment, fixtures and fittings	4,865	4,359
Financial fixed assets	616	333
Total fixed assets	**42,181**	**16,267**
Current assets	1,294	1,319
Derivative instruments	8	46
Assets held for sale	-	2
Cash and cash equivalents	26	103
Total current assets	**1,328**	**1,470**
TOTAL ASSETS	**43,509**	**17,737**
EQUITY AND LIABILITIES		
Equity attributable to owners of the Parent Company	6,558	7,768
Non-controlling interest	43	38
Total equity	**6,601**	**7,806**
Liabilities to credit institutions	3,036	2,940
Finance lease liabilities	26,661	1,543
Other long-term liabilities	1,342	1,489
Total long-term liabilities	**31,039**	**5,972**
Current liabilities for finance leases	2,116	63
Commercial papers	487	1,000
Liabilities held for sale	-	1
Other current liabilities	3,266	2,895
Total current liabilities	**5,869**	**3,958**
TOTAL EQUITY AND LIABILITIES	**43,509**	**17,737**
Equity per share, SEK	63.7	75.4
Total number of shares outstanding, end of period	102,985,075	102,985,075
Working capital	-1,972	-1,575
Interest-bearing net liabilities	3,497	3,837
Interest-bearing net liabilities/adjusted EBITDA	1.7	2.0

Changes in Group equity

MSEK	Share capital	Share premium reserve	Translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
OPENING BALANCE 01/01/2018	**26**	**7,865**	**-86**	**-482**	**7,323**	**33**	**7,356**
Profit/loss for the period	**-**	**-**	**-**	**674**	**674**	**4**	**678**
Total other comprehensive income, net after tax	-	-	*171*	*-40*	*131*	*5*	*136*
Total comprehensive income for the year	**-**	**-**	**171**	**634**	**805**	**9**	**814**
Total transactions with shareholders	-	-	-	*-360*	*-360*	*-4*	*-364*
CLOSING BALANCE 12/31/2018	**26**	**7,865**	**85**	**-208**	**7,768**	**38**	**7,806**
Change in accounting principles	-	-	-	*-1,466*	*-1,466*	-	*-1,466*
OPENING BALANCE 01/01/2019	**26**	**7,865**	**85**	**-1,674**	**6,302**	**38**	**6,340**
Profit/loss for the period	**-**	**-**	**-**	**722**	**722**	**3**	**725**
Total other comprehensive income, net after tax	-	-	*63*	*-159*	*-96*	*6*	*-90*
Total comprehensive income for the year			**63**	**563**	**626**	**9**	**635**
Total transactions with shareholders	-	-	-	*-370*	*-370*	*-4*	*-374*
CLOSING BALANCE 12/31/2019	**26**	**7,865**	**148**	**-1,481**	**6,558**	**43**	**6,601**

Consolidated cash flow statement

	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
OPERATING ACTIVITIES				
EBIT (Operating profit/loss)	498	255	2,144	983
Depreciation	903	239	3,281	870
Items not included in cash flow	1	23	-173	-1
Paid tax	-42	-54	-343	-174
Change in working capital	502	581	158	45
Cash flow from operating activities	**1,862**	**1,044**	**5,067**	**1,723**
INVESTING ACTIVITIES				
Net investments	-338	-307	-1,155	-1,216
Sale of operations	-	16	232	16
Acquisitions	-	-	-	-54
Cash flow from investing operations	**-338**	**-291**	**-923**	**-1,254**
FINANCING OPERATIONS				
Paid interest, credit institutions	-15	-25	-71	-77
Paid interest, finance lease	-315	-17	-1,143	-68
Dividends	-178	-178	-357	-352
Utdelning från investeringar	-2	4	-4	-
Refinancing of loans	-	-1	-6	-6
Dividend, share swap agreement	-	-	-14	-41
Net borrowing/amortization, credit institutions	168	-412	52	-877
Amortization, finance lease	-595	-16	-2,147	-61
Issue of commercial papers	-614	-199	-513	1,000
Cash flow from financing operations	**-1,551**	**-844**	**-4,203**	**-482**
CASH FLOW FOR PERIOD	**-27**	**-91**	**-59**	**-13**
Cash and cash equivalents at beginning of period	33	188	103	140
Translation difference in cash and cash equivalents	20	6	-18	-24
Cash and cash equivalents at end of the period	26	103	26	103

