Scandic

The leading hotel company in the Nordics

January - September 2020

SLOW RECOVERY

THIRD QUARTER IN SUMMARY

- Net sales decreased by 60 percent to 2,085 MSEK (5,195).
- Occupancy was 36 percent, (75.5) less than half of what it was during Q3 2019.
- Adjusted EBITDA was 90 MSEK (823). The decrease in earnings was mitigated by direct government support of 371 MSEK as well as low operating costs.
- Excluding the effects of IFRS 16 and items affecting comparability, earnings per share amounted to -0.77 SEK (4.28).
- Items affecting comparability amounted to -70 MSEK, related to staff reductions in Norway and Denmark.
- At the end of the quarter, Scandic's available liquidity amounted to around 3.2 BSEK including credit commitments.
- On September 28, Scandic announced it was strengthening its commercial organization by recruiting Anna Spjuth as Chief Commercial Officer.

THE PERIOD JANUARY-SEPTEMBER IN SUMMARY

- Net sales fell by 57 percent to 6,093 MSEK (14,114) and adjusted EBITDA was -1,221 MSEK (1,542).
- Adjusted for the effects of IFRS 16 and items affecting comparability, earnings per share amounted to -37.78 SEK (5.65) with a negative material impact from the impairment of intangible assets that was carried out during the first quarter.

EVENTS AFTER REPORTING DATE

- Agreement signed to take over a 150-room hotel by Stockholm Arlanda Airport with revenue-based rent.
- Scandic intensify negotiations with the landlords regarding rents and will therefore reduce rent payments until new agreements have been reached.

GROUP KEY RATIOS

MSEK	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	% change	Jan-Dec 2019	Oct-Sep 2019/2020
Financial key ratios							
Net sales	2,085	5,195	6,093	14,114	*-56.8%*	18,945	10,924
Adjusted EBITDA	90	823	-1,221	1,542		2,046	-717
Adjusted EBITDA margin, %	4.3	15.8	-20.0	10.9		10.8	-6.6
EBIT (Operating profit/loss)	19	799	-4,423	1,646		2,144	-3,925
Net profit/loss for the period	-254	387	-5,424	597		725	-5,296
Net profit/loss for the period excl. effect leases	-203	441	-5,277	753		942	-5,088
Earnings per share, SEK	-1.32	3.76	-40.37	5.77		7.01	-41.88
Earnings per share, SEK, excl. effect leases	-1.06	4.28	-39.29	7.31		9.15	-26.60
Earnings per share, SEK, excl. effect leases & items affecting comparability	-0.77	4.28	-37.78	5.65		7.49	-25.98
Net debt	3,426	3,963	3,426	3,963		3,497	
Net debt/Adjusted EBITDA, LTM	neg	2.0	neg	2.0		1.7	
Hotel-related key ratios							
RevPAR (SEK)	323	807	298	719	*-58.6%*	707	392
ARR (Average Room Rate), SEK	896	1,070	971	1,069	*-9.1%*	1,071	1,015
OCC (Occupancy), %	36.1	75.5	30.6	67.2		66.0	38.6
Total number of rooms on reporting date	53,159	52,744	53,159	52,744	*0.8%*	52,755	53,159

CEO'S COMMENTS

Improvement from historically-low level but demand remains weak

Scandic's adjusted EBITDA improved compared with the previous quarter, increasing to a slight positive result, supported by low operating costs and government support. Occupancy was 36 percent, only half of what was normal earlier and below what is needed for sustained profitability.

Since many people opted to spend their vacations in their home countries, a number of hotels at holiday destinations experienced high occupancy during the summer. The level of activity in all Nordic capital cities, however, was extremely low. From the end of August, demand has been driven mainly by domestic corporate customers outside the big cities on weekdays combined with leisure travelers on the weekends.

Lease agreements need to be changed

The coronavirus crisis will have a long-term impact on the hotel industry, and it will be several years before occupancy returns to the level prior to the pandemic. Our leases must therefore ensure profitability at lower occupancy levels and provide a balanced risk sharing during periods of low demand. Today, some hotels, especially in the big cities, have rent costs that exceeds their revenues, which is unreasonable. We are now intensifying negotiations with our landlords and will therefore reduce rent payments until new terms have been reached.

Scandic recently signed an agreement to take over a modern hotel at Arlanda Airport in Stockholm with a variable rent that provides a balanced risk distribution between us and the landlord. I'm certain we will see more agreements with a similar structure going forward.

Important commercial initiatives

Scandic has recently introduced a number of commercial initiatives including the launch of a coworking concept, a student housing offering and improved terms and conditions for loyalty members. In addition, we have recently strengthened our commercial organization through the recruitment of Anna Spjuth as Chief Commercial Officer at Scandic.

Uncertain market conditions

In October, our occupancy rate was roughly in line with September and amounted to 33 percent. Demand is currently negatively affected by increased spread of the coronavirus combined with stricter government restrictions in our markets. Based on current booking rate, occupancy in November is expected to be lower than in October.

As the clear market leader with a strong, proven operational and commercial model and a leading customer offering, I'm convinced that Scandic will continue to be the best long-term partner for hotel property owners in the Nordic region.

Jens Mathiesen
President & CEO

"Adjusted EBITDA improved compared with the previous quarter, increasing to a slight positive result"

"We are now intensifying negotiations with our landlords and will therefore reduce rent payments until new terms have been reached"

"In October, our occupancy rate was roughly in line with September and amounted to 33 percent."

NORDIC HOTEL MARKET DEVELOPMENT IN THE QUARTER

Higher occupancy during summer from domestic tourism

Compared with the historically-weak second quarter, demand for hotels increased in all markets during the period July-September. Occupancy was highest in Norway where it was driven mainly by good demand in July.

In total, RevPAR in the Nordic countries decreased by between 39 and 65 percent compared with the same period last year. Average occupancy was between 37 and 43 percent compared with 70 to 80 percent during the third quarter last year.

Continued disparities between destinations

Occupancy rose considerably between June and July in all markets before going down somewhat in August. In September, market occupancy fell slightly in Norway, Denmark and Finland but went up marginally in Sweden.

Rising demand during the quarter was largely driven by domestic tourism with disparities between certain destinations. Hotels in some tourist destinations had very high occupancy during the summer while those in larger cities continued to be negatively impacted by canceled events and meeting and travel restrictions.

At the beginning of the fall, some business travel has started to pick up again, mainly at smaller destinations. Activity levels on weekends have also been buoyed by demand from leisure travelers. The market, however, is still significantly affected by reduced international travel, the absence of larger events in the big cities and travel restrictions among companies and organizations.

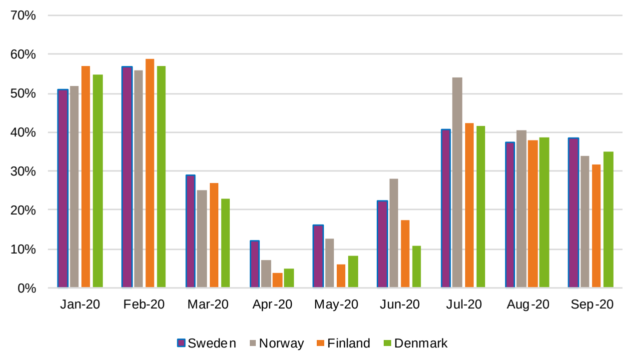
Sweden has had less-comprehensive restrictions from authorities than in the other Nordic countries, making Sweden the market with the highest occupancy in September.

As a result of changed travel behavior, there has been a shift in occupancy levels between the days of the week with occupancy now often highest from Friday to Saturday instead of the normal pattern where it is generally highest between Monday and Wednesday.

Similar occupancy in October

In October, average occupancy in the Nordic countries was largely in line with September. Occupancy improved somewhat in Sweden and Norway compared to the previous month while Finland, Denmark and Germany have been impacted negatively by stricter restrictions from authorities.

MARKET OCCUPANCY JANUARY-SEPTEMBER 2020



Källa: Benchmarking Alliance

HOTEL PORTFOLIO

Existing hotel portfolio

At the end of the period, Scandic had 53,129 rooms in operation at 268 hotels, of which 244 were operated under lease agreements.

During the quarter, Scandic Pasila opened in Helsinki. In total, the number of rooms in operation increased by 179 during the quarter.

During the fourth quarter two Finnish hotels with a total of 255 rooms will be exited. Scandic does not plan to open any hotels during the fourth quarter.

Approximately 15 percent of Scandic's lease agreements will expire by the end of 2022, with approximately 25 percent before the end of 2025. The average duration of Scandics lease contracts is approximately 11 years.

