Scandic

The leading hotel company in the Nordics

Year-End Report 2018

GOOD DEMAND IN THE QUARTER

FOURTH QUARTER IN SUMMARY

- Net sales rose by 22.8% to 4,595 MSEK (3,743). Excluding the acquisition of Restel and currency effects, net sales rose by 4.9%. For comparable units, growth in net sales was 0.8%.
- Adjusted EBITDA increased to 487 MSEK (336), corresponding to a margin of 10.6% (9.0). Earnings per share amounted to 1.59 SEK (1.53).
- Agreements signed for a new 234-room hotel in Munich and a 230-room hotel in Kiruna as well as the takeover of a 165-room hotel in Molde, Norway.

THE YEAR IN SUMMARY

- Net sales rose by 23.5% to 18,007 MSEK (14,582). Excluding the acquisition of Restel and currency effects, net sales increased by 6.0%. For comparable units, net sales went up 1.2%.
- Adjusted EBITDA was 1,957 MSEK (1,573), corresponding to a margin of 10.9% (10.8).
- Restel contributed 196 MSEK to adjusted EBITDA, corresponding to a margin of 9.1%.
- Earnings per share amounted to 6.54 SEK (6.86). Excluding items affecting comparability, effects from finance leasing and currency effects from revaluation of loans, earnings per share rose by 7.5%.

  For 2018, the Board of Directors proposes that the AGM resolve on a dividend of 3.50 SEK (3.40) per share.

EVENTS AFTER THE REPORTING DATE

- On January 18, Scandic announced that Jens Mathiesen, previously Managing Director Scandic Denmark, would take over as President & CEO after Even Frydenberg.
- Agreement to sell Scandic Hasselbacken in Stockholm for approximately 230 MSEK with an expected capital gain of approximately 180 MSEK.

GROUP KEY RATIOS

MSEK	Oct-Dec 2018	Oct-Dec 2017	% change	Jan-Dec 2018	Jan-Dec 2017	% change
Financial key ratios						
Net sales	4,595	3,743	*22.8%*	18,007	14,582	*23.5%*
Adjusted EBITDA	487	336	*44.9%*	1,957	1,573	*24.4%*
Adjusted EBITDA margin, %	10.6	9.0		10.9	10.8	
EBITDA	494	282	*75.2%*	1,853	1,477	*25.5%*
EBIT (Operating profit/loss)	255	125	*104.0%*	983	925	*6.3%*
Profit/loss before taxes	211	106	*99.1%*	810	800	*1.3%*
Net profit/loss for the period	165	159	*3.8%*	678	711	*-4.6%*
Earnings per share, SEK	1.59	1.53	*3.7%*	6.54	6.86	*-4.7%*
Net debt/Adjusted EBITDA, LTM	2.0	2.3		2.0	2.3	
Hotel-related key ratios						
RevPAR (SEK)	651	640	*1.6%*	683	680	*0.4%*
ARR (Average Room Rate), SEK	1,060	1,027	*3.3%*	1,045	1,012	*3.2%*
OCC (Occupancy), %	61.4	62.3		65.3	67.1	
Total number of rooms on reporting date	51,693	42,659	*21.2%*	51,693	42,659	*21.2%*

CEO'S COMMENTS

Demand good during the quarter

It is with great pleasure that I have been trusted to be President & CEO of the leading hotel company in the Nordics. Scandic is a strong company with a unique culture among our 18,000 team members. I look forward to taking Scandic forward based on our established strategy, with a focus on profitability and at a high tempo in our work to improve efficiency and competitiveness.

Market conditions in the last months of the year were somewhat better than during the previous quarter, with good demand in the Nordic countries combined with continued positive development at our German hotels. In Norway, RevPAR was impacted negatively by increased capacity in destinations such as Oslo and Bergen, while growth in capacity was relatively limited in our other markets.

Adjusted EBITDA increased compared with the weaker fourth quarter of 2017, mainly driven by improved results in Sweden and contribution from Restel.

Reported earnings per share for 2018 are somewhat lower than last year, however earnings excluding non-recurring items went up 7.5%.

"Good demand in the Nordic countries combined with continued positive development at our German hotels"

Continued development of the hotel portfolio

During the quarter, the pipeline grew with a new hotel in Munich that will open in 2021 and takeover of a hotel in Molde, Norway. We also signed an agreement for a new hotel in Kiruna to replace our existing hotel as a result of the ongoing city transformation. At year-end, there were 5,655 rooms in the pipeline, corresponding to 11% of the hotel portfolio – a solid foundation to achieve our growth target of 5% per year over a business cycle.

5,655

rooms in the pipeline, corresponding to 11% of the hotel portfolio

Potential for better RevPAR in Restel

During 2018, Restel contributed 196 MSEK to adjusted EBITDA, which corresponds to a margin of 9.1%. The level of investment was high and we will continue to focus on renovations in 2019. We have started to realize cost synergies in administration, sales, marketing and IT. Now we will focus on strengthening our market position with the acquired hotels as a base. Our Restel hotels have considerably lower RevPAR than our other Finnish hotels and we see good opportunities to improve RevPAR going forward.

Growth in capacity in some markets

We have a long-term positive view of our markets although growth in capacity at some destinations could have a temporary negative effect on the market balance during 2019. In Oslo, capacity will increase at the beginning of the year and in Copenhagen, a significant increase is expected from the second quarter. At the same time, supply growth in Stockholm and Helsinki will remain relatively limited during the year.

"For the first quarter of 2019, we expect like for like revenue growth of about 2% including positive calendar effects"

For the first quarter 2019, we expect like for like revenue growth of about 2% including positive calendar effects from the fact that Easter fell partly in March in 2018. In addition, we expect that more rooms in operation will contribute with about 2%-points to sales growth.

Jens Mathiesen
President & CEO

NORDIC HOTEL MARKET DEVELOPMENT

During the fourth quarter, there was a positive trend in RevPAR growth in Sweden, Denmark and Finland. RevPAR remained relatively unchanged in Norway.

Sweden

In the Swedish market, supply in terms of available rooms increased by 1.1% compared with the fourth quarter 2017, while the number of sold rooms rose by 3.7%. RevPAR in the market increased by 4.0% driven by higher occupancy and slightly higher average room rates.

In Stockholm, the number of available rooms grew by 1% compared with the fourth quarter during the previous year. The rate of increase in the number of available rooms went down gradually during the year as a significant part of the previous year's increase in capacity occurred during the second quarter. The number of sold rooms in Stockholm increased by 3.8% and RevPAR went up 3.2%, primarily due to higher average occupancy.

In 2019, the number of available rooms is expected to rise by 3% in the Stockholm area, just over 2% in Gothenburg and about 9% in Malmö.

Norway

The number of available rooms in the Norwegian market grew by 4.4%, mainly as a result of increased capacity in Bergen, Oslo and Gardermoen (Oslo Airport). The number of sold rooms rose by 3.7%. RevPAR in the market grew by 0.4% as a result of somewhat lower occupancy and marginally higher average room rates. In 2019, the number of available rooms in Oslo is expected to grow by about 6%, mainly during the first half-year. In Bergen, capacity growth is expected to be about 4%.

Denmark

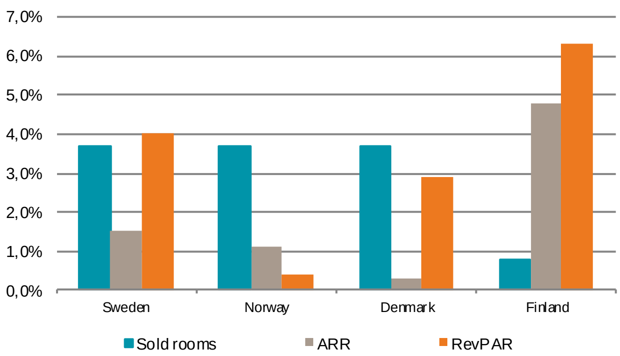
In Denmark, RevPAR in the market grew by 2.9%, mainly as a result of higher average occupancy. The number of available rooms rose by 1.1% compared with the corresponding quarter in 2017 while the number of sold rooms rose by 3.7%. Occupancy in Copenhagen remained high during the quarter.

In 2019, Scandic expects the number of available rooms in Copenhagen to increase by about 16%, mainly during the second half-year.