Parent Company income statement, summary

MSEK	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Net sales	15	12	57	34
Expenses	-16	-10	-57	-33
EBIT (Operating profit/loss)	**-1**	**2**	**-0**	**1**
Financial income	38	118	155	247
Financial expenses	59	-26	-149	-104
Net financial items	**97**	**92**	**6**	**143**
Appropriations	613	-144	613	-144
EBT (profit/loss before tax)	**710**	**-50**	**619**	**-1**
Tax	-152	11	-133	-
PROFIT/LOSS FOR PERIOD	**558**	**-39**	**486**	**-1**

Parent Company statement of comprehensive income

MSEK	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Profit/loss for period	**558**	**-39**	**486**	**-1**
Items that may be reclassified to the income statement	-	-	-	-
Items that may not be reclassified to the income statement	-	-	-	-
Other comprehensive income	**-**	**-**	**-**	**-**
Total comprehensive income for period	**558**	**-39**	**486**	**-1**

Parent Company balance sheet, summary

MSEK	31 Dec 2019	31 Dec 2018
ASSETS		
Investments in subsidiaries	5,039	5,039
Group company receivables	4,397	5,377
Other receivables	23	27
Total fixed assets	**9,459**	**10,443**
Group company receivables	618	3
Current receivables	0	-
Cash and cash equivalents	0	1
Total current assets	**618**	**4**
TOTAL ASSETS	**10,077**	**10,447**
EQUITY AND LIABILITIES		
Equity	**6,361**	**6,245**
Liabilities to credit institutions	3,036	2,940
Other liabilities	23	27
Total long-term liabilities	**3,059**	**2,967**
Liabilities for commercial papers	487	1,000
Liabilities to Group companies	-	144
Other liabilities	142	73
Accrued expenses and prepaid income	28	18
Total current liabilities	**657**	**1,235**
TOTAL EQUITY AND LIABILITIES	**10,077**	**10,447**

Changes in Parent Company's equity

MSEK	Share capital	Share premium reserve	Retained earnings	Total equity
OPENING BALANCE 01/01/2018	**26**	**1,534**	**5,046**	**6,606**
Profit/loss for period	**-**	**-**	**-1**	**-1**
Total other comprehensive income, net after tax	**-**	-	**-**	-
Total other comprehensive income			**-1**	**-1**
Total transactions with shareholders	**-**	**-**	**-360**	**-360**
OPENING BALANCE 01/01/2019	**26**	**1,534**	**4,685**	**6,245**
Profit/loss for period	**-**	**-**	**486**	**486**
Total other comprehensive income, net after tax	-	-	**-**	**-**
Total transactions with shareholders	**-**	**-**	**-370**	**-370**
CLOSING BALANCE 12/31/2019	**26**	**1,534**	**4,801**	**6,361**

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 57 MSEK (34). The operating profit was 0 MSEK (1).

Net financial items for the period totaled 6 MSEK (143). The Parent Company's profit before taxes was 619 MSEK (-1).

Transactions between related parties

The Braganza AB Group is considered to be a related party in terms of participating interest and Board representation during the year. Accommodation revenues from related parties totaled 4 MSEK and costs for purchasing services from related parties amounted to -1 MSEK for the period. Scandic applies the OECD's recommendations for transfer pricing for transactions with subsidiaries.

ACCOUNTING PRINCIPLES

The Group applies International Financial Reporting Standards, IFRS, as endorsed by the EU. This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Annual Accounts Act.

The accounting principles and methods of calculation applied in this report are the same as those used in the preparation of Scandic's Annual Report and consolidated financial statements for 2018 and are outlined in Note 1, Accounting principles.

From January 1, 2019, the Group has applied IFRS 16 Leases. The Group has applied the simplified method with retrospective calculation of right-of-use assets, which means that the part of depreciation attributable to the time between the start date of the contract and the date on which the standard enters into force has impacted the retained earnings in the opening balance as at January 1, 2019. The effects of the new standard are described in the Group's Annual Report 2018 in Notes 1, 5, 13 and 22.

The Parent Company applies the Annual Accounts Act and RFR 2, Accounting for legal entities. This means that IFRS is applied with certain exceptions and additions.

This interim report gives a true and fair view of the Parent Company and Group's operations, financial position and results of operations and also describes the significant risks and uncertainties to which the Parent Company and Group companies are exposed. All amounts in this report are expressed in MSEK unless otherwise stated and rounding differences may occur.