Portfolio changes	**Number of rooms**
Opening balance July 1, 2020	
Lease contracts	49,751
Franchise, Management & Other	3,229
Total	**52,980**
Change lease contracts	**179**
Change other	**0**
Total change during the quarter	**179**
Closing balance September 30, 2020	
Lease contracts	49,930
Franchise, Management & Other	3,229
Total	**53,159**

Number of hotels in operation and in pipeline

	Operational on Sep 30, 2020				**Pipeline on Sep 30, 2020**	
	Hotels	**of which with Lease contracts**	**Rooms**	**of which with Lease contracts**	**Hotels**	**Rooms**
Sweden	84	78	17,541	16,749	4	1,189
Norway	88	72	16,531	14,371	1	477
Finland	63	62	12,414	12,347	3	1,113
Denmark	27	26	4,955	4,745	4	1,574
Other Europe	6	6	1,718	1,718	2	739
Total	**268**	**244**	**53,159**	**49,930**	**14**	**5,092**
Change during the quarter	*1*	*1*	*179*	*179*	*-2*	*-603*

High-quality pipeline

At the end of the period, Scandic's pipeline included a net of 14 hotels with 5,092 rooms, corresponding to 9.6 percent of the current hotel portfolio. The number of hotel rooms in the pipeline decreased by 603 during the quarter due to uncertainty about implementation of certain projects. After the end of the quarter, Scandic signed an agreement to take over a 150-room hotel at Arlanda Airport in Stockholm. The takeover will take place without any purchase price and with a variable lease agreement that provides a balanced risk distribution

For 2020 to 2024, investments in the pipeline are expected to be SEK 1.1 billion.

SALES & ADJUSTED EBITDA

Group

	Jul-Sep 2020	Jul-Sep 2019	%	Jan-Sep 2020	Jan-Sep 2019	%
Net sales (MSEK)	**2,085**	**5,195**	**-59.8%**	**6,093**	**14,114**	**-56.8%**
Currency effects	-101		-1.9%	-177		-1.3%
Organic growth	-3,008		-57.9%	-7,844		-55.5%
New hotels	*-66*		*-1.3%*	*-106*		*-0.7%*
Exits	*-41*		*-0.8%*	*-151*		*-1.1%*
LFL	*-2,901*		*-55.8%*	*-7,588*		*-53.7%*
Adjusted EBITDA	**90**	**823**	**-89.0%**	**-1,221**	**1,542**	**-179.2%**
% margin	4.3%	15.8%		-20.0%	10.9%	
RevPAR (SEK)	**323**	**807**	**-60.0%**	**298**	**719**	**-58.6%**
Currency effects	-15		-1.9%	-8		-1.2%
New hotels/exits	1		0.1%	-1		0.0%
LFL	-470		-58.2%	-413		-57.4%

Third quarter

Net sales fell by 59.8 percent to 2,085 MSEK (5,195). Currency effects affected net sales negatively by 1.9 percent.

Organic sales growth, i.e. excluding currency effects and acquisitions, amounted to -57.9 percent. For comparable units, net sales fell by 55.8 percent. Sales were affected negatively by the Covid-19 pandemic in all countries.

Of the total 246 hotels that are owned or operated under lease or management agreements, 14 remained closed at the end of September 2020.

Average Revenue Per Available Room (RevPAR) dropped by 58.1 percent in local currency compared with the previous year. RevPAR for comparable units dropped by 58.2 percent.

Revenue from restaurant and conference operations fell by 62.7 percent and the share of total net sales fell to 25.6 percent (27.5). Scandic's restaurants had limited opening hours during the quarter. Revenue from conferences remained at a low level during the quarter.

Rental costs excluding the effect of leases fell to 731 MSEK (1,397). The sharp decrease in net sales meant that for nearly all hotels, only fixed and guaranteed rent was paid. Rental costs were reduced by approximately 233 MSEK due to state aid during the third quarter.

Results for central functions improved and amounted to -57 MSEK (-90). Personnel costs were reduced due to terminations and furlough.

Adjusted EBITDA dropped to 90 MSEK (823). Operating expenses, excluding rental expenses, decreased in the quarter by SEK 1,638 MSEK or 55.1 percent excluding currency effects compared with the corresponding quarter last year. Compared with the end of February, approximately 4,000 full-time employees (FTEs) have left the company. Approximately 1,500 FTEs were on furlough by the end of the quarter.

Adjusted EBITDA includes governmental support received during the quarter, and different forms of furlough subsidies were received to a varying degree in all countries. Direct state aid excluding furlough subsidies was 371 MSEK in the third quarter, which is mainly attributable to previous periods.

The period January – September

Net sales fell by 56.8 percent to 6,093 MSEK (14,114). Currency effects affected net sales negatively by 1.3 percent. Organic growth, i.e. growth excluding currency effects and acquisitions, amounted to -55.5 percent. Sales were affected negatively by Covid-19 in all countries.

New hotels/exits contributed -257 MSEK net. Crowne Plaza was closed for renovations in January 2020. New hotels made a negative contribution as net sales for these hotels have decreased compared with the period they were in operation last year.

Average Revenue Per Available Room (RevPAR) dropped by 57.4 percent in local currency compared with the previous year. RevPAR for comparable units dropped 57.4 percent.

Revenue from restaurant and conference operations fell 58.5 percent and the share of total net sales fell to 29.6 percent (30.8).

Rental costs excluding the effect of IFRS 16 fell to 2,533 MSEK (3,786). The sharp decrease in net sales meant that for almost all hotels, only fixed and guaranteed rent was paid from the second quarter. Rental costs were reduced by approximately 326 MSEK due to governmental support during the period.

Costs for central functions fell to -259 MSEK (-282). Personnel costs were reduced from the end of the first quarter due to terminations and furlough subsidies.

Adjusted EBITDA dropped to -1,211 MSEK (1,542). Substantial cost savings, mainly staff reductions, have reduced the negative effect of Covid-19 since the end of the first quarter.

Adjusted EBITDA includes state subsidies received during the period. Different forms of furlough subsidies were received to a varying degree in all countries. Direct state aid excluding furlough subsidies was 500 MSEK during the period.

Segment reporting

Quarterly, Jul-Sep	**Net sales**		**Adjusted EBITDA**		**Adjusted EBITDA margin**	
MSEK	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Sweden	625	1,674	77	309	12.3%	18.5%
Norway	724	1,519	104	232	14.4%	15.3%
Finland	472	1,234	-95	247	-20.1%	20.0%
Other Europe	264	768	61	125	23.1%	16.3%
Central costs and Group adjustments	-	-	-57	-90	-	-
Total Group	**2,085**	**5,195**	**90**	**823**	**4.3%**	**15.8%**

Period, Jan-Sep	**Net sales**		**Adjusted EBITDA**		**Adjusted EBITDA margin**	
MSEK	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Sweden	2,024	4,669	-266	671	-13.1%	14.4%
Norway	1,826	4,066	-55	424	-3.0%	10.4%
Finland	1,413	3,324	-368	491	-26.0%	14.8%
Other Europe	830	2,055	-274	238	-33.0%	11.6%
Central costs and Group adjustments	-	-	-259	-282	-	-
Total Group	**6,093**	**14,114**	**-1,221**	**1,542**	**-20.0%**	**10.9%**

EFFECTS OF IFRS 16

As of January 1, 2019, the Group applies IFRS 16 Leases. The accounting principle means that lease agreements with a fixed or minimum rent are recognized in the balance sheet as a right-of-use asset and a lease liability. IFRS 16 has a substantial impact on Scandic's income statement and balance sheet. Reported EBITDA increases significantly as the reported cost of leases falls while depreciation of right-of-use assets and interest expenses for the lease liability grows. With the current portfolio of lease agreements at the end of 2019, net profit after tax for 2020 is expected to be negatively impacted by approximately 180 MSEK (217). With an unchanged portfolio of lease agreements and unchanged assumptions, the negative effect on the profit is expected to decline over time and have a positive effect on the net profit from 2026. This is because interest expenses for the lease liability decrease over time as the lease liability is amortized continuously.

The definition of adjusted EBITDA has not changed compared with the previous year and excludes the effect of leases. The table below shows the bridge between the income statement excluding the effect of leases to the reported income statement according to IFRS.

