Scandic

The leading hotel company in the Nordics

January – March 2020

SUBSTANTIAL COST REDUCTIONS & SECURED FINANCING

FIRST QUARTER IN SUMMARY

- Net sales dropped 17.8% to 3,343 MSEK (4,066).
- Net sales grew in January and February but fell dramatically in March due to extremely low levels of activity as a result of the spread of the coronavirus.
- Extensive measures taken to lower cost levels including furlough and terminations of employees.
- Adjusted EBITDA amounted to -174 MSEK (160). Implemented cost reductions helped mitigate the negative effect of low occupancy levels in March.
- Expenses affecting comparability, mainly related to staffing reductions in the company's Swedish operations, totaled -184 MSEK.
- Revaluation of intangible assets, mainly goodwill, leading to write-down of 2,955 MSEK.
- Non-cash tax expense of around 400 MSEK resulting from the Administrative Court of Finland's rejection of Scandic's appeal regarding supplementary taxation for 2007-2017.
- Adjusted for the effect of finance leases and items affecting comparability, earnings per share totaled -36.23 SEK (-0.79), with a material negative impact from the impairment and the tax cost in the quarter.
- On March 16, Scandic's Board of Directors resolved to withdraw its previous dividend proposal of 3.70 SEK per share due to the company's dramatically worsened business situation.

EVENTS AFTER THE REPORTING DATE

- On April 29, Scandic announced a 1,150 MSEK increase in its credit facilities, to 6,650 MSEK