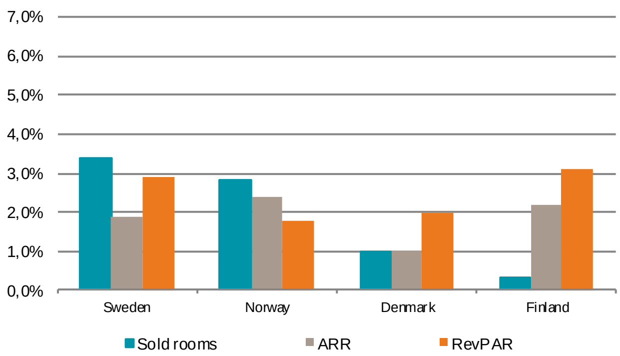
Finland

The number of sold rooms is estimated to have increased marginally during the fourth quarter in Finland while the number of available rooms was largely unchanged. The market RevPAR is estimated to have increased by around 6% in the quarter, mainly driven by increased average room rate. In 2019, the number of available rooms in Helsinki is expected to increase by slightly more than 3%.

MARKET DEVELOPMENT OCTOBER–DECEMBER 2018
CHANGE YEAR-ON-YEAR



MARKET DEVELOPMENT JANUARY–DECEMBER 2018
CHANGE YEAR-ON-YEAR



Source: Benchmarking Alliance

HOTEL PORTFOLIO

Existing hotel portfolio

At the end of the period, Scandic had 51,693 hotel rooms in operation at 268 hotels, of which 242 had lease agreements. During the quarter, in Finland, Scandic divested the Cumulus Pori hotel, which has 111 rooms, and Cumulus Kuopio with 141 rooms. Earlier in the year, Scandic signed an agreement to divest both hotels as a condition for carrying out the acquisition of Restel.

In total, the number of hotel rooms in operation decreased by 239 during the quarter.

Portfolio changes	**Number of rooms**
Opening balance October 1, 2018	51,932
Exits	
Cumulus Pori, Finland	-111
Cumulus Kuopio, Finland	-141
Total	**-252**
Change current portfolio	**13**
Total change during the quarter	**-239**
Closing balance December 31, 2018	**51,693**

Number of hotels in operation and in pipeline

	Operational on Dec 31, 2018				**Pipeline on Dec 31, 2018**	
	Hotels	of which with Lease contracts	Rooms	of which with Lease contracts	Hotels	Rooms
Sweden	85	79	17,446	16,655	3	1,092
Norway	85	67	15,702	13,450	3	1,052
Finland	66	65	12,206	12,139	4	1,446
Denmark	26	25	4,621	4,411	3	1,325
Other Europe	6	6	1,718	1,718	2	740
Total	**268**	**242**	**51,693**	**48,373**	**15**	**5,655**
Change during the quarter	*-2*	*-2*	*-239*	*-244*	*2*	*708*

High-quality pipeline

At the end of the period, the pipeline included 15 hotels with 5,655 rooms, corresponding to 11% of the active portfolio. Scandic plans to divest one hotel in Lahti, Finland, as part of the conditions for the approval of the Restel acquisition as well as two smaller franchise hotels. In addition, Scandic will close one hotel in Kiruna as a result of the ongoing city transformation. Adjusted for these changes, the gross pipeline included 19 hotels with a total of 6,100 rooms, which corresponds to just under 12% of the active portfolio.

The pipeline includes two existing Scandic hotels with a total of 536 rooms that are currently closed for renovation: Scandic Marski in Helsinki and Scandic Bergen Strand in Norway. Both are scheduled to re-open in 2019.

During the quarter, an agreement was signed for a new 234-room hotel in Munich that will open in 2021 as well as an agreement to take over the operations of a hotel with 165 rooms in Molde, Norway in January 2019. Scandic also signed an agreement for a new 230-room hotel in Kiruna, Sweden with planned opening in 2021 in relation to the closing of the existing hotel in the city.

NET SALES AND RESULTS

Group

	Oct-Dec 2018	Oct-Dec 2017	%	Jan-Dec 2018	Jan-Dec 2017	%
Net sales (MSEK)	**4,595**	**3,743**	**22.8%**	**18,007**	**14,582**	**23.5%**
Currency effects	115		3.1%	416		2.8%
Acquisitions	554		14.8%	2,148		14.7%
Organic growth	183		4.9%	861		6.0%
New hotels	*203*		*5.4%*	*897*		*6.2%*
Exits	*-50*		*-1.3%*	*-205*		*-1.4%*
LFL	*30*		*0.8%*	*169*		*1.2%*
Adjusted EBITDA	**487**	**336**	**44.9%**	**1,957**	**1,573**	**24.4%**
% margin	10.6%	9.0%		10.9%	10.8%	
RevPAR (SEK)	**651**	**640**	**1.6%**	**683**	**680**	**0.4%**
Currency effects	19		2.9%	19		2.8%
Acquisitions	-17		-2.6%	-23		-3.4%
New hotels/exits	0		0.0%	-1		-0.1%
LFL	8		1.3%	8		1.1%

Fourth quarter

Net sales rose by 22.8% to 4,595 MSEK (3,743). The Restel acquisition is included in the income statement as of January 1, 2018, and the contribution to net sales was 554 MSEK in the fourth quarter. Sales for comparable units grew by 0.8%.

Currency effects affected net sales positively by 3.1%. Organic growth, i.e. sales growth excluding currency effects and acquisitions, amounted to 4.9% or 183 MSEK.

Average Revenue Per Available Room (RevPAR) dropped by 1.3% in local currency compared with the previous year. RevPAR was affected negatively by Restel, which has lower average RevPAR than Scandic Finland. RevPAR for comparable units grew by 1.3%. RevPAR for comparable units rose in Finland and Other Europe and was relatively unchanged in Norway and Sweden.

Revenue from restaurant and conference operations grew by 18.5% and the share of total net sales was 36.6% (37.9).

Rental costs excluding the effect of finance leases accounted for 25.9% (25.2) of net sales and grew to 25.6%, excluding Restel. Fixed and guaranteed rental costs were 66.5% (61.2) of the total rental costs. The increase is due to Restel's different rental agreement structure, which has a higher proportion of fixed rental costs. Excluding Restel, the share of fixed rental costs fell as a result of increased sales and additional contracts with lower or no guarantee levels.

Cost for central functions declined to -119 MSEK (-140). The reduction is largely explained by the fact that the corresponding period in the previous year was negatively affected by a number of non-recurring items, including items related to Scandic's long-term incentive program and the cost of employee changes.

Adjusted EBITDA rose to 487 MSEK (336). The adjusted EBITDA margin grew to 10.6% (9.0). Restel contributed 73 MSEK. Currency translation effects had a positive impact of 15 MSEK on adjusted EBITDA compared with the same period in the previous year.

Pre-opening costs for new hotels totaled -3 MSEK (-19).

Items affecting comparability amounted to -23 MSEK (-35) comprising integration- and transaction costs related to the Restel acquisition.

EBITDA was 494 MSEK (282). Reconciliation between EBITDA and adjusted EBITDA can be found in the table on page 7.

EBIT amounted to 255 MSEK (125). The EBIT margin was 5.5% (3.3) and depreciation and amortization totaled -239 MSEK (-157). The increase in depreciation and amortization is largely due to the depreciation and amortization of assets from the Restel acquisition. Finance leases affected EBIT positively by 10 MSEK during the quarter. For additional information on the effect of finance leases, see the table on page 23.

The **Group's net financial expense** amounted to -44 MSEK (-19). The interest expense, excluding the effect of finance leases, was -27 MSEK (-25). The establishment of a commercial paper program as of March 2018 reduced the average interest on loans, counteracting the effect of higher interest expenses due to the higher loan volume after the Restel acquisition. The result of exchange rate fluctuations from the revaluation of loans and investments amounted to -1 MSEK (6).

Profit before tax was 211 MSEK (106). Finance leases affected the profit before tax by -7 MSEK during the quarter.

Reported tax amounted to -46 MSEK (53).

Net profit rose to 165 MSEK (159). Earnings per share after dilution totaled 1.59 SEK per share (1.53). Excluding currency effects related to the revaluation of loans and the effect of finance leases, earnings per share after dilution amounted to 1.65 SEK (1.48).

The period January–December

Net sales rose by 23.5% to 18,007 MSEK (14,582). The Restel acquisition is included in the income statement as of January 1, 2018 and the contribution to net sales was 2,148 MSEK in the period. Sales for comparable units grew by 1.2%.

Currency effects affected net sales positively by 2.8%. Organic growth, i.e. sales growth excluding currency effects and acquisitions, amounted to 9.0% or 861 MSEK.