Summary of the effects of IFRS 16

	Jan-Sep 2020			Jan-Sep 2019
	Excl. effect IFRS 16	Effect IFRS 16	Reported	Reported
Total operating income	**6,093**	**0**	**6,093**	**14,114**
EBITDAR	**1,312**	**0**	**1,312**	**5,328**
Total rental charges	-2,533	2,429	-104	-1,406
Adjusted EBITDA	**-1,221**			
Pre-opening costs	-33	0	-33	-67
Items affecting comparability	-258	0	-258	168
EBITDA	**-1,512**	**2,429**	**917**	**4,023**
Depreciations, amortizations and impairment losses	-3,557	-1,783	-5,340	-2,377
EBIT	**-5,069**	**646**	**-4,423**	**1,646**
Net financial items	-188	-833	-1,020	-909
EBT (Profit before tax)	**-5,257**	**-187**	**-5,443**	**737**
Tax	-20	39	19	-140
Profit/loss for the period	**-5,277**	**-148**	**-5,424**	**597**
Earnings per share, SEK	-39.29	-1.08	-40.37	5.77

Result excluding effect of leases

	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019	Oct-Sep 2019/2020
Total operating income	**2,085**	**5,195**	**6,093**	**14,114**	**18,945**	**10,924**
EBITDAR	**820**	**2,222**	**1,312**	**5,328**	**7,107**	**3,091**
Total rental charges	-731	-1,397	-2,533	-3,786	-5,061	-3,808
Adjusted EBITDA	**90**	**823**	**-1,221**	**1,542**	**2,046**	**-717**
Pre-opening costs	-4	-21	-33	-67	-81	-47
Items affecting comparability	-70	0	-258	168	169	-257
EBITDA	**15**	**802**	**-1,512**	**1,643**	**2,134**	**-1,021**
Depreciations, amortizations and impairment losses	-204	-221	-3,557	-629	-859	-3,787
EBIT	**-189**	**580**	**-5,069**	**1,014**	**1,275**	**-4,808**
Net financial items	-60	-23	-188	-81	-99	-206
EBT (Profit before tax)	**-249**	**557**	**-5,257**	**933**	**1,176**	**-5,014**
Tax	46	-116	-20	-181	-234	-73
Profit/loss for the period	**-203**	**441**	**-5,277**	**753**	**942**	**-5,088**
Earnings per share, SEK	-1.06	4.28	-39.29	7.31	9.15	-26.60

Q3

REPORTED RESULT

Third quarter

EBITDA was 811 MSEK (1,617) and 90 MSEK (823) excluding the effect of leases. EBITDA included pre-opening costs for new hotels of -4 MSEK (-21). Items affecting comparability amounted to -69 MSEK (-) and primarily referred to costs related to the reduction of the number of employees in Norway and Denmark.

EBIT was 19 MSEK (799) and -189 MSEK (580) excluding the effect of leases. Depreciation and amortization totaled -792 MSEK (-818). Excluding the effect of leases, depreciation and amortization amounted to -204 MSEK (-221).

The Group's net financial expense amounted to -333 MSEK (-308) MSEK and -60 MSEK (-23) excluding the effect of leases. The interest expense, excluding the effect of leases, was -62 MSEK (-284).

The loss before tax was -314 MSEK (profit: 491) and -249 MSEK (profit: 557) excluding the effect of leases.

Reported tax amounted to 60 MSEK (-104).

Net profit/loss dropped to -254 MSEK (387). Excluding the effect of leases, net profit/loss fell to -203 MSEK (441).

Earnings per share after dilution amounted to -1.32 SEK (3.76) per share and -1.06 SEK (4.28) excluding leases. Adjusted for items affecting comparability, earnings per share totaled -0.77 SEK (4.28).

The period January – September

EBITDA was 917 MSEK (4,023) and -1,512 MSEK (1,643) excluding the effect of leases. EBITDA includes pre-opening costs for new hotels of -33 MSEK (-67) and items affecting comparability of -258 MSEK (168). Items affecting comparability primarily referred to costs related to the reduction in the number of employees in Sweden, Norway and Denmark. Items affecting comparability for the same period of the previous year mainly comprised a capital gain of 181 MSEK from the sale of Scandic Hasselbacken in Stockholm and costs of -13 MSEK in connection with the change of President & CEO.

EBIT was -4,423 MSEK (1,646) and -5,070 MSEK (1,014) excluding the effect of leases. Due to the negative effects of Covid-19 on the company's operations, non-current assets were tested for impairment in connection with the preparation of the interim report for the first quarter. The impairment test showed an impairment of intangible assets of 2,955 MSEK. The impairment primarily involved assets in Norway and Sweden as well as in Denmark and Finland. Approximately 85 percent of the impairment was due to the increased discount rate caused by estimated increased risk and ensuing return requirements on hotel operations. The remaining part of the impairment amount was due to the fact that future cash flows are expected to be somewhat lower.

Depreciation and amortization totaled -5,340 MSEK (-2,377). Excluding the effect of leases, depreciation and amortization amounted to -3,557 MSEK (-629).

The Group's net financial expense amounted to -1,020 MSEK (-909) MSEK and -188 (-81) excluding the effect of leases. The interest expense, excluding the effect of leases, was -133 MSEK (-79). The net financial expense includes non-recurring items related to amending and updating a -52 MSEK loan agreement.

Loss before tax was -5,443 MSEK (profit: 737) and -5,257 MSEK (-187) excluding the effect of leases.

Reported tax amounted to 19 MSEK (-140). The administrative court in Finland rejected Scandic's appeal regarding the supplementary taxation of the Finnish branch of Scandic Hotels AB in the years 2007–2017. Scandic has appealed the decision. The supplementary taxation amounted to approximately 400 MSEK and was fully expensed in the first quarter. The amount is marginally lower than the company's previous payment to the Finnish Tax Administration. Scandic therefore received approximately 15 MSEK in the second quarter.

Net profit/loss dropped to -5,424 MSEK (597) and to -5,277 MSEK (753) excluding the effect of leases.

Earnings per share after dilution amounted to -40.37 SEK (5.77) per share and -39.29 SEK (7.31) excluding leases. Adjusted for items affecting comparability, earnings per share amounted to -37.78 SEK (5.65) with a significant negative impact from impairment of intangible assets and a tax expense from supplementary taxation in Finland.

Earnings per share

	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019	Oct-Sep 2019/2020
Earnings per share, SEK	**-1.32**	**3.76**	**-40.37**	**5.77**	**7.01**	**-41.88**
Effect from lease	0.26	0.52	1.08	1.54	2.14	15.28
Earnings per share, SEK, excl. effect lease	**-1.06**	**4.28**	**-39.29**	**7.31**	**9.15**	**-26.60**
Items affecting comparability	0.29	0.00	1.51	-1.66	-1.66	0.62
Earnings per share, SEK, excl. effect lease & items affecting comparability	**-0.77**	**4.28**	**-37.78**	**5.65**	**7.49**	**-25.98**

CASH FLOW & FINANCIAL POSITION

Operating cash flow for the period January to September excluding leases was -1,436 MSEK (281), which was impacted by negative effects from Covid-19 on the company's operations. The cash flow contribution from the change in working capital amounted to 622 MSEK (-344). The improvement is chiefly explained by renegotiated terms of payment for leases with a net effect of approximately 500 MSEK and liabilities related to the payment respite for VAT and social security contributions of approximately 240 MSEK.

Paid tax amounted to -55 MSEK (-301).

Net investments totaled -603 MSEK (-821) of which hotel renovations accounted for -406 MSEK (-443) and IT for -28 MSEK (-44). Investments in new hotels and increased room capacity totaled -169 MSEK (-334). The rate of investments has gone down since the second quarter and is expected to remain at a lower rate for the rest of the year and only already contracted investments will be made. In the same period in the previous year, Scandic received the purchase price of 232 MSEK for the divestment of Scandic Hasselbacken.

In total, the free cash flow fell to -1,605 MSEK (179).

The proceeds of 1,765 MSEK from the rights issue were received before the end of the second quarter 2020 after the deduction of paid expenses of 63 MSEK for the issue.