The information about the interim period on pages 1 to 28 is an integral part of these financial statements.

ALTERNATIVE PERFORMANCE MEASURES

The company uses alternative performance measures for its financial statements. Since the second quarter 2016, Scandic has applied new ESMA (European Securities and Markets Authority) guidelines for alternative performance measures.

Alternative performance measures are reported to help investors evaluate a company's performance. They are also used by the company's management team for internal evaluation of operating activities as well as forecasting and budgeting. Alternative performance measures can also be used as part of the criteria for LTIP programs.

Alternative performance measures aim to measure Scandic's particular operations and may therefore differ from the way that other companies calculate similar measurements.

Definitions and explanations of alternative performance measures can be found at scandichotelsgroup.com/en/definitions

CALCULATION OF FAIR VALUE

The fair value of financial instruments is determined by their classification in the hierarchy of actual value. The different levels are defined as follows:

Level 1: Quoted prices for identical assets or liabilities in active markets.

Level 2: Observable data other than quoted prices for assets or liabilities included in Level 1, either directly or indirectly.

Level 3: Data for assets or liabilities not based on observable market data.

The Group's derivative instruments and loans from credit institutions are classified as Level 2. Liabilities to credit institutions are booked at the fair value.

SEGMENT DISCLOSURES

Segments are reported according to IFRS 8, Operating segments. Segment information is reported in the same way as it is analyzed and studied internally by executive decision-makers, mainly Scandic's CEO, the Executive Committee and the Board of Directors.

The main markets in which the Group operates are:

Sweden – Swedish hotels operated under the Scandic brand.

Norway – Norwegian hotels operated under the Scandic brand.

Finland – Finnish hotels operated under the Scandic brand as well as hotels operated under the Hilton, Crowne Plaza and Holiday Inn brands.

Other Europe – Hotels operated under the Scandic brand in Denmark, Poland and Germany.

Central functions – Costs for finance, business development, IR, communication, technical development, human resources, branding, marketing, sales, IT and purchasing. These functions support all hotels in the Group including those under lease agreements and management and franchise agreements.

The division of revenues between segments is based on the location of the business activities and segment disclosures are determined after eliminating intra-Group transactions. Revenues derive from many customers within all segments. Segment results are based on adjusted EBITDA.

Segment disclosures

Oct-Dec	Sweden		Norway		Finland		Other Europe		Central functions		Group	
MSEK	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Room revenue	1,053	1,045	705	687	773	673	460	419	-	-	2,991	2,824
Restaurant and conference revenue	547	555	550	555	412	368	243	204	-	-	1,752	1,682
Franchise and managment fees	3	3	3	3	-	0	1	1	-	-	7	7
Other hotel-related income	19	18	19	15	37	43	6	6	-	-	81	82
Net sales	**1,622**	**1,621**	**1,277**	**1,260**	**1,222**	**1,084**	**710**	**630**			**4,831**	**4,595**
Other income	-	-	-	-	-	-	-	-	-	-	-	-
Internal transactions	-	-	-	-	-	-	-	-	15	12	15	12
Group eliminations	-	-	-	-	-	-	-	-	-15	-12	-15	-12
Total income	**1,622**	**1,621**	**1,277**	**1,260**	**1,222**	**1,084**	**710**	**630**	**-**	**-**	**4,831**	**4,595**
Expenses	-1,383	-1,377	-1,162	-1,160	-1,006	-898	-650	-554	-126	-119	-4,327	-4,108
Adjusted EBITDA	**239**	**244**	**115**	**100**	**216**	**186**	**60**	**76**	**-126**	**-119**	**504**	**487**
Adjusted EBITDA margin, %	14.7	15.1	9.0	7.9	17.7	17.2	8.5	12.1	-	-	10.4	10.6
EBITDA	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,401**	**494**
EBITDA margin, %	-	-	-	-	-	-	-	-	-	-	29.0	10.8
Depreciation and amortization	-	-	-	-	-	-	-	-	-	-	-903	-239
Net financial items	-	-	-	-	-	-	-	-	-	-	-334	-44
EBT (Profit/loss before tax)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**164**	**211**