Average Revenue Per Available Room (RevPAR) dropped by 2.4% in local currency compared with the previous year. RevPAR was affected negatively by Restel, which has lower average RevPAR than Scandic Finland. RevPAR for comparable units grew by 1.1%. RevPAR for comparable units grew in all market segments except Sweden, and Finland contributed particularly strong growth.

Revenue from restaurant and conference operations grew by 20.8% and the share of total net sales was 32.6% (33.3).

Rental costs excluding finance leases accounted for 26.5% (25.8) of net sales and grew to 26.0%, excluding Restel. Fixed and guaranteed rental costs were 65.0% (61.7) of the total rental costs. The increase is due to the previous Restel hotels have a higher proportion of fixed rental costs. Excluding Restel, the share of fixed rental costs fell as a result of increased sales and additional contracts with lower or no guarantee levels.

Costs for central functions and Group adjustments declined to -349 MSEK (-401). From July 1, 2018, hedge accounting is applied to forward contracts for electricity. Thereafter, only a marginal part of the change in market value for such instruments is recognized in the income statement. The market revaluation of forward contracts for electricity had a positive effect of 43 MSEK (4) on the profit.

Adjusted EBITDA rose to 1,957 MSEK (1,573). The adjusted EBITDA margin grew to 10.9% (10.8). Performance improved in all segments except Norway. The improved performance is chiefly due to the greater number of rooms in operation. Restel contributed 196 MSEK to the Group's adjusted EBITDA during the year. Currency translation effects had a positive impact of 56 MSEK on adjusted EBITDA compared with the same period in the previous year.

Pre-opening costs for new hotels totaled -92 MSEK (-67).

Items affecting comparability amounted to -141 MSEK (-30) comprising integration costs of 133 MSEK related to the Restel acquisition, transaction costs of 2 MSEK and restructuring costs of 6 MSEK related to changes to the commercial organization.

EBITDA was 1,853 MSEK (1,477). Reconciliation between EBITDA and adjusted EBITDA can be found in the table on page 7.

EBIT amounted to 983 MSEK (925). The EBIT margin was 5.5% (6.3%) and depreciation and amortization were -870 MSEK (-553). The increase in depreciation and amortization is largely due to the depreciation and amortization of assets from the Restel acquisition. Finance leases affected EBIT positively by 40 MSEK during the year.

The **Group's net financial expense** amounted to -173 MSEK (-124). The interest expense, excluding the effect of finance leases, was -113 MSEK (-110). The loan agreement concluded on June 22, 2017, and the establishment of a commercial paper program as of March 2018 reduced the average interest on loans, counteracting the effect of higher interest expenses due to the higher loan volume after the Restel acquisition. The result of exchange rate fluctuations from the revaluation of loans and investments amounted to 3 MSEK (-23).

Profit/loss before tax was 810 MSEK (800). Finance leases affected the profit by -28 MSEK during the year.

Reported tax amounted to -132 MSEK (-90). In June 2018, the Swedish parliament decided to reduce corporate tax in two steps, from 22% to 20.6%, from 2021. Reported tax was affected positively by approximately 40 MSEK due to the decision to reduce corporate tax, as the net deferred tax liabilities were valued at the lower tax rate.

Net profit dropped to 678 MSEK (711). Earnings per share after dilution totaled 6.54 SEK per share (6.86).

Excluding currency effects related to the revaluation of loans and the effect of finance leases, earnings per share after dilution amounted to 6.74 SEK (7.04). Integration costs attributable to Restel had a negative impact on earnings per share. Underlying earnings per share adjusted for items affecting comparability increased to 7.81 (7.27).

Summary of reported EBITDA and adjusted EBITDA

Adjusted EBITDA	**Oct-Dec 2018**	**Oct-Dec 2017**	**Jan-Dec 2018**	**Jan-Dec 2017**
EBITDA	494	282	1,853	1,477
Effect of finance leases, fixed and guaranteed rental charges	-33	0	-129	0
Pre-opening costs	3	19	92	67
Items affecting comparability	23	35	141	30
Adjusted EBITDA	**487**	**336**	**1,957**	**1,573**

Segment reporting

Quarterly, Oct-Dec	**Net sales**		**Adjusted EBITDA**		**Adjusted EBITDA margin**	
MSEK	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Sweden	1,621	1,579	244	206	15.1%	13.0%
Norway	1,260	1,146	100	113	7.9%	9.9%
Finland	1,084	495	186	92	17.2%	18.6%
Other Europe	630	523	76	65	12.1%	12.4%
Central costs and group adjustments	-	-	-119	-140	-	-
Total Group	**4,595**	**3,743**	**487**	**336**	**10.6%**	**9.0%**

Period, Jan-Dec	**Net sales**		**Adjusted EBITDA**		**Adjusted EBITDA margin**	
MSEK	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Sweden	6,275	5,977	910	878	14.5%	14.7%
Norway	5,116	4,586	502	490	9.8%	10.7%
Finland	4,168	1,915	590	339	14.2%	17.7%
Other Europe	2,448	2,104	304	267	12.4%	12.7%
Central costs and group adjustments	-	-	-349	-401	-	-
Total Group	**18,007**	**14,582**	**1,957**	**1,573**	**10.9%**	**10.8%**

BALANCE SHEET & CASH FLOW

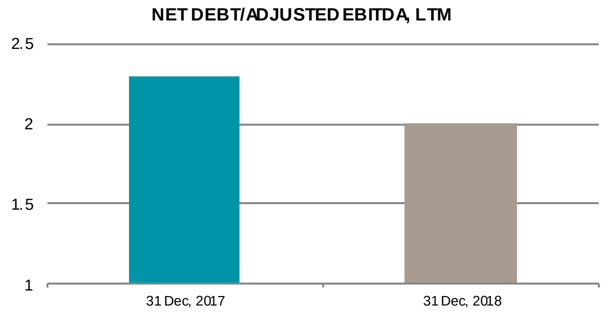
The balance sheet total on December 31, 2018 was 17,737 MSEK, compared with 16,964 MSEK on December 31, 2017.

In connection with the Restel acquisition, a finance lease liability was identified in relation to hotel property leases that at December 31, 2018 amounted to 1,677 MSEK and corresponding tangible fixed assets. Finance lease liabilities are not included in the definition of interest-bearing net debt.

Interest-bearing net liabilities increased in the period from 3,629 MSEK on December 31, 2017 to 3,837 MSEK on December 31, 2018. The increase is explained by a high level of investments, expenditures related to the integration of Restels, currency effects and payment of dividend.

Loans from credit institutions amounted to 2,940 MSEK and commercial papers totaled 1,000 MSEK at the end of the period. Net debt on December 31, 2018 corresponded to 2.0 times adjusted EBITDA for the past twelve months (2.3 per December 31, 2017).

On December 31, 2018, the average number of shares and votes was 103,075,976 after dilution. Equity was 7,806 MSEK compared with 7,356 MSEK on December 31, 2017.



Operating cash flow excluding finance lease amounted to 340 MSEK (-549) during the period. The cash flow contribution from the change in working capital amounted to 45 MSEK (196). The Group has negative working capital as the majority of the revenue is paid in advance or in direct connection with stays.

Paid tax amounted to -174 MSEK (-125). The decision on supplementary taxation in Finland for the 2008 tax year, which Scandic received in October 2017, was confirmed by a unanimous Adjustment Board in June 2018. The total amount, including taxes, fees and interest, of approximately 96 MSEK paid by Scandic in November 2017 was reduced by approximately 8 MSEK in fees. In 2018, the Adjustment Board also confirmed the supplementary taxation for the years 2009–2017, of which 99 MSEK (2009–2011) was paid in August 2018 and the remaining amount of approximately 180 MSEK (2012–2017) was paid by Scandic in January 2019.

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. The company does therefore not include any cost for the taxes in the accounts.

Based on the Adjustment Board's decision, Scandic's preliminary assessment is that the total exposure for the years 2008–2017 is approximately 370 MSEK including interest, which is recognized as a contingent liability.

Net investments during the period amounted to -1,254 MSEK (-2,093), of which hotel renovations accounted for -708 MSEK (-618) and IT for -93 MSEK (-55). Investments in new hotels and increased room capacity totaled -415 MSEK (-291). During the period, adjusted consideration and transaction costs for Restel of -54 MSEK were paid (-1,146) and two hotels in Finland were divested for 16 MSEK.