Operating cash flow

MSEK	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019	Oct-Sep 2019/2020
Adjusted EBITDA	90	823	-1,221	1,542	2,046	-717
Pre-opening costs	-4	-21	-33	-67	-81	-47
Non-recurring items	-70	0	-258	168	169	-257
Adjustments for non-cash items	21	-11	34	-174	-173	35
Paid tax	2	-40	-55	-301	-343	-97
Change in working capital	-131	-247	622	-344	158	1,124
Interests paid, credit institutions	-61	-18	-91	-56	-71	-106
Cash flow from operations	**-153**	**486**	**-1,002**	**768**	**1,705**	**-65**
Investments in hotel renovations	-73	-118	-406	-443	-722	-685
Investments in IT	-2	-10	-28	-44	-71	-55
Free cash flow before investments in expansion	**-228**	**358**	**-1,436**	**281**	**912**	**-805**
Acquisitions/sales of operations	0	2	0	232	232	0
Investments in new capacity	-65	-111	-169	-334	-367	-202
Free cash flow	**-293**	**249**	**-1,605**	**179**	**777**	**-1,007**
Right issue	-44	0	1,702	0	0	1,702
Other items in financing activities	-42	0	-75	-14	-14	-75
Subscription rights	17	0	17	0	0	17
Transaction costs expensed	-14	3	2	-5	-8	-1
Exchange difference in net debt	-21	-18	29	-105	-55	79
Dividend	0	-4	0	-181	-361	-180
Förändring räntebärande nettoskuld	**-397**	**230**	**71**	**-126**	**339**	**535**

The balance sheet total on September 30, 2020 was 38,608 MSEK, compared with 43,509 MSEK on December 31, 2019.

Interest-bearing net liabilities, excluding lease liabilities, fell by 71 MSEK during the year to 3,426 MSEK. The reduction is due to the fact that the proceeds from the issue exceeded the negative free cash flow.

On May 22, 2020, Scandic entered into an agreement to amend and update an existing loan agreement, adding an additional credit facility of 1,150 MSEK in total of which 500 MSEK was available from September 1, 2020 and an additional 650 MSEK will be available from January 1, 2021. The additional credit facility will be available until December 31, 2021. The original 5,500 MSEK loan agreement will mature on June 22, 2022. The updated loan agreement includes adjustments of interest terms, securities and covenants.

Total agreed credit facilities including credit commitments amounted to 6,650 MSEK at the end of September 2020. Loans from credit institutions totaled 3,261 MSEK, commercial papers amounted to 336 MSEK and cash and cash equivalents totaled 171 MSEK. Total available liquidity amounted to approximately 3,200 MSEK.

As of September 30, 2020, before issue expenses, the rights issue resulted in an increase of 1,765 MSEK in equity of which 22.1 MSEK was an increase in share capital. The number of shares grew by 88,272,918. Total issue expenses are estimated at 64 MSEK of which 63 MSEK has been paid. As of September 30, 2020, the total number of outstanding shares was 191,257,993 and the average number of shares after dilution was 134,324,699. Equity was 2,810 MSEK compared with 6,601 MSEK on December 31, 2019.

SEGMENT REPORTING

Sweden

	Jul-Sep 2020	Jul-Sep 2019	%	Jan-Sep 2020	Jan-Sep 2019	%
Net sales (MSEK)	**625**	**1,674**	**-62.7%**	**2,024**	**4,669**	**-56.7%**
Organic growth	-1,049		-62.7%	-2,645		-56.7%
New hotels	*-*		*-*	*-*		
Exits	*0*		*0.0%*	*-7*		*-0.2%*
LFL	*-1,049*		*-62.7%*	*-2,638*		*-56.5%*
Adjusted EBITDA	**77**	**309**	**-75.1%**	**-266**	**671**	**-139.6%**
% margin	12.3%	18.5%		-13.1%	14.4%	
RevPAR (SEK)	**308**	**809**	**-61.9%**	**308**	**735**	**-58.1%**
New hotels/exits	0		0.0%	0		0.1%
LFL	-501		-61.9%	-427		-58.2%
ARR (SEK)	822	1,033	-20.4%	933	1,047	-10.9%
OCC %	37.5%	78.4%		33.0%	70.1%	

Third quarter

Net sales decreased 62.7 percent to 625 MSEK (1,674). For comparable units, net sales went down 62.7 percent.

All hotels that were operated under lease and management agreements were open during the quarter.

Average Revenue Per Available Room (RevPAR) went down 61.9 percent compared with the same quarter in the previous year. RevPAR for comparable units decreased by 61.9 percent.

Adjusted EBITDA decreased to 77 MSEK (309) including government support for furloughed employees. Direct state aid excluding furlough subsidies reduced costs by 149 MSEK of which aid for rent amounted to 99 MSEK in the third quarter.

The period January – September

Net sales decreased 56.7 percent to 2,024 MSEK (4,669). For comparable units, net sales went down 56.5 percent.

Scandic Hasselbacken in Stockholm was sold on March 1 resulting in a negative impact of 7 MSEK on net sales compared with the previous year.

Average Revenue Per Available Room (RevPAR) dropped 58.1 percent compared with the previous year.

For comparable units, RevPAR went down 58.2 percent.

Adjusted EBITDA decreased to -266 MSEK (671) including government support for furloughed employees. Direct state aid excluding furlough subsidies reduced costs by 149 MSEK of which aid for rent amounted to 99 MSEK in the period.

Norway

	Jul-Sep 2020	Jul-Sep 2019	%	Jan-Sep 2020	Jan-Sep 2019	%
Net sales (MSEK)	**724**	**1,519**	**-52.3%**	**1,826**	**4,066**	**-55.1%**
Currency effects	-80		-5.3%	-175		-4.4%
Organic growth	-715		-47.0%	-2,065		-50.7%
New hotels	*21*		*1.4%*	*48*		*1.2%*
Exits	*-5*		*-0.3%*	*-30*		*-0.7%*
LFL	*-731*		*-48.1%*	*-2,083*		*-51.2%*
Adjusted EBITDA	**104**	**232**	**-55.1%**	**-55**	**424**	**-112.9%**
% margin	14.4%	15.3%		-3.0%	10.4%	
RevPAR (SEK)	**388**	**781**	**-50.3%**	**296**	**687**	**-57.0%**
Currency effects	-41		-5.4%	-28		-4.2%
New hotels/exits	9		1.2%	0		0.1%
LFL	-361		-46.1%	-363		-52.9%
ARR (SEK)	945	1,055	-10.4%	964	1,071	-10.0%
OCC %	41.1%	74.0%		30.7%	64.1%	

Third quarter

Net sales dropped 52.3 percent to 724 MSEK (1,519). For comparable units, net sales went down 48.1 percent.

Changes in the hotel portfolio contributed a net of 16 MSEK. Scandic Voss, which opened on January 30, 2020 and Stavanger Royal, which Scandic took over on October 1, 2019 contributed positively.

Of Norway's 73 hotels that are owned or operated under lease agreements, 4 hotels were still closed on September 30, 2020.

Average Revenue Per Available Room (RevPAR) decreased 44.9 percent in local currency compared with the same quarter in the previous year. RevPAR for comparable units dropped 46.1 percent.

Adjusted EBITDA fell to 104 MSEK (232) including governmental support. Direct state aid excluding furlough subsidies reduced costs by 62 MSEK of which aid for rent amounted to 44 MSEK in the third quarter.

The period January – September

Net sales dropped 55.1 percent to 1,826 MSEK (4,066). For comparable units, net sales went down 51.2 percent.

Changes in the hotel portfolio contributed a net of 18 MSEK. Scandic Voss, which opened on January 30, 2020 and Stavanger Royal, which Scandic took over on October 1, 2019 contributed positively.

Average Revenue Per Available Room (RevPAR) decreased 52.8 percent in local currency compared with the previous year. For comparable units, RevPAR went down 52.9 percent.

Adjusted EBITDA fell to -55 MSEK (424) including government aid. Direct state aid excluding furlough subsidies reduced costs by 190 MSEK of which aid for rent amounted to 137 MSEK in the period.

Finland

	Jul-Sep 2020	Jul-Sep 2019	%	Jan-Sep 2020	Jan-Sep 2019	%
Net sales (MSEK)	**472**	**1,234**	**-61.7%**	**1,413**	**3,324**	**-57.5%**
Currency effects	-14		-1.2%	-1		-0.1%
Organic growth	-747		-60.5%	-1,910		-57.4%
New hotels	*-66*		*-5.3%*	*-161*		*-4.8%*
Exits	*-36*		*-2.9%*	*-113*		*-3.4%*
LFL	*-645*		*-52.3%*	*-1,635*		*-49.2%*
Adjusted EBITDA	**-95**	**247**	**-138.5%**	**-368**	**491**	**-174.9%**
% margin	-20.2%	20.0%		-26.1%	14.8%	
RevPAR (SEK)	**286**	**763**	**-62.5%**	**290**	**668**	**-56.5%**
Currency effects	-8		-1.0%	0		0.0%
New hotels/exits	-10		-1.3%	-5		-0.7%
LFL	-459		-60.2%	-373		-55.8%
ARR (SEK)	944	1,093	-13.7%	1,041	1,063	-2.1%
OCC %	30.4%	69.8%		27.9%	62.8%	

Third quarter

Net sales dropped 61.7 percent to 473 MSEK (1,234). For comparable units, net sales went down 52.3 percent.