Jan-Dec	Sweden		Norway		Finland		Other Europe		Central functions		Group	
MSEK	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Room revenue	4,309	4,253	3,231	3,071	2,998	2,695	1,878	1,702	-	-	12,416	11,721
Restaurant and conference revenue	1,897	1,941	1,947	1,892	1,398	1,310	853	719	-	-	6,095	5,862
Franchise and managment fees	11	11	11	11	1	-	7	7	-	-	30	29
Other hotel-related income	74	70	154	142	150	163	26	20	-	-	404	395
Net sales	**6,291**	**6,275**	**5,343**	**5,116**	**4,547**	**4,168**	**2,764**	**2,448**	**-**	**-**	**18,945**	**18,007**
Other income	-	-	-	-	-	-	-	-	-	-	-	-
Internal transactions	-	-	-	-	-	-	-	-	57	34	57	34
Group eliminations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-57**	**-34**	**-57**	**-34**
Total income	**6,291**	**6,275**	**5,343**	**5,116**	**4,547**	**4,168**	**2,764**	**2,448**	**-**	**-**	**18,945**	**18,007**
Expenses	-5,381	-5,365	-4,804	-4,614	-3,840	-3,578	-2,466	-2,144	-408	-349	-16,899	-16,050
Adjusted EBITDA	**910**	**910**	**539**	**502**	**707**	**590**	**298**	**304**	**-408**	**-349**	**2,046**	**1,957**
Adjusted EBITDA margin, %	14.5	14.5	10.1	9.8	15.5	14.2	10.8	12.4			10.8	10.9
EBITDA	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,425**	**1,853**
EBITDA margin, %	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	28.6	10.3
Depreciation and amortization	-	-	-	-	-	-	-	-	-	-	-3,281	-870
EBIT (Operating profit/loss)	-	-	-	-	-	-	-	-	-	-	2,144	983
Net financial items	-	-	-	-	-	-	-	-	-	-	-1,242	-173
EBT (Profit/loss before tax)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**902**	**810**

Assets & investments by segment

31 Dec	Sweden		Norway		Finland		Other Europe		Central functions		Group	
MSEK	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Fixed assets	10,862	5,761	11,913	3,766	13,923	5,584	5,394	982	89	174	42,181	16,267
Investments in fixed assets	303	326	291	317	244	255	242	226	75	92	1,155	1,216

Revenue by country

MSEK	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Sweden	1,622	1,621	6,291	6,275
Norway	1,277	1,260	5,343	5,116
Finland	1,222	1,084	4,547	4,168
Denmark	509	450	1,979	1,736
Germany	178	160	696	633
Poland	23	20	89	79
Total countries	**4,831**	**4,595**	**18,945**	**18,007**
Other	15	12	57	34
Group eliminations	-15	-12	-57	-34
Group	**4,831**	**4,595**	**18,945**	**18,007**

Revenue by type of agreement

MSEK	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Lease agreements	4,815	4,577	18,877	17,933
Management agreements	3	3	12	12
Franchise and partner agreements	4	4	16	17
Owned	9	11	40	45
Total	**4,831**	**4,595**	**18,945**	**18,007**
Other	15	12	57	34
Group eliminations	-15	-12	-57	-34
Group	**4,831**	**4,595**	**18,945**	**18,007**

Summary of reported EBITDA & adjusted EBITDA

	Oct-Dec 2019	**Oct-Dec 2018**	**Jan-Dec 2019**	**Jan-Dec 2018**
EBITDA	1,401	494	5,425	1,853
Effect of finance leases, fixed and guaranteed rental charges	-909	-33	-3,291	-129
Pre-opening costs	13	3	81	92
Items affecting comparability	-1	23	-169	141
Adjusted EBITDA	**504**	**487**	**2,046**	**1,957**

Total rental charges

Total rental charges	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Fixed and guaranteed rental charges according to income statement	63	-758	-74	-2,968
Fixed and guaranteed rental charges, reversed effect of finance lease	-909	-33	-3,291	-129
Total fixed and guaranteed rental charges	**-846**	**-791**	**-3,365**	**-3,097**
Variable rental charges	-428	-398	-1,696	-1,667
Total rental charges	**-1,274**	**-1,189**	**-5,061**	**-4,764**
Fixed and guaranteed rental charges	17.5%	17.2%	17.8%	17.2%
Variable rental charges	8.9%	8.7%	9.0%	9.3%
Total rental charges	26.4%	25.9%	26.7%	26.5%