Cash flow from financing activities amounted to -482 MSEK over the period (-372). The change is chiefly due to effect of finance lease and an increase in net borrowing, where the utilization of the loan agreement declined by -877 MSEK while commercial paper of 1,000 MSEK were issued. Scandic has established a 2,000 MSEK Swedish commercial paper program. The issued commercial papers have a maturity from three months to one year. Commercial papers in issue impact the total credit line and replace other short-term financing intended for short-term financing of the working capital requirement and have reduced Scandic's financing costs

On June 22, 2017, Scandic Hotels Group AB entered into a 5,000 MSEK loan agreement. On February 15, 2018, it was agreed to amend the loan agreement, increasing the total credit line by 500 MSEK. As of December 2018, the amendment is included in the regular loan agreement, which now amounts to 5,500 MSEK. It remains applicable until June 22, 2021 and may be extended by another year.

At the end of the period, the Group had 103 MSEK (140) in cash and cash equivalents. Unused credit facilities totaled 1,522 MSEK (1,182). Hence, available funds amounted to 1,625 MSEK (1,322).

Cash flow

MSEK	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Adjusted EBITDA	487	336	1,957	1,574
Pre-opening costs	-3	-19	-92	-67
Non-recurring items	-23	-35	-141	-30
Adjustments for items not included in cash flow	23	1	-1	-5
Paid tax	-54	-102	-174	-125
Changes in working capital	581	582	45	196
Investments	-307	-388	-1,216	-964
Operating cash flow before acquisitions/disposals	**704**	**375**	**378**	**580**
Acquisitions/disposals	16	-1,131	-38	-1,129
Operating cash flow, excl. effect finance lease	**720**	**-756**	**340**	**-549**

EMPLOYEES

The average number of employees in the Group was 11,560 on December 31, 2018 compared with 9,928 on December 31, 2017. The increase is mainly due to the Restel acquisition.

SEGMENT REPORTING

Sweden

	Oct-Dec 2018	Oct-Dec 2017	%	Jan-Dec 2018	Jan-Dec 2017	%
Net sales (MSEK)	**1,621**	**1,579**	**2.7%**	**6,275**	**5,977**	**5.0%**
Organic growth	42		2.7%	298		5.0%
New hotels	*37*		*2.3%*	*265*		*4.4%*
Exits	*-1*		*0.0%*	*-2*		*0.0%*
LFL	*6*		*0.4%*	*35*		*0.6%*
Adjusted EBITDA	**244**	**206**	**18.4%**	**910**	**878**	**3.6%**
% margin	15.1%	13.0%		14.5%	14.7%	
RevPAR (SEK)	**701**	**690**	**1.6%**	**719**	**710**	**1.3%**
New hotels/Exits	11		1.6%	11		1.6%
LFL	0		0.0%	-2		-0.3%
ARR (SEK)	1,067	1,055	1.1%	1,054	1,029	2.4%
OCC %	65.7%	65.4%		68.2%	68.9%	

Fourth quarter

Net sales rose by 2.7% to 1,621 MSEK (1,579). For comparable units, net sales increased by 0.4%. During the fourth quarter, there was a good balance between supply and demand in Stockholm.

Organic growth amounted to 2.7% or 42 MSEK. The increase is mainly due to the increase in sales contributed by Downtown Camper by Scandic in Stockholm, which opened on September 1, 2017.

Average Revenue Per Available Room (RevPAR) increased by 1.6% compared with the same quarter the previous year. There was no change in RevPAR for comparable units.

Adjusted EBITDA rose to 244 MSEK (206). The adjusted EBITDA margin grew from 13.0% to 15.1%. Differences in the allocation of costs between the third and fourth quarters of 2018 compared with the previous year had a positive effect on the comparison of adjusted EBITDA for the third quarter. Measures implemented at the beginning of the year to adapt costs had a positive effect.

The period January–December

Net sales rose by 5.0% to 6,275 MSEK (5,977). For comparable units, net sales grew by 0.6%. During the first quarter, market capacity in Stockholm grew more than the number of sold rooms. From the second quarter, the balance between supply and demand improved gradually

Organic growth amounted to 5.0% or 298 MSEK. The greatest contribution to sales was from Downtown Camper by Scandic, which opened partially in Stockholm on September 1, 2017.

Average Revenue Per Available Room (RevPAR) increased by 1.3% compared with the same period the previous year. RevPAR for comparable units dropped by 0.3%.

Adjusted EBITDA rose to 910 MSEK (878). The adjusted EBITDA margin dropped from 14.7% to 14.5%. Measures implemented at the beginning of the year to adapt costs had a positive effect.

Norway

	Oct-Dec 2018	Oct-Dec 2017	%	Jan-Dec 2018	Jan-Dec 2017	%
Net sales (MSEK)	**1,260**	**1,146**	**10.0%**	**5,116**	**4,586**	**11.6%**
Currency effects	61		5.4%	159		3.5%
Organic growth	53		4.6%	371		8.1%
New hotels	*68*		*5.9%*	*359*		*7.8%*
Exits	*-13*		*-1.1%*	*-30*		*-0.6%*
LFL	*-2*		*-0.2%*	*42*		*0.9%*
Adjusted EBITDA	**100**	**113**	**-11.5%**	**502**	**490**	**2.4%**
% margin	7.9%	9.9%		9.8%	10.7%	
RevPAR (SEK)	**578**	**547**	**5.7%**	**646**	**617**	**4.8%**
Currency effects	31		5.7%	21		3.6%
New hotels/Exits	-1		-0.2%	-2		-0.4%
LFL	1		0.2%	10		1.6%
ARR (SEK)	1,079	989	9.1%	1,044	988	5.6%
OCC %	53.6%	55.3%		61.9%	62.4%	

Fourth quarter

Net sales rose by 10.0% to 1,260 MSEK (1,146). Net sales for comparable units dropped by 0.2%.

Organic growth amounted to 4.6% or 53 MSEK. The greatest contributors were Scandic Lillestrøm, which was opened on January 9, 2018, and Hotel Norge by Scandic in Bergen, which was opened on July 1, 2018.

There was no change in the Average Revenue Per Available Room (RevPAR) compared with the same quarter the previous year. RevPAR for comparable units grew by 0.2%.

Adjusted EBITDA dropped to 100 MSEK (113).

The adjusted EBITDA margin fell to 7.9% (9.9). Hotel Norge by Scandic in Bergen, which was opened in July, had a negative impact on EBITDA.

The period January–December

Net sales rose by 11.6% to 5,116 MSEK (4,586). For comparable units, net sales grew by 0.9%.

Organic growth amounted to 8.1% or 371 MSEK. The greatest contributors were Scandic Lillestrøm, which was opened on January 9, 2018, Hotel Norge by Scandic in Bergen, which was opened on July 1, 2018, and Scandic Flesland Airport in Bergen, which was opened on April 3, 2017. Other contributors were Grand Hotel Oslo and another four hotels that were added in the Pandox and Eiendomsspar transaction, which was implemented in the second quarter 2017.

Average Revenue Per Available Room (RevPAR) rose by 1.2% in local currency compared with the previous year. RevPAR for comparable units grew by 1.6%.

Adjusted EBITDA rose to 502 MSEK (490), The increase is mainly explained by positive currency effects.

The adjusted EBITDA margin fell to 9.8% (10.7). The margin was negatively affected by the initially lower margin for the new hotels. Hotel Norge by Scandic in Bergen had negative impact on EBITA.

Finland

	Oct-Dec 2018	Oct-Dec 2017	%	Jan-Dec 2018	Jan-Dec 2017	%
Net sales (MSEK)	**1,084**	**495**	**118.9%**	**4,168**	**1,915**	**117.7%**
Currency effects	28		5.5%	124		6.6%
Acquisitions	554		111.9%	2,148		112.2%
Organic growth	7		1.5%	-19		-1.1%
New hotels	*20*		*4.1%*	*51*		*2.6%*
Exits	*-31*		*-6.3%*	*-149*		*-7.8%*
LFL	*18*		*3.7%*	*79*		*4.1%*
Adjusted EBITDA	**186**	**92**	**102.2%**	**590**	**339**	**74.0%**
% margin	17.2%	18.6%		14.2%	17.7%	
RevPAR (SEK)	**609**	**659**	**-7.6%**	**612**	**663**	**-7.7%**
Currency effects	35		5.3%	43		6.5%
Acquisitions	-112		-17.0%	-117		-17.6%
New hotels/Exits	-7		-1.1%	-8		-1.2%
LFL	34		5.2%	31		4.6%
ARR (SEK)	1,024	1,036	-1.1%	1,001	1,000	0.1%
OCC %	59.5%	63.6%		61.1%	66.3%	

Fourth quarter

In the fourth quarter, all elements of the integration of Restel were completed. Integration costs amounted to 15 MSEK and are recognized in items affecting comparability, while investments in connection with the rebranding and system integrations totaled 7 MSEK. Since early June, all Cumulus hotels have been operated under the Scandic brand. Cost synergies within marketing, sales, purchasing and IT have been identified and are starting to have a certain positive effect. The acquired hotels contributed 554 MSEK to net sales and made a positive contribution of 73 MSEK to adjusted EBITDA.