New/exited hotels contributed a net of -102 MSEK. Crowne Plaza, which closed for renovations in January 2020 and was opened on October 1, had the greatest negative effect.

At the end of September 2020, 10 hotels remained closed in Finland.

Average Revenue Per Available Room (RevPAR) went down 61.5 percent in local currency compared with the same quarter the previous year. RevPAR for comparable units decreased by 60.2 percent.

Adjusted EBITDA decreased to -95 MSEK (247). In Finland, the state provided aid to cover the cost of employees who were furloughed during the quarter. Direct state aid excluding furlough subsidies reduced costs by 5 MSEK in the third quarter.

The period January – September

Net sales dropped 57.5 percent to 1,413 MSEK (3,324). For comparable units, net sales went down 49.2 percent.

New/exited hotels contributed a net of -274 MSEK. Crowne Plaza, which closed for renovations in January 2020, had the greatest negative effect and new hotels made a negative contribution as net sales for these hotels have decreased compared with the corresponding period they were in operation last year.

Average Revenue Per Available Room (RevPAR) went down 56.5 percent in local currency compared with the previous year. RevPAR for comparable units decreased by 55.8 percent.

Adjusted EBITDA decreased to -368 MSEK (491). In Finland, the state provided aid to cover the cost of employees who were furloughed with effect from the first quarter. Direct state aid excluding furlough subsidies reduced costs by 5 MSEK during the period.

Other Europe

	Jul-Sep 2020	Jul-Sep 2019	%	Jan-Sep 2020	Jan-Sep 2019	%
Net sales (MSEK)	**264**	**768**	**-65.6%**	**830**	**2,055**	**-59.6%**
Currency effects	-8		-1.0%	-1		0.0%
Organic growth	-496		-64.6%	-1,224		-59.6%
New hotels	*-22*		*-2.8%*	*8*		*0.4%*
Exits	*0*			*-*		*0.0%*
LFL	*-475*		*-61.8%*	*-1,232*		*-60.0%*
Adjusted EBITDA	**61**	**125**	**-51.0%**	**-274**	**238**	**-215.2%**
% margin	23.2%	16.3%		-33.0%	11.6%	
RevPAR (SEK)	**286**	**950**	**-69.9%**	**289**	**848**	**-66.0%**
Currency effects	-8		-0.8%	0		0.0%
New hotels/exits	-7		-0.8%	-7		-0.8%
LFL	-649		-68.3%	-552		-65.2%
ARR (SEK)	899	1,158	-22.4%	980	1,128	-13.1%
OCC %	31.8%	82.0%		29.4%	75.2%	

Third quarter

The Other Europe segment includes Scandic's operations in Denmark, Germany and Poland.

Net sales dropped 65.6 percent to 264 MSEK (768). For comparable units, net sales decreased 61.8 percent.

At the end of September 2020, all hotels were open.

Average Revenue Per Available Room (RevPAR) went down 69.1 percent in local currency compared with the same quarter the previous year. RevPAR for comparable units decreased by 68.3 percent.

Adjusted EBITDA dropped to 61 MSEK (125), including government support for furloughed employees. Direct state aid excluding furlough subsidies reduced costs by 156 MSEK of which aid for rent amounted to 90 MSEK in the third quarter.

The period January – September

Net sales dropped 59.6 percent to 830 MSEK (2,055). For comparable units, net sales went down 60.0 percent.

Average Revenue Per Available Room (RevPAR) went down 66.0 percent in local currency compared with the previous year. RevPAR for comparable units decreased by 65.2 percent.

Adjusted EBITDA dropped to -274 MSEK (238), including government support for furloughed employees. Direct state aid excluding furlough subsidies reduced costs by 156 MSEK of which aid for rent amounted to 90 MSEK during the period.

Central functions

Adjusted EBITDA for central functions totaled -57 MSEK (-90) during the quarter and -259 MSEK (-192) for the period January to September.

EMPLOYEES

The average number of employees in the Group was 6,393 on September 30, 2020 compared with 11,525 on September 30, 2019. At the end of the period, approximately 1,500 FTEs were on furlough.

EVENTS AFTER THE REPORTING DATE

Scandic intensify negotiations with the landlords regarding rents and will therefore reduce rent payments until new agreements have been reached.

Scandic signed agreement to take over a 150-room hotel by Stockholm Arlanda Airport with revenue-based rent.

OUTLOOK

In October, Scandic's occupancy rate was roughly in line with September and amounted to 33 percent. Demand is currently negatively affected by increased spread of infection combined with stricter government restrictions in Scandic's markets. Based on the current booking rate, occupancy in November is expected to be lower than in October.

Scandic expects to receive continued governmental support during the end of the year, which will have a positive effect on results for the fourth 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.

PRESENTATION OF THE REPORT

A webcast presentation of the company's interim report for the third quarter will be held at 09:00 on November 3, 2020 by President & CEO Jens Mathiesen and CFO Jan Johansson. The presentation will be livestreamed on

Scandic's website at scandichotelsgroup.com and available by calling SE +46850558368, UK +443333009031 (please call in five minutes before the start). The presentation will also be available afterwards at scandichotelsgroup.com

FINANCIAL CALENDAR

2021-02-17	Year-end Report 2020 (silent period from 16 January 2021)
2021-04-28	Interim Report Q1 2021 (silent period from 27 mars 2021)
2021-05-10	AGM
2021-07-16	Interim report Q2 2021 (silent period from June 15, 2021)
2021-10-28	Interim report Q3 2021 (silent period from 27 September 2021)

FOR MORE INFORMATION

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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 can have a positive effect on the number of hotel nights.

Scandic's business model is based on lease agreements where approximately 90 percent 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 September 30, 2020, Scandic's goodwill and intangible assets amounted to 6,814 MSEK.

The recognized value mainly relates to operations in Sweden, Norway and Finland. A significant downturn in the hotel markets in these countries could affect expected cash flow negatively, and consequently, the value of goodwill and other intangible assets.

In view of the continued spread of the coronavirus and its impact on hotel operations, there is continued uncertainty about the strength and timing of a recovery in demand and, consequently, how average room revenue (RevPAR) will develop during the next 12-month period. Combined with uncertainty about the outcome of ongoing negotiations regarding rent reductions and postponing contracted projects, this means that there continues to be a risk of negative cash flows and, consequently, potential difficulties in financing Scandic's business.

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 such as sales, marketing, IT and other administrative services.

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

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	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019	Oct-Sep 2019/2020
INCOME						
Room revenue	1,472	3,615	4,039	9,427	12,416	7,028
Restaurant and conference revenue*	532	1,429	1,803	4,343	6,095	3,555
Franchise and management fees	8	10	14	22	30	22
Other hotel-related revenue	73	141	237	322	404	319
Net sales	***2,085***	***5,195***	***6,093***	***14,114***	***18,945***	***10,924***
Other income	-	-	-	-	-	-
TOTAL OPERATING INCOME	**2,085**	**5,195**	**6,093**	**14,114**	**18,945**	**10,924**
OPERATING COSTS						
Raw materials and consumables	-172	-427	-498	-1,203	-1,634	-929
Other external costs	-685	-1,106	-2,075	-3,203	-4,335	-3,207
Personnel costs	-408	-1,440	-2,208	-4,380	-5,869	-3,697
Fixed and guaranteed rental charges	213	-63	251	-137	-74	314
Variable rental charges	-148	-521	-355	-1,269	-1,696	-782
Pre-opening costs	-4	-21	-33	-67	-81	-47
Items affecting comparability	-70	-	-258	168	169	-257
EBITDA	**811**	**1,617**	**917**	**4,023**	**5,425**	**2,319**
Depreciation, amortization and impairment losses	-792	-818	-5,340	-2,377	-3,281	-6,244
TOTAL OPERATING COSTS	**-2,066**	**-4,396**	**-10,516**	**-12,468**	**-16,801**	**-14,849**
EBIT (Operating profit/loss)	**19**	**799**	**-4,423**	**1,646**	**2,144**	**-3,925**
Financial income	1	2	4	5	11	10
Financial expenses	-334	-310	-1,024	-914	-1,253	-1,363
Net financial items	**-333**	**-308**	**-1,020**	**-909**	**-1,242**	**-1,353**
EBT (Profit/loss before taxes)	**-314**	**491**	**-5,443**	**737**	**902**	**-5,278**
Taxes	60	-104	19	-140	-177	-18
PROFIT/LOSS FOR PERIOD	**-254**	**387**	**-5,424**	**597**	**725**	**-5,296**
Profit/loss for period relating to:						
Parent Company shareholders	-253	387	-5,423	595	722	-5,296
Non-controlling interest	-1	-	-1	2	3	-
Profit/loss for period	**-254**	**387**	**-5,424**	**597**	**725**	**-5,296**
Average number of outstanding shares before dilution	191,243,149	103,013,408	134,301,997	103,013,408	103,006,267	126,429,984
Average number of outstanding shares after dilution	191,263,851	103,037,200	134,324,699	103,037,200	103,036,484	126,452,686
Earnings per share before dilution, SEK	**-1.32**	**3.76**	**-40.37**	**5.78**	**7.01**	**-41.89**
Earnings per share after dilution, SEK	**-1.32**	**3.76**	**-40.37**	**5.77**	**7.01**	**-41.88**