Quarterly data

MSEK	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Net sales	4,831	5,195	4,853	4,066	4,595	4,874
Adjusted EBITDA	504	823	559	160	487	736
Adjusted EBITDA margin, %	10.4	15.8	11.5	3.9	10.6	15.1
EBIT (Operating profit/loss)	498	799	526	321	255	513
Profit/Loss for the period	126	387	173	37	165	396
Profit/lLoss for the period, excl. effect finance lease	189	441	222	90	172	402
Earnings per share, SEK	1.21	3.76	1.67	0.35	1.59	3.83
Earnings per share, SEK, excl. effects finance lease	1.84	4.28	2.16	0.87	1.67	3.91
Net debt / adjusted EBITDA, LTM	1.7	2.0	2.2	2.1	2.0	2.4
RevPAR (Revenue per available room), SEK	672	807	745	599	651	766
ARR (Average room revenue), SEK	1,080	1,070	1,111	1,018	1,060	1,043
OCC (Occupancy), %	62.2	75.5	67.1	58.9	61.4	73.4

Quarterly data per segment

	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Net sales						
Sweden	1,622	1,674	1,623	1,372	1,621	1,617
Norway	1,277	1,519	1,397	1,152	1,260	1,466
Finland	1,222	1,234	1,115	975	1,084	1,108
Other Europe	710	768	718	567	630	683
Total net sales	**4,831**	**5,195**	**4,853**	**4,066**	**4,595**	**4,874**
Adjusted EBITDA						
Sweden	239	309	244	118	244	274
Norway	115	232	148	45	100	214
Finland	216	247	165	80	186	199
Other Europe	60	125	97	14	76	120
Central functions	-126	-90	-95	-97	-119	-71
Total adj EBITDA	**504**	**823**	**559**	**160**	**487**	**736**
Adjusted EBITDA margin, %	*10.4%*	*15.8%*	*11.5%*	*3.9%*	*10.6%*	*15.1%*

Exchange rates

SEK/EUR	Jan-Dec 2019	Jan-Dec 2018
Income statement (average)	10.5892	10.2567
Balance sheet (at end of period)	10.4336	10.2753
SEK/NOK		
Income statement (average)	1.0747	1.0687
Balance sheet (at end of period)	1.0579	1.0245
SEK/DKK		
Income statement (average)	1.4183	1.3762
Balance sheet (at end of period)	1.3968	1.3760

Alternative performance measures

Interest-bearing net liabilities	31 Dec 2019	31 Dec 2018
Liabilities to credit institutions	3,036	2,940
Liabilities, commercial papers	487	1,000
Cash and cash equivalents	-26	-103
Interest-bearing net liabilities	**3,497**	**3,837**

Working capital	31 Dec 2019	31 Dec 2018
Current assets, excl cash and bank balances	1,294	1,321
Current liabilities	-3,266	-2,896
Working capital	**-1,972**	**-1,575**

Definitions and alternative performance measures can be found on Scandic's website at scandichotelsgroup.com/en/definitions

LONG-TERM INCENTIVE PROGRAM

A long-term share-based incentive program has been implemented in the Group since the end of 2015. The current incentive programs were adopted by the annual general meetings in 2017 (LTIP 2017), 2018 (LTIP 2018) and 2019 (LTIP 2019). The LTIP 2016 ended in connection with the publication of Scandic's interim report for the first quarter 2019.

The long-term incentive programs enable 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 savings share, the participants may receive a matching share, where 50% of the allocation depends on a requirement related to the total return on the company's shares (TSR) being met and 50% is free of consideration. In addition, 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 related to EBITDA, cash flow and RGI (Revenue Generation Index = RevPAR in relation to the competitor group's RevPAR) for the 2017–2019 (LTIP 2017) and 2018–2020 (LTIP 2018) financial years respectively. For the LTIP 2018 and 2019, there are no RGI-related performance criteria.

Matching shares and performance shares will be allocated after the end of a vesting period until the date of publication of Scandic's interim report for the first quarter 2020, the first quarter 2021 and the first quarter 2022 respectively, subject to the participant remaining a permanent employee within the Group and retaining the savings shares.

Senior managers have invested in the program and may be allocated a maximum of 162,689 shares for the LTIP 2017, 203,443 shares for the LTIP 2018 and 248 735 shares for the LTIP 2019, corresponding to approximately 0.6% of Scandic's share capital and votes. The cost of the program is expected to be 29 MSEK, including social security contributions, and the cost included in the income statement for the Group in accordance with IFRS 2 amounted to 8 MSEK for 2019, including social security contributions. The maximum cost of the program, including social security contributions, is estimated to be 96 MSEK. For more information, see Note 6 in Scandic's Annual Report 2018. The expected financial exposure to shares that may be allocated under the LTIP 2017, LTIP 2018 and LTIP 2019 and the delivery of shares to participants has been hedged by Scandic's entering into a share swap agreement with a third party on market terms.