Net sales in the fourth quarter increased by 118.9% to 1,084 MSEK (495). For comparable units, net sales grew by 3.7%.

Organic growth amounted to 1.5% or 7 MSEK. Scandic Helsinki Airport which was opened at the end of the first quarter contributed positively while Scandic Marski has been closed for renovation during 2018. The previously announced disposals of Cumulus Pori and Cumulus Kuopio were completed during the quarter.

Average Revenue Per Available Room (RevPAR) dropped by 12.9% in local currency compared with the same quarter the previous year. RevPAR for comparable units grew by 5.2%.

Adjusted EBITDA rose to 186 MSEK (92). The fourth quarter was positively affected by an adjustment of pension costs of approximately 20 MSEK, chiefly due to the Restel acquisition.

The adjusted EBITDA margin fell to 17.2% (18.6). The adjusted EBITDA margin rose somewhat, excluding Restel. The divested hotels Cumulus Pori and Kuopio contributed positively to the margin.

The period January–December

In the fourth quarter, all elements of the integration of Restel were completed. Integration costs for Restel amounted to 127 MSEK and are recognized in items affecting comparability, while investments in connection with the rebranding of hotels to the Scandic brand and system integrations were 31 MSEK. The acquired hotels contributed 2,148 MSEK to net sales over the year and made a positive contribution of 196 MSEK to adjusted EBITDA.

Net sales rose by a total of 117.7% to 4,168 MSEK (1,915). For comparable units, net sales grew by 4.1%.

Organic growth amounted to -1.1% or -19 MSEK. Scandic Helsinki Airport which was opened at the end of the first quarter contributed positively while Scandic Marski has been closed for renovation during 2018.

Average Revenue Per Available Room (RevPAR) dropped by 14.2% in local currency compared with the same period the previous year. RevPAR for comparable units grew by 4.6%.

Adjusted EBITDA rose to 590 MSEK (339).

Other Europe

	Oct-Dec 2018	Oct-Dec 2017	%	Jan-Dec 2018	Jan-Dec 2017	%
Net sales (MSEK)	**630**	**523**	**20.5%**	**2,448**	**2,104**	**16.4%**
Currency effects	27		5.1%	133		6.4%
Organic growth	80		15.4%	211		10.0%
New hotels	*78*		*14.9%*	*223*		*10.6%*
Exits	*-6*		*-1.1%*	*-25*		*-1.2%*
LFL	*8*		*1.6%*	*13*		*0.6%*
Adjusted EBITDA	**76**	**65**	**16.9%**	**304**	**267**	**13.9%**
% margin	12.1%	12.4%		12.4%	12.7%	
RevPAR (SEK)	**752**	**691**	**8.9%**	**811**	**753**	**7.7%**
Currency effects	35		4.9%	48		6.4%
New hotels/Exits	1		0.1%	0		0.0%
LFL	27		3.9%	10		1.3%
ARR (SEK)	1,075	1,011	6.4%	1,100	1,023	7.5%
OCC %	70.0%	68.3%		73.7%	73.6%	

Fourth quarter

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

Net sales rose by 20.5% to 631 MSEK (523). For comparable units, net sales grew by 1.6%.

Organic growth amounted to 15.4% or 80 MSEK. Scandic The Mayor in Aarhus, Scandic Frankfurt Museumsufer and Scandic Kødbyen in Copenhagen were the greatest contributors to the increase.

Average Revenue Per Available Room (RevPAR) rose by 4% in local currency compared with the same quarter the previous year. RevPAR for comparable units grew by 3.9%. The trend in Germany and Poland was positive, while the development in Denmark was marginally negative.

Adjusted EBITDA rose to 76 MSEK (65).

The adjusted EBITDA margin fell to 12.1% (12.4).

The period January–December

Net sales rose by 16.4% to 2,448 MSEK (2,104). For comparable units, net sales grew by 0.6%.

Organic growth amounted to 10.0% or 211 MSEK. Scandic Sluseholmen in Copenhagen, Scandic The Mayor in Aarhus, Scandic Frankfurt Museumsufer and Scandic Kødbyen in Copenhagen were the greatest contributors to the increase.

Average Revenue Per Available Room (RevPAR) increased by 1.3 % in local currency compared with the same period the previous year. RevPAR for comparable units grew by 1.3%. The trend in Germany was positive, while the development in Poland and Denmark was marginally negative.

Adjusted EBITDA rose to 304 MSEK (267).

The adjusted EBITDA margin fell to 12.4% (12.7).

Central functions

Adjusted EBITDA for central functions was -119 MSEK (-140) during the quarter and -349 MSEK (-401) during the year. From July 1, 2018, hedge accounting is applied to forward contracts for electricity. Thereafter, only a marginal part of the change in market value for such instruments will be recognized in the income statement. The market value of forward contracts for electricity had a positive impact of 43 MSEK (4) on profit for the year. The effect of the market valuation on profits is almost exclusively attributable to the period prior to the introduction of hedge accounting.

EVENTS AFTER THE REPORTING DATE

On January 18, Scandic announced that Jens Mathiesen would take over from Even Frydenberg as President & CEO.

On February 7, Scandic signed an agreement to sell Scandic Hasselbacken in Stockholm for approximately 230 MSEK with an expected capital gain of about 180 MSEK.

In January, Scandic paid approximately 180 MSEK related to a decision by the Adjustment Board regarding supplementary taxation in Finland for the years 2012 to 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. The company does therefore not include any cost for the taxes in the accounts.

OUTLOOK

Scandic has a long-term positive view of its markets although growth in capacity at some destinations could have a temporary negative effect on the market balance during 2019. In Oslo, capacity will increase at the beginning of the year and in Copenhagen, a significant increase is expected from the second quarter.

For the first quarter 2019, like for like revenue growth is expected to be about 2% including calendar effects from the fact that Easter fell partly in March in 2018. In addition, more rooms in operation is expected to contribute with about 2%-points to sales growth.

FINANCIAL TARGETS

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

- Annual net sales growth of at least 5% on average over a business cycle, excluding potential M&As.
- An adjusted EBITDA margin of at least 11% 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/NewYear's, are generally the weakest periods. Approximately 70% of Scandic's revenue comes from business travel and conferences while the remaining 30% comes from leisure travel.

DIVIDEND & AGM

For 2018, the Board of Directors proposes that the Annual General Meeting 2018 resolve on a dividend of 3.50 SEK (3.40) per share to be paid out in two equal amounts of 1.75 SEK on two separate occasions.

Scandic's Annual General Meeting will be held at 13:00 CET on May 7, 2019 at Vasateatern in Stockholm.

PRESENTATION OF THE REPORT

The presentation of Scandic's Year-End Report will take place at 9:00 CET on February 19, 2019 with President & CEO Jens Mathiesen and CFO Jan Johansson available by phone. To participate, just dial +46 8 5055 8350 (SE) or +44 3333 009032 (UK). Please call in five minutes before the start. The presentation will also be available afterwards at scandichotelsgroup.com

FOR MORE INFORMATION

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FINANCIAL CALENDAR

2019-05-07	Interim Report Q1 2019 (silent period from April 7, 2019)
2019-05-07	Annual General Meeting
2019-07-19	Interim Report Q2 2019 (silent period from June 19, 2019)
2019-10-24	Interim Report Q3 2019 (silent period from September 23, 2019)

SIGNIFICANT RISKS & RISK 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 where establishing new hotels can initially lead to lower occupancy in the short term, but in the long term, greater room capacity can help stimulate interest in particular destinations for business and leisure travel, which can increase the number of rooms sold.

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 results in 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 important to be able to adapt cost levels to variations in demand. Together, this means that by having a flexible cost structure, Scandic can lessen the effects of seasonal and economic fluctuations.