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

Consolidated statement of comprehensive income

MSEK	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019	Oct-Sep 2019/2020
Profit/loss for period	-254	387	-5,424	597	725	-5,296
Items that may be reclassified to the income statement	13	142	-54	229	69	-214
Items that may not be reclassified to the income statement	29	-113	20	-190	-159	51
Other comprehensive income	**42**	**29**	**-34**	**39**	**-90**	**-163**
Total comprehensive income for period	**-212**	**416**	**-5,458**	**636**	**635**	**-5,459**
Relating to:						
Parent Company shareholders	-207	414	-5,453	631	626	-5,458
Non-controlling interest	-5	2	-5	5	9	-1

Consolidated balance sheet, summary

MSEK	**30 Sep 2020**	**30 Sep 2019**	**31 Dec 2019**
ASSETS			
Intangible assets	6,813	10,104	9,941
Buildings and land	25,513	27,476	26,759
Equipment, fixtures and fittings	4,736	4,803	4,865
Financial fixed assets	375	623	616
Total fixed assets	**37,437**	**43,006**	**42,181**
Current assets	998	1,680	1,294
Derivative instruments	-	17	8
Cash and cash equivalents	171	33	26
Total current assets	**1,169**	**1,730**	**1,328**
TOTAL ASSETS	**38,606**	**44,736**	**43,509**
EQUITY AND LIABILITIES			
Equity attributable to owners of the Parent Company	2,772	6,555	6,558
Non-controlling interest	38	42	43
Total equity	**2,810**	**6,597**	**6,601**
Liabilities to credit institutions	3,261	2,895	3,036
Lease liabilities	25,505	27,322	26,661
Other long-term liabilities	1,117	1,353	1,342
Total long-term liabilities	**29,883**	**31,570**	**31,039**
Derivative instruments	33	-	-
Current liabilities for leases	2,136	2,100	2,116
Commercial papers	336	1,101	487
Other current liabilities	3,409	3,368	3,266
Total current liabilities	**5,914**	**6,569**	**5,868**
TOTAL EQUITY AND LIABILITIES	**38,606**	**44,736**	**43,509**
Equity per share, SEK	14.5	63.6	63.7
Total number of shares outstanding, end of period	191,257,993	102,985,075	102,985,075
Working capital	-2,411	-1,688	-1,971
Interest-bearing net liabilities	3,426	3,963	3,497
Interest-bearing net liabilities/adjusted EBITDA	neg	2.0	1.7

Changes in Group equity

MSEK	Share capital	Share premium reserve	Translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
OPENING BALANCE 01/01/2019	**26**	**7,865**	**85**	**-1,674**	**6,302**	**38**	**6,340**
Profit/loss for the period	**-**	**-**	**-**	**595**	**595**	**2**	**597**
Total other comprehensive income, net after tax	*-*	*-*	*223*	*-190*	*33*	*6*	*39*
Total comprehensive income for the year	**-**	**-**	**223**	**405**	**628**	**8**	**636**
Total transactions with shareholders				*-375*	*-375*	*-4*	*-379*
CLOSING BALANCE 09/30/2019	**26**	**7,865**	**308**	**-1,644**	**6,555**	**42**	**6,597**
Profit/loss for the period	**-**	**-**	**-**	**127**	**127**	**1**	**128**
Total other comprehensive income, net after tax	*-*	*-*	*-160*	*31*	*-129*	*-*	*-129*
Total comprehensive income for the year	**-**	**-**	**-160**	**158**	**-2**	**1**	**-1**
Total transactions with shareholders	*-*	*-*	*-*	*5*	*5*	*-*	*5*
CLOSING BALANCE 12/31/2019	**26**	**7,865**	**148**	**-1,481**	**6,557**	**43**	**6,601**
OPENING BALANCE 01/01/2020	**26**	**7,865**	**148**	**-1,481**	**6,557**	**43**	**6,601**
Profit/loss for the period	**-**	**-**	**-**	**-5,423**	**-5,423**	**-1**	**-5,424**
Total other comprehensive income, net after tax	*-*	*-*	*-49*	*20*	*-29*	*-5*	*-34*
Total comprehensive income for the year			**-49**	**-5,403**	**-5,452**	**-6**	**-5,458**
Transactions with shareholders							
New share issue and issue cost	22	1,679	-	-	1,701	-	1,701
Share-based payments	-	-	-	6	6	-	6
Forward contracts to repurchase own shares	-	-	-	-39	-39	-	-39
Total transactions with shareholders	*22*	*1,679*	*-*	*-34*	*1,668*	*-*	*1,668*
CLOSING BALANCE 09/30/2020	**48**	**9,544**	**99**	**-6,918**	**2,773**	**37**	**2,810**

Consolidated cash flow statement

	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019	Oct-Sep 2019/2020
OPERATING ACTIVITIES						
EBIT (Operating profit/loss)	19	799	-4,423	1,646	2,144	-3,925
Depreciation, amortization and impairment losses	792	818	5,340	2,377	3,281	6,244
Items not included in cash flow	21	-11	34	-174	-173	35
Paid tax	2	-40	-55	-301	-343	-97
Change in working capital	-131	-247	622	-344	158	1,124
Cash flow from operating activities	**703**	**1,319**	**1,518**	**3,204**	**5,067**	**3,381**
INVESTING ACTIVITIES						
Net investments	-140	-235	-603	-817	-1,155	-941
Sale of operations	-	2	-	232	232	-
Cash flow from investing operations	**-140**	**-233**	**-603**	**-585**	**-923**	**-941**
FINANCING OPERATIONS						
Paid interest, credit institutions	-61	-18	-91	-56	-71	-106
Paid interest, lease	-273	-284	-833	-828	-1,143	-1,148
Right share issue	-44	-	1,702	-	-	-
Divident	-	-2	-	-179	-357	-178
Dividends from investments	-	-2	-	-2	-4	-2
Refinancing of loans	-25	-	-38	-6	-6	-38
Dividend, share swap agreement	-	-	-20	-14	-14	-20
Net borrowing/amortization, credit institutions	-75	-268	269	-116	52	437
Amortization, lease	-523	-529	-1,596	-1,552	-2,147	-2,191
Issue of commercial papers	87	2	-151	101	-513	-765
Cash flow from financing operations	**-914**	**-1,101**	**-758**	**-2,652**	**-4,203**	**-4,011**
CASH FLOW FOR PERIOD	**-351**	**-15**	**157**	**-33**	**-59**	**131**
Cash and cash equivalents at beginning of period	525	60	26	103	103	33
Translation difference in cash and cash equivalents	-4	-12	-12	-37	-18	7
Cash and cash equivalents at end of the period	171	33	171	33	26	171

Parent Company income statement, summary

MSEK	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019	Oct-Sep 2019/2020
Net sales	12	10	36	42	57	51
Expenses	-12	-10	-36	-41	-57	-52
EBIT (Operating profit/loss)	**-0**	**-0**	**0**	**1**	**-**	**-1**
Financial income	31	40	198	116	155	237
Financial expenses	-58	-26	-179	-208	-149	-120
Net financial items	**-27**	**14**	**19**	**-92**	**6**	**117**
Appropriations	-	-	-	-	613	613
EBT (profit/loss before tax)	**-27**	**14**	**19**	**-90**	**619**	**729**
Tax	12	-3	2	19	-133	-150
PROFIT/LOSS FOR PERIOD	**-15**	**11**	**21**	**-71**	**486**	**579**

Parent Company statement of comprehensive income

MSEK	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019	Oct-Sep 2019/2020
Profit/loss for period	**-15**	**11**	**21**	**-71**	**486**	**579**
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	**-15**	**11**	**21**	**-71**	**486**	**579**