The Board of Directors and the CEO affirm that this interim report gives a true and fair view of the Parent Company and Group's operations, financial position and results of operations and that it also describes the significant risks and uncertainties to which the Parent Company and Group companies are exposed.

Stockholm, February 18, 2020

Per G. Braathen
Chairman

Ingalill Berglund
Member of the Board

Grant Hearn
Member of the Board

Christoffer Lundström
Member of the Board

Susanne Mørch Koch
Member of the Board

Riitta Savonlahti
Member of the Board

Martin Svalstedt
Member of the Board

Fredrik Wirdenius
Member of the Board

Marianne Sundelius
Employee representative

Jens Mathiesen
President & CEO

Definitions

HOTEL-RELATED KEY RATIOS

ARR (Average Room Rate)
The average room rate is the average room revenue per sold room.

LFL (Like-for-Like)
LFL refers to the hotels that were in operation during the entire period as well as during the corresponding period of the previous year.

OCC (Occupancy)
Refers to sold rooms in relation to the number of available rooms. Expressed as 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 & ALTERNATIVE PERFORMANCE MEASURES

EBITDAR
Earnings before interest, taxes, depreciation and amortization and rent.

Adjusted EBITDA
Earnings before pre-opening costs, items affecting comparability, interest, taxes, depreciation and amortization, adjusted for the effects of the finance lease.

Adjusted EBITDA margin
Adjusted EBITDA as percentage of net sales.

EBITDA
Earnings before interest, taxes, depreciation and amortization.

EBIT
Earnings before interest and tax.

EBT
Earnings before tax.

Items affecting comparability
Items that are not directly related to the normal operations of the company, for example, costs for transactions, integration, restructuring and capital gains/losses from the sale of operations.

Interest-bearing net liabilities
Liabilities to credit institutions and commercial papers less cash and cash equivalents.

Working capital, net
Total current assets, excluding derivative instruments and cash and cash equivalents, less total current liabilities, excluding derivative instruments, the current portion of finance lease liabilities and commercial papers.

EQUITY-RELATED KEY RATIOS

Earnings per share
The profit/loss during the period related to the shareholders of the Parent Company divided by the average number of shares.

Equity per share
Equity related to the shareholders of the Parent Company divided by the number of shares outstanding at the end of the period.

A more comprehensive list of definitions is available at scandichotelsgroup.com/en/definitions

Scandic Hotels Group

Scandic is the largest hotel company in the Nordic countries with about 58,000 rooms at approximately 280 hotels in operation and under development. In 2019, the Group had annual sales of SEK 18.9 billion.

Scandic operates within the mid-market hotel segment under an industry-leading brand. The company has a high share of returning guests and the Scandic Friends loyalty program is the largest in the Nordic hospitality industry with more than 2 million members.

Since it was founded in 1963, Scandic has been a pioneer and driven development in the hotel industry.

Scandic was listed on the Nasdaq Stockholm exchange on December 2, 2015.

Press releases (selection)

2019-11-22 Changes in Scandic's organization to strengthen portfolio development

2019-11-13 Scandic to open new hotel in Örebro

2019-10-22 Scandic to open central Helsinki's largest conference hotel

2019-10-04 Nomination Committee for Scandic's AGM 2020 appointed

2019-09-24 Scandic signs agreement for prestigious hotel and conference center in Aarhus harbor

2019-08-07 Scandic reopens iconic hotel and event venue in Copenhagen

2019-06-25 Scandic to take over hotel in Stavanger

2019-06-14 Scandic recruits new HR and Sustainability Director

2019-06-14 Scandic to open new hotel in Copenhagen

2019-05-17 Lena Bjurner to leave Scandic

2019-04-25 Scandic to divest one hotel in Lahti

2019-04-04 Scandic's Nomination Committee announces proposal for two new Board members

2019-03-21 Scandic to expand two Norwegian hotels

scandichotelsgroup.com

Follow us!

Scandic Hotels
Group AB (publ.)
Corp. id. 556703-1702
Location: Stockholm

Head office:
Sveavägen 167
102 33 Stockholm
Phone: +46 8 517 350 00

Scandic