On December 31, 2018, Scandic's goodwill and intangible assets amounted to 9,897 MSEK. The recognized value mainly relates to operations in Sweden, Norway and Finland. A significant downturn in the hotel markets in these countries will affect expected cash flow negatively, and consequently, the value of goodwill and other intangible assets.

SENSITIVITY ANALYSIS

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

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	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
INCOME				
Room revenue	2,824	2,285	11,721	9,464
Restaurant and conference revenue*	1,682	1,420	5,862	4,853
Franchise and management fees	7	6	29	26
Other hotel-related revenue	82	32	395	239
Net sales	***4,595***	***3,743***	***18,007***	***14,582***
Other income	-	-	-	1
TOTAL OPERATING INCOME	**4,595**	**3,743**	**18,007**	**14,583**
OPERATING COSTS				
Raw materials and consumables	-434	-357	-1,605	-1,295
Other external costs	-1,087	-883	-4,061	-3,211
Personnel costs	-1,398	-1,224	-5,620	-4,738
Fixed and guaranteed rental charges	-758	-577	-2,968	-2,323
Variable rental charges	-398	-366	-1,667	-1,442
Pre-opening costs	-3	-19	-92	-67
Items affecting comparability	-23	-35	-141	-30
EBITDA	**494**	**282**	**1,853**	**1,477**
Depreciation and amortization	-239	-157	-870	-553
TOTAL OPERATING COSTS	**-4,340**	**-3,618**	**-17,024**	**-13,659**
EBIT (Operating profit/loss)	**255**	**125**	**983**	**925**
Financial income	2	6	12	9
Financial expenses	-46	-25	-185	-133
Net financial items	**-44**	**-19**	**-173**	**-124**
EBT (Profit/loss before taxes)	**211**	**106**	**810**	**800**
Taxes	-46	53	-132	-90
PROFIT/LOSS FOR PERIOD	**165**	**159**	**678**	**711**
Profit/loss for period relating to:				
Parent Company shareholders	164	158	674	707
Non-controlling interest	1	1	4	4
Profit/loss for period	**165**	**159**	**678**	**711**
Average number of outstanding shares before dilution	102,990,062	102,959,870	102,990,062	102,959,870
Average number of outstanding shares after dilution	103,075,976	103,003,004	103,075,976	103,003,004
Earnings per share before dilution, SEK	**1.59**	**1.53**	**6.54**	**6.87**
Earnings per share after dilution, SEK	**1.59**	**1.53**	**6.54**	**6.86**
EBITDA margin, %	10.8	7.5	10.3	10.1
EBIT margin, %	5.5	3.3	5.5	6.3

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

Consolidated statement of comprehensive income

MSEK	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Profit/loss for period	165	159	678	711
Items that may be reclassified to the income statement	-117	7	176	-56
Items that may not be reclassified to the income statement	-14	-43	-40	-79
Other comprehensive income	**-131**	**-36**	**136**	**-135**
Total comprehensive income for period	**34**	**123**	**814**	**576**
Relating to:				
Parent Company shareholders	35	123	805	571
Non-controlling interest	-1	-	9	5

Consolidated balance sheet, summary

MSEK	31 Dec 2018	31 Dec 2017
ASSETS		
Intangible assets	9,899	9,669
Tangible assets	6,035	5,599
Financial fixed assets	333	170
Total fixed assets	**16,267**	**15,438**
Current assets	1,319	1,285
Derivative instruments	46	-
Assets held for sale	2	101
Cash and cash equivalents	103	140
Total current assets	**1,470**	**1,526**
TOTAL ASSETS	**17,737**	**16,964**
EQUITY AND LIABILITIES		
Equity attributable to owners of the Parent Company	7,768	7,323
Non-controlling interest	38	33
Total equity	**7,806**	**7,356**
Liabilities to credit institutions	2,940	3,769
Finance lease liabilities	1,543	1,607
Other long-term liabilities	1,489	1,312
Total long-term liabilities	**5,972**	**6,688**
Derivative instruments	-	5
Current liabilities for finance leases	63	58
Current liabilities, commercial papers	1,000	-
Liabilities held for sale	1	70
Other current liabilities	2,895	2,786
Total current liabilities	**3,958**	**2,919**
TOTAL EQUITY AND LIABILITIES	**17,737**	**16,964**
Equity per share, SEK	75.4	71.1
Total number of shares outstanding, end of period	102,985,075	102,985,075
Working capital	-1,575	-1,470
Interest-bearing net liabilities	3,837	3,629
Interest-bearing net liabilities/adjusted EBITDA	2.0	2.3

Changes in Group equity

MSEK	Share capital	Share premium reserve	Translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
OPENING BALANCE 01/01/2017	**26**	**7,865**	**-29**	**-790**	**7,072**	**31**	**7,103**
Profit/loss for the period	**-**	**-**	**-**	**707**	**707**	**4**	**711**
Total other comprehensive income, net after tax	*-*	*-*	*-57*	*-79*	*-136*	*1*	*-135*
Total comprehensive income for the year	**-**	**-**	**-57**	**628**	**571**	**5**	**576**
Total transactions with shareholders	*-*	*-*	*-*	*-320*	*-320*	*-3*	*-323*
CLOSING BALANCE 12/31/2017	**26**	**7,865**	**-86**	**-482**	**7,323**	**33**	**7,356**
Change accounting principles	*-*	*-*	*-*	*-*	*-*	*-*	*0*
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**

Consolidated cash flow statement

	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
OPERATING ACTIVITIES				
EBIT (Operating profit/loss)	255	125	983	925
Depreciation	239	157	870	553
Items not included in cash flow	23	1	-1	-5
Paid tax	-54	-102	-174	-125
Change in working capital	581	582	45	196
Cash flow from operating activities	**1,044**	**763**	**1,723**	**1,544**
INVESTING ACTIVITIES				
Net investments	-307	-388	-1,216	-964
Sale of operations	16	15	16	17
Acquisitions	-	-1,146	-54	-1,146
Cash flow from investing operations	**-291**	**-1,519**	**-1,254**	**-2,093**
OPERATIVE CASH FLOW	**753**	**-756**	**469**	**-549**
FINANCING OPERATIONS				
Paid interest, credit institutions	-25	-16	-77	-80
Paid interest, finance lease	-17	-	-68	-
Dividends	-174	-3	-352	-325
Refinancing of loans	-1	-	-6	-6
Dividend, share swap agreement	-	-5	-41	30
Net borrowing/amortization, credit institutions	-412	798	-877	9
Amortization, finance lease	-16	-	-61	-
Issue commercial papers	-199	-	1,000	-
Cash flow from financing operations	**-844**	**774**	**-482**	**-372**
CASH FLOW FOR PERIOD	**-91**	**18**	**-13**	**-921**
Cash and cash equivalents at beginning of period	188	121	140	1,068
Translation difference in cash and cash equivalents	6	1	-24	-7
Cash and cash equivalents at end of the period	103	140	103	140

Parent Company income statement, summary

MSEK	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Net sales	12	34	34	54
Expenses	-10	-32	-33	-71
EBIT (Operating profit/loss)	**2**	**2**	**1**	**-17**
Financial income	118	39	247	113
Financial expenses	-26	-17	-104	-104
Net financial items	**92**	**22**	**143**	**9**
Appropriations	-144	334	-144	334
EBT (profit/loss before tax)	**-50**	**358**	**-1**	**325**
Tax	11	-78	-	-71
PROFIT/LOSS FOR PERIOD	**-39**	**280**	**-1**	**254**

Consolidated statement of comprehensive income

MSEK	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Profit/loss for period	**-39**	**280**	**-1**	**254**
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	**-39**	**280**	**-1**	**254**

Parent Company balance sheet, summary

MSEK	31 Dec 2018	31 Dec 2017
ASSETS		
Investments in subsidiaries	5,039	5,039
Group company receivables	5,377	5,174
Other receivables	27	-
Total fixed assets	**10,443**	**10,213**
Current receivables	-	28
Group company receivables	3	333
Cash and cash equivalents	1	-
Total current assets	**4**	**361**
TOTAL ASSETS	**10,447**	**10,574**
EQUITY AND LIABILITIES		
Equity	**6,245**	**6,606**
	-	-
Liabilities to credit institutions	2,940	3,813
Other liabilities	27	
Total long-term liabilities	**2,967**	**3,813**
Liabilities for commercial papers	1,000	-
Liabilities to Group companies	144	-
Other liabilities	73	118
Accrued expenses and prepaid income	18	37
Total current liabilities	**1,235**	**155**
TOTAL EQUITY AND LIABILITIES	**10,447**	**10,574**

Changes in Parent Company's equity

	Share capital	Share premium reserve	Retained earnings	Total equity
MSEK				
OPENING BALANCE 01/01/2017	**26**	**1,534**	**5,112**	**6,672**
Profit/loss for period	**-**	**-**	**254**	**254**
Total other comprehensive income, net after tax	-	-	-	-
Total other comprehensive income			**254**	**254**
Total transactions with shareholders	**-**	**-**	**-320**	**-320**
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 transactions with shareholders	**-**	**-**	**-360**	**-360**
CLOSING BALANCE 12/31/2018	**26**	**-**	**4,685**	**6,245**

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 34 MSEK (54). The operating profit was 1 MSEK (-17).