Parent Company balance sheet, summary

MSEK	**30 Sep 2020**	**30 Sep 2019**	**31 Dec 2019**
ASSETS			
Investments in subsidiaries	8,415	5,039	5,039
Group company receivables	3,294	4,988	4,397
Deferred tax assets	-	20	-
Other receivables	20	23	23
Total fixed assets	**11,729**	**10,070**	**9,459**
Group company receivables	8	4	618
Current receivables	10	9	-
Cash and cash equivalents	135	0	0
Total current assets	**153**	**13**	**618**
TOTAL ASSETS	**11,881**	**10,083**	**10,077**
EQUITY AND LIABILITIES			
Equity	**8,129**	**5,799**	**6,361**
Liabilities to credit institutions	3,261	2,895	3,036
Other liabilities	20	23	23
Total long-term liabilities	**3,281**	**2,918**	**3,059**
Liabilities for commercial papers	336	1,101	487
Liabilities to Shareholders		180	-
Other liabilities	57	77	142
Accrued expenses and prepaid income	78	7	28
Total current liabilities	**471**	**1,365**	**657**
TOTAL EQUITY AND LIABILITIES	**11,881**	**10,083**	**10,077**

Changes in Parent Company's equity

MSEK	Share capital	Share premium reserve	Retained earnings	Total equity
OPENING BALANCE 01/01/2019	**26**	**1,534**	**4,685**	**6,245**
Profit/loss for period	**-**	**-**	**-71**	**-71**
Total other comprehensive income, net after tax	-	-	-	-
Total other comprehensive income			**-71**	**-71**
Total transactions with shareholders	**-**	**-**	**-375**	**-375**
CLOSING BALANCE 09/30/2019	**26**	**1,534**	**4,239**	**5,799**
Profit/loss for period	**-**	**-**	**557**	**557**
Total other comprehensive income, net after tax	-	-	-	-
Total transactions with shareholders	**-**	**-**	**5**	**5**
OPENING BALANCE 01/01/2020	**26**	**1,534**	**4,801**	**6,361**
Profit/loss for period	**-**	**-**	**21**	**21**
Total other comprehensive income, net after tax	-	-	-	-
Total other comprehensive income	**-**	**-**	**21**	**21**
Transactions with shareholders				
New Rights issue and cost	22	1,679	-	1,701
Share-based payments	-	-	6	6
Forward contracts to repurchase own shares	-	-	39	39
Total transactions with shareholders	**22**	**1,679**	**46**	**1,747**
CLOSING BALANCE 09/30/2020	**48**	**3,213**	**4,868**	**8,129**

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 36 MSEK (42). The operating profit was 0 MSEK (1).

Net financial items for the period totaled 19 MSEK (-92). The Parent Company's profit before taxes was 21 MSEK (-71).

Transactions between related parties

The Braganza AB Group is a related party in terms of participating interest and Board representation during the year. Accommodation revenues from related parties totaled 0 MSEK and costs for purchasing services from related parties amounted to 0 MSEK for the period. The OECD's recommendations for Transfer Pricing are applied 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 2019 and are outlined in Note 1, Accounting principles.

The Parent Company applies RFR 2, Accounting for legal entities, which 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 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. Rounding differences may occur.

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

ALTERNATIVE PERFORMANCE MEASURES

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

Alternative performance measures are reported to help investors evaluate the performance of the company. In addition, they are used by the management for the internal evaluation of operating activities and for forecasting and budgeting. Alternative performance measures are also used in part as criteria in LTIP programs.

The definitions of alternative performance measures are intended to measure Scandic's activities and may therefore differ from the way other companies calculate similar dimensions.

The 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 that is 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 the CEO, the Executive Committee and the Board of Directors.

Scandic's 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, investor relations, communication, technical development, human resources, branding, marketing, sales, IT and purchasing. These functions support the 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 in all segments. Segment results are analyzed based on adjusted EBITDA.

Segment disclosures

Jul-Sep	Sweden		Norway		Finland		Other Europe		Central functions		Group	
MSEK	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Room revenue	474	1,213	514	993	312	861	172	548	-	-	1,472	3,615
Restaurant and conference revenue	135	436	183	450	130	334	85	209	-	-	533	1,429
Franchise and managment fees	3	4	3	3	-	0	2	3	-	-	8	10
Other hotel-related income	13	21	24	73	30	39	5	8	-	-	72	141
Net sales	**625**	**1,674**	**724**	**1,519**	**472**	**1,234**	**264**	**768**			**2,085**	**5,195**
Other income	-	-	-	-	-	-	-	-	-	-	-	-
Internal transactions	-	-	-	-	-	-	-	-	12	10	12	10
Group eliminations	-	-	-	-	-	-	-	-	-12	-10	-12	-10
Total income	**625**	**1,674**	**724**	**1,519**	**472**	**1,234**	**264**	**768**	**-**	**-**	**2,085**	**5,195**
Expenses	-548	-1,365	-620	-1,287	-567	-987	-203	-643	-57	-90	-1,995	-4,372
Adjusted EBITDA	**77**	**309**	**104**	**232**	**-95**	**247**	**61**	**125**	**-57**	**-90**	**90**	**823**
Adjusted EBITDA margin, %	12.3	18.5	14.4	15.3	-20.1	20.0	23.1	16.3	-	-	4.3	15.8
EBITDA	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**813**	**1,617**
EBITDA margin, %	-	-	-	-	-	-	-	-	-	-	39.0	31.1
and write-downs	-	-	-	-	-	-	-	-	-	-	-792	-818
Net financial items	-	-	-	-	-	-	-	-	-	-	-333	-308
EBT (Profit/loss before tax)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-314**	**491**

MSEK

Jan-Sep	Sweden		Norway		Finland		Other Europe		Central functions		Group	
MSEK	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**		**2020**	**2019**
Room revenue	1,420	3,256	1,150	2,527	933	2,225	536	1,419	-	-	4,039	9,427
Restaurant and conference revenue	567	1,350	549	1,396	409	986	277	611	-	-	1,802	4,343
Franchise and managment fees	5	9	6	8	-	-	4	5	-	-	15	22
Other hotel-related income	32	54	121	135	71	113	13	20	-	-	237	322
Net sales	**2,024**	**4,669**	**1,826**	**4,066**	**1,413**	**3,324**	**830**	**2,055**	**-**	**-**	**6,093**	**14,114**
Other income	-	-	-	-	-	-	-	-	-	-	-	-
Internal transactions	-	-	-	-	-	-	-	-	36	42	36	42
Group eliminations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-36**	**-42**	**-36**	**-42**
Total income	**2,024**	**4,669**	**1,826**	**4,066**	**1,413**	**3,324**	**830**	**2,055**	**-**	**-**	**6,093**	**14,114**
Expenses	-2,290	-3,998	-1,881	-3,642	-1,781	-2,833	-1,104	-1,817	-259	-282	-7,315	-12,572
Adjusted EBITDA	**-266**	**671**	**-55**	**424**	**-368**	**491**	**-274**	**238**	**-259**	**-282**	**-1,221**	**1,541**
Adjusted EBITDA margin, %	-13.1	14.4	-3.0	10.4	-26.0	14.8	-33.0	11.6			-20.0	10.9
EBITDA	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**917**	**4,023**
EBITDA margin, %	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	15.1	28.5
Depreciation and amortization	-	-	-	-	-	-	-	-	-	-	-5,340	-2,377
EBIT (Operating profit/loss)	-	-	-	-	-	-	-	-	-	-	-4,423	1,646
Net financial items	-	-	-	-	-	-	-	-	-	-	-1,020	-909
EBT (Profit/loss before tax)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-5,443**	**737**

Assets and investments by segment

30 Sep	Sweden		Norway		Finland		Other Europe		Central functions		Group	
MSEK	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Fixed assets	10,818	10,865	8,820	12,056	13,577	14,423	4,776	5,566	-587	97	37,404	43,006
Investments in fixed assets	148	202	109	214	225	151	47	201	30	49	559	817

Revenue by country

MSEK	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019	Oct-Sep 2019/2020
Sweden	625	1,674	2,024	4,669	6,291	3,646
Norway	724	1,519	1,826	4,066	5,343	3,103
Finland	472	1,234	1,413	3,324	4,547	2,636
Denmark	202	563	601	1,470	1,979	1,112
Germany	53	178	202	518	696	379
Poland	9	27	27	67	89	49
Total countries	**2,086**	**5,195**	**6,095**	**14,114**	**18,945**	**10,924**
Other	12	10	36	42	57	51
Group eliminations	-12	-10	-36	-42	-57	-51
Group	**2,086**	**5,195**	**6,095**	**14,114**	**18,945**	**10,924**

Revenue by type of agreement

MSEK	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019	Oct-Sep 2019/2020
Lease agreements	2,078	5,176	6,072	14,062	18,877	10,887
Management agreements	2	4	5	9	12	8
Franchise and partner agreem	5	5	8	12	16	12
Owned	-	10	8	31	40	17
Total	**2,085**	**5,195**	**6,093**	**14,114**	**18,945**	**10,924**
Other	12	10	36	42	57	51
Group eliminations	-12	-10	-36	-42	-57	-51
Group	**2,085**	**5,195**	**6,093**	**14,114**	**18,945**	**10,924**

Summary of reported EBITDA & adjusted EBITDA

	Jul-Sep 2020	**Jul-Sep 2019**	**Jan-Sep 2020**	**Jan-Sep 2019**	**Jan-Dec 2019**	**Oct-Sep 2019/2020**
EBITDA	811	1617	917	4023	5,425	2,319
Effect of leases, fixed and guaranteed rental charges	-796	-813	-2,429	-2,380	-3,291	-3,340
Pre-opening costs	4	21	33	67	81	47
Items affecting comparability	71	0	258	-168	-169	257
Adjusted EBITDA	**91**	**826**	**-1,221**	**1,542**	**2,046**	**-717**

Total rental charges

Total rental charges	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019	Oct-Sep 2019/2020
Fixed and guaranteed rental charges according to income statem	213	-63	251	-137	-74	314
Fixed and guaranteed rental charges, reversed effect of lease	-796	-813	-2,429	-2,380	-3,291	-3,340
Total fixed and guaranteed rental charges	**-583**	**-876**	**-2,178**	**-2,517**	**-3,365**	**-3,026**
Variable rental charges	-148	-521	-355	-1,269	-1,696	-782
Total rental charges	**-731**	**-1,397**	**-2,533**	**-3,786**	**-5,061**	**-3,808**
* Of which received city grants and negotiated discounts	248	0	342	0	0	342
Fixed and guaranteed rental charges	28.0%	16.9%	35.7%	17.8%	17.8%	27.7%
Variable rental charges	7.1%	10.0%	5.8%	9.0%	9.0%	7.2%
Total rental charges	35.1%	26.9%	41.6%	26.8%	26.7%	34.9%

Quarterly data

MSEK	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Net sales	2,085	665	3,343	4,831	5,195	4,853
Adjusted EBITDA	90	-1,138	-174	504	823	559
Adjusted EBITDA margin, %	4.3	-171.1	-5.2	10.4	15.8	11.5
EBIT (Operating profit/loss)	19	-1,114	-3,329	498	799	526
Profit/Loss for the period	-254	-1,243	-3,927	126	387	173
Profit/lLoss for the period, excl. effect lease	-203	-1,197	-3,876	189	441	222
Earnings per share, SEK	-1.32	-11.49	-38.13	1.21	3.76	1.67
Earnings per share, SEK, excl. effects lease	-1.06	-11.08	-37.63	1.84	4.28	2.16
Net debt / adjusted EBITDA, LTM	neg	189.4	2.5	1.7	2.0	2.2
RevPAR (Revenue per available room), SEK	323	96	474	672	807	745
ARR (Average room revenue), SEK	896	-24	1,043	1,080	1,070	1,111
OCC (Occupancy), %	36.1	10.3	45.5	62.2	75.5	67.1

Quarterly data per segment

	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Net sales						
Sweden	625	246	1,154	1,622	1,674	1,623
Norway	724	215	888	1,277	1,519	1,397
Finland	472	107	833	1,222	1,234	1,115
Other Europe	264	97	468	710	768	718
Total net sales	**2,085**	**665**	**3,343**	**4,831**	**5,195**	**4,853**
Adjusted EBITDA						
Sweden	77	-344	1	239	309	244
Norway	104	-94	-64	115	232	148
Finland	-95	-309	38	216	247	165
Other Europe	61	-296	-40	60	125	97
Central functions	-57	-95	-107	-126	-90	-95
Total adj EBITDA	**90**	**-1,138**	**-172**	**504**	**823**	**559**
Adjusted EBITDA margin, %	*4.3%*	*-171.1%*	*-5.1%*	*10.4%*	*15.8%*	*11.5%*

Exchange rates

SEK/EUR	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019
Income statement (average)	10.5567	10.5656	10.5892
Balance sheet (at end of period)	10.5410	10.7287	10.4336
SEK/NOK			
Income statement (average)	0.9866	1.0810	1.0747
Balance sheet (at end of period)	0.9513	1.0801	1.0579
SEK/DKK			
Income statement (average)	1.4155	1.4155	1.4183
Balance sheet (at end of period)	1.4156	1.4371	1.3968

Alternative performance measures

Interest-bearing net liabilities	30 Sep 2020	30 Sep 2019	31 Dec 2019
Liabilities to credit institutions	3,261	2,895	3,036
Liabilities, commercial papers	336	1,101	487
Cash and cash equivalents	-171	-33	-26
Interest-bearing net liabilities	**3,426**	**3,963**	**3,497**

Working capital	30 Sep 2020	30 Sep 2019	31 Dec 2019
Current assets, excl cash and bank balances	998	1,680	1,294
Current liabilities	-3,409	-3,368	-3,266
Working capital	**-2,411**	**-1,688**	**-1,972**

Samtliga alternativa nyckeltal samt definitioner och motiveringar se bolagets hemsida: www.scandichotelsgroup.com/sv/definitioner

LONG-TERM INCENTIVE PROGRAM

Scandic has implemented long-term incentive programs in the Group since the end of 2015. The current incentive programs were adopted by the company's annual general meetings in 2018 (LTIP 2018) and 2019 (LTIP 2019).

Scandic's 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 percent of the allocation depends on a requirement related to the total return on the company's shares (TSR) being met and 50 percent 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 and cash flow for the financial years 2018-2022 (LTIP 2018 and LTIP 2019).

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 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 280,082 shares for the LTIP 2018 and 329,283 shares for the LTIP 2019 corresponding to approximately 0.3 percent of Scandic's share capital and votes. Scandic has taken into account the new share issue that was carried out at the turn of the month June-July and have therefore increased the maximum number of additional shares.

The cost of the program is expected to be 22 MSEK, including social security contributions, and the cost included in the income statement for the Group in accordance with IFRS 2 amounted to 12 MSEK for the period January to September 2020, including social security contributions. The maximum cost of the program, including social security contributions, is expected to be 51 MSEK

For more information, see Note 6 in Scandic's Annual Report 2019. The expected financial exposure to shares that may be allocated under the 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, November 3, 2020

Per G. Braathen
Chairman

Ingalill Berglund
Member of the Board

Grant Hearn
Member of the Board

Kristina Patek
Member of the Board

Martin Svalstedt
Member of the Board

Fredrik Wirdenius
Member of the Board

Marianne Sundelius
Employee representative

Jens Mathiesen
President & CEO

Auditor's report

Scandic Hotels Group AB (publ) corp. reg. no. 556703-1702

Introduction

We have reviewed the condensed interim financial information (interim report) of Scandic Hotels Group AB (publ) as of 30 September 2020 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, *Review of Interim Report Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Emphasis of Matter

Without impacting our opinions stated above, we wish to bring attention to page 16, under paragraph Significant risks and uncertainty factors, where it is stated that there is continued uncertainty regarding the effects of the coronavirus and its impact on Scandic's development, cash flows and financing.

Stockholm, 3 November 2020

PricewaterhouseCoopers AB

Sofia Götmar-Blomstedt

Authorized Public Accountant

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 lease.

Adjusted EBITDA margin
Adjusted EBITDA as percentage of net sales.

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

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 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.

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.

We operate within the mid-market hotel segment under our industry-leading Scandic brand. We have a high share of returning guests and our 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)

2020-09-28 Scandic strengthens commercial focus by recruiting Anna Spjuth as Chief Commercial Officer

2020-09-09 Scandic expects occupancy of 30-35 percent for September

2020-09-08 Scandic Hotels launches the largest network of coworking spaces in the Nordic countries

2020-08-21 Svein Arild Steen-Mevold to leave Scandic

2020-06-08 Scandic's occupancy and bookings continue to increase in line with Q2 forecast

2020-05-28 Scandic announces the final terms of its fully underwritten rights issue

2020-04-29 Scandic decides on a rights issue of approximately SEK 1.75 billion and agrees on a SEK 1.15 billion credit facility

2020-03-16 Scandic's Board of Directors proposes to cancel dividend for 2019 in order to improve the financial position

2020-03-12 Business situation continues to worsen due to coronavirus – Scandic to give notice of termination

2020-03-09 Scandic revises sales forecast for first quarter

2020-02-18 Scandic launches new hotel brand

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