Net financial items for the period totaled 143 MSEK (9). The Parent Company's profit before tax was -1 MSEK (254).

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 9 MSEK for the period and costs for purchasing services from related parties amounted to -1 MSEK. 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 the Annual Report and consolidated financial statements for 2017 and are outlined in Note 1, Accounting principles.

From January 1, 2019 the Group will apply a new standard, IFRS 16, Leasing. The new standard primarily affects the accounting of the Group's operating leases and is expected to have significant effects on the Group's balance sheet. The income statement is also expected to be impacted primarily by adjustments to specific items. The Group will apply 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 will impact the accumulated profit or loss in the opening balance as of January 1, 2019.

The effect is initially expected to increase tangible fixed assets by approximately SEK 24.8 billion, liabilities for finance leases by approximately SEK 26.6 billion and reduce equity by approximately SEK 1.4 billion including effect of deferred tax. With the current portfolio of leasing agreements, net profit after tax for 2019 is estimated to be negatively affected by approximately SEK 200 million.

From July 1, 2018, the Group applies hedge accounting to forward contracts for electricity, in accordance with IFRS 9. This means that forward contracts for electricity entered into by the Group are valued monthly, with effectiveness and ineffectiveness recognized in equity and in the income statement respectively. The introduction of hedge accounting is expected to have only a marginal effect on profits.

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. Rounding differences may occur.

The information for the interim period on pages 1 to 26 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, the company 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. 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.

These measures aim to measure Scandic's activities and may therefore differ from the way that other companies calculate similar dimensions.

The definitions and explanations of the 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: Listed prices for identical assets or liabilities on active markets.

Level 2: Other observable data than what is included in Level 1 regarding the asset or liability, either direct or indirect.

Level 3: Data for the asset or liability that is not based on observable market data.

The Group's derivative instruments and loans from credit institutions are classified as Level 2. For liabilities to credit institutions, the booked value is 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, Holiday Inn and Cumulus 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 a large number of customers in all segments.

Segment results are analyzed based on adjusted EBITDA.

Segment disclosures

Oct-Dec	Sweden		Norway		Finland		Other Europe		Central functions		Group	
MSEK	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Room revenue	1,045	1,011	687	637	673	300	419	336	-	-	2,824	2,284
Restaurant and conference revenue	555	550	555	502	368	187	204	182	-	-	1,682	1,421
Franchise and managment fees	3	3	3	2	-	0	1	1	-	-	7	6
Other hotel-related income	18	15	15	5	43	8	6	4	-	-	82	32
Net sales	**1,621**	**1,579**	**1,260**	**1,146**	**1,084**	**495**	**630**	**523**	**-**	**-**	**4,595**	**3,743**
Other income	-	-	-	-	-	-	-	-	-	-	-	-
Internal transactions	-	-	-	-	-	-	-	-	12	34	12	34
Group eliminations	-	-	-	-	-	-	-	-	-12	-34	-12	-34
Total income	**1,621**	**1,579**	**1,260**	**1,146**	**1,084**	**495**	**630**	**523**	**-**	**-**	**4,595**	**3,743**
Expenses	-1,377	-1,373	-1,160	-1,033	-898	-403	-554	-458	-119	-140	-4,108	-3,407
Adjusted EBITDA	**244**	**206**	**100**	**113**	**186**	**92**	**76**	**65**	**-119**	**-140**	**487**	**336**
Adjusted EBITDA margin, %	15.1	13.0	7.9	9.9	17.2	18.6	12.1	12.4	-	-	10.6	9.0
EBITDA	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**494**	**282**
EBITDA margin, %	-	-	-	-	-	-	-	-	-	-	10.8	7.5
Depreciation and amortization	-	-	-	-	-	-	-	-	-	-	-239	-157
EBIT (Operating profit/loss)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**255**	**125**
Net financial items	-	-	-	-	-	-	-	-	-	-	-44	-19
EBT (Profit/loss before tax)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**211**	**106**

Jan-Dec	Sweden		Norway		Finland		Other Europe		Central functions		Group	
MSEK	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Room revenue	4,253	4,026	3,071	2,757	2,695	1,238	1,702	1,443	-	-	11,721	9,464
Restaurant and conference revenue	1,941	1,877	1,892	1,692	1,310	646	719	638	-	-	5,862	4,853
Franchise and managment fees	11	12	11	7	-	1	7	6	-	-	29	26
Other hotel-related income	70	62	142	130	163	30	20	17	-	-	395	239
Net sales	**6,275**	**5,977**	**5,116**	**4,586**	**4,168**	**1,915**	**2,448**	**2,104**	**-**	**-**	**18,007**	**14,582**
Other income	-	1	-	-	-	-	-	-	-	-	-	1
Internal transactions	-	-	-	-	-	-	-	-	34	54	34	54
Group eliminations	-	-	-	-	-	-	-	-	-34	-54	-34	-54
Total income	**6,275**	**5,978**	**5,116**	**4,586**	**4,168**	**1,915**	**2,448**	**2,104**	**-**	**-**	**18,007**	**14,583**
Expenses	-5,365	-5,100	-4,614	-4,096	-3,578	-1,576	-2,144	-1,837	-349	-401	-16,050	-13,010
Adjusted EBITDA	**910**	**878**	**502**	**490**	**590**	**339**	**304**	**267**	**-349**	**-401**	**1,957**	**1,573**
Adjusted EBITDA margin, %	14.5	14.7	9.8	10.7	14.2	17.7	12.4	12.7			10.9	10.8
EBITDA	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,853**	**1,477**
EBITDA margin, %	-	-	-	-	-	-	-	-	-	-	10.3	10.1
Depreciation and amortization	-	-	-	-	-	-	-	-	-	-	-870	-553
EBIT (Operating profit/loss)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**983**	**925**
Net financial items	-	-	-	-	-	-	-	-	-	-	-173	-124
EBT (Profit/loss before tax)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**810**	**800**

Assets and investments by segment

31 Dec	Sweden		Norway		Finland		Other Europe		Central functions		Group	
MSEK	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Fixed assets	5,761	5,582	3,766	3,577	5,584	5,423	982	771	174	85	16,267	15,438
Investments in fixed assets	341	433	317	220	255	158	226	94	92	59	1,231	964

Revenue by country

MSEK	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Sweden	1,621	1,579	6,275	5,978
Norway	1,260	1,146	5,116	4,586
Finland	1,084	495	4,168	1,915
Denmark	450	384	1,736	1,535
Germany	160	116	633	473
Poland	20	17	79	73
Belgium	-	6	-	23
Total countries	**4,595**	**3,743**	**18,007**	**14,583**
Other	12	34	34	54
Group eliminations	-12	-34	-34	-54
Group	**4,595**	**3,743**	**18,007**	**14,583**

Revenue by type of agreement

MSEK	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Lease agreements	4,577	3,727	17,933	14,514
Management agreements	3	3	12	11
Franchise and partner agreements	4	3	17	15
Owned	11	10	45	43
Total	**4,595**	**3,743**	**18,007**	**14,583**
Other	12	34	34	54
Group eliminations	-12	-34	-34	-54
Group	**4,595**	**3,743**	**18,007**	**14,583**

Effect of finance lease

The following items in Profit/Loss have been affected by finance lease accounting	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Fixed and guaranteed rental charges	33	0	129	0
Depreciations	-23	0	-89	0
Total effect of finance lease accounting on EBIT	**10**	**0**	**40**	**0**
Financial expenses	-17	0	-68	0
Total effect of finance lease accounting on EBT	**-7**	**0**	**-28**	**0**
Tax	1	0	6	0
Total effect of finance lease accounting on Profit/Loss	**-6**	**0**	**-22**	**0**

Total rental charges

Total rental charges	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Fixed and guaranteed rental charges according to income statement	-758	-577	-2,968	-2,323
Fixed and guaranteed rental charges, reversed effect of finance lease	-33	0	-129	0
Total fixed and guaranteed rental charges	**-791**	**-577**	**-3,097**	**-2,323**
Variable rental charges	-398	-366	-1,667	-1,442
Total rental charges	**-1,189**	**-943**	**-4,764**	**-3,765**
Fixed and guaranteed rental charges	17.2%	15.4%	17.2%	15.9%
Variable rental charges	8.7%	9.8%	9.3%	9.9%
Total rental charges	25.9%	25.2%	26.5%	25.8%

Quarterly data

MSEK	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
RevPAR, SEK	651	766	737	572	640	758
Net sales	4,595	4,874	4,748	3,791	3,743	3,974
Adjusted EBITDA	487	736	618	115	336	622
EBITDA	494	733	537	88	282	625
Adjusted EBIT	248	516	406	-83	179	490
EBIT (Operating profit/loss)	255	513	325	-110	125	493
EBT (Profit/loss before tax)	211	470	275	-146	106	470
Adjusted EBITDA margin, %	10.6	15.1	13.0	3.0	9.0	15.7
EBITDA margin, %	10.8	15.0	11.3	2.3	7.5	15.7
Adjusted EBIT margin, %	5.4	10.6	8.6	-2.2	4.8	12.3
EBIT margin, %	5.5	10.5	6.8	-2.9	3.3	12.4
Fixed and guaranteed rental charges, % of net sales	17.2	16.2	16.2	19.6	15.9	14.8
Variable rental charges, % of net sales	8.7	10.2	10.1	7.7	9.9	11.0
Total rental charges, % of net sales	25.9	26.5	26.3	27.4	25.8	25.9
Earnings per share after dilution, SEK	1.59	3.83	2.51	-1.39	1.52	3.65

Quarterly data per segment

	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Net sales						
Sweden	1,621	1,617	1,674	1,364	1,579	1,550
Norway	1,260	1,465	1,352	1,038	1,146	1,333
Finland	1,084	1,108	1,059	918	495	508
Other Europe	630	684	663	471	523	583
Total net sales	**4,595**	**4,874**	**4,748**	**3,791**	**3,743**	**3,974**
Adjusted EBITDA						
Sweden	244	274	270	123	206	283
Norway	100	214	160	28	113	213
Finland	186	199	149	56	92	107
Other Europe	76	120	108	-	65	104
Central functions	-119	-71	-69	-92	-140	-85
Total adj EBITDA	**487**	**736**	**618**	**115**	**336**	**622**
Adjusted EBITDA margin, %	*10.6%*	*15.1%*	*13.0%*	*3.0%*	*9.0%*	*15.7%*

Exchange rates

SEK/EUR	Jan-Dec 2018	Jan-Dec 2017
Income statement (average)	10.2567	9.6326
Balance sheet (at end of period)	10.2753	9.8497
SEK/NOK		
Income statement (average)	1.0687	1.0330
Balance sheet (at end of period)	1.0245	1.0011
SEK/DKK		
Income statement (average)	1.3762	1.2949
Balance sheet (at end of period)	1.3760	1.3229

Alternative performance measures

Interest-bearing net liabilities	31 Dec 2018	31 Dec 2017
Liabilities to credit institutions	2,940	3,769
Liabilities, commercial papers	1,000	0
Cash and cash equivalents	-103	-140
Interest-bearing net liabilities	**3,837**	**3,629**

Working capital	31 Dec 2018	31 Dec 2017
Current assets, excl cash and bank balances	1,321	1,386
Current liabilities	-2,896	-2,856
Working capital	**-1,575**	**-1,470**

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

LONG-TERM INCENTIVE PROGRAM

In December 2015, Scandic implemented a share-based Long-Term Incentive Program (LTIP 2015). A corresponding incentive program was decided upon at the Annual General Meetings 2016 (LTIP 2016), 2017 (LTIP 2017) and 2018 (LTIP 2018). The LTIP 2015 ended in connection with the publication of Scandic's interim report for the first quarter 2018.

The LTIP enables participants to receive matching shares and performance shares provided they make their own investments in shares or allocate shares already held to the program. For each 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, the participants may receive a number of performance shares, free of consideration, depending on the degree of meeting certain performance criteria adopted by the Board of Directors related to EBITDA, cash flow and RGI (Revenue Generation Index=RevPAR in relation to the competitor group's RevPAR) for the 2016–2018 (LTIP 2016), 2017–2019 (LTIP 2017) and 2018–2020 (LTIP 2018) financial years respectively. For the LTIP 2018, 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 2019, the first quarter 2020 and the first quarter 2021 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 170,162 shares for the LTIP 2016, 176,685 shares for the LTIP 2017 and 232,699 shares for the LTIP 2018 corresponding to approximately 0.6% of Scandic's share capital and votes. The cost of the program is expected to be 31 MSEK, including social security contributions, and the cost included in the income statement for the Group in accordance with IFRS 2 amounted to 13 MSEK for 2018, including social security contributions. The maximum cost of the program, including social security contributions, is estimated to be 89 MSEK. For more information, see Note 6 in Scandic's Annual Report 2017.

The expected financial exposure to shares that may be allocated under the LTIP 2016, LTIP 2017 and LTIP 2018 and 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 19, 2019

Per G. Braathen
Chairman

Ingalill Berglund
Member of the Board

Grant Hearn
Member of the Board

Lottie Knutson
Member of the Board

Christoffer Lundström
Member of the Board

Eva Moen Adolfsson
Member of the Board

Martin Svalstedt
Member of the Board

Fredrik Wirdenius
Member of the Board

Marianne Sundelius
Employee representative

Jens Mathiesen
President & CEO

AUDITORS' REVIEW

This report has not been the subject of any review by the company's auditors.

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.

RevPAR (Revenue Per Available Room)
Refers to the average room revenue per available room.

Pre-opening costs
Refers to costs for contracted and newly-opened hotels before opening day.

FINANCIAL KEY RATIOS & ALTERNATIVE PERFORMANCE MEASURES

EBT
Earnings before tax.

EBIT
Earnings before interest and tax.

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

EBITDA
Earnings before interest, taxes, depreciation and amortization.

EBITDA margin
EBITDA as percentage of net sales.

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

Items affecting comparability
Items that are not directly related to the normal operations of the Group, for example, costs for transactions and restructuring.

Interest-bearing net debt
Debts to credit institutions and commercial papers less cash and cash equivalents.

Working capital, net
Total current assets excluding financial instruments, cash and cash equivalents less total current liabilities, excluding financial 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 more than 55,000 rooms at about 280 hotels in operation and under development. In 2018, the Group had annual sales of SEK 18.0 billion.

We operate within the mid-market hotel segment under our industry-leading Scandic brand. About 70% of our revenue comes from business travel and conferences and the remaining 30% from leisure travel. We have a high share of returning guests and our Scandic Friends loyalty program is the largest in the Nordic hospitality industry with 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)

2019-02-07 Scandic signs agreement to sell Scandic Hasselbacken in Stockholm

2019-01-30 Scandic appoints Søren Faerber as new Head of Denmark and member of the Executive Committee

2019-01-17 Scandic Hotels Group AB (publ) changes President and CEO – Jens Mathiesen replaces Even Frydenberg

2018-12-10 Scandic Hotels expands to Munich

2018-11-09 Scandic to open new hotel in Kiruna to replace existing hotel when city moves to new location

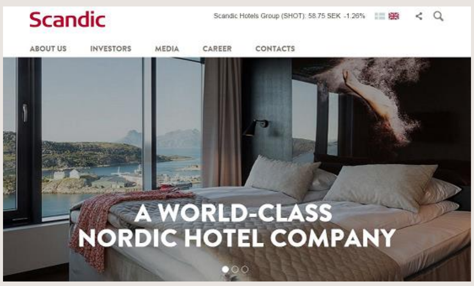
2018-08-30 Scandic to divest one hotel in Kuopio

2018-08-20 Scandic Hotels joins ITP to help hotel industry achieve Sustainable Development Goals

2018-08-16 Scandic Hotels to open Trondheim's largest hotel

2018-07-10 Scandic signs agreement for new hotel in Helsinki

scandichotelsgroup.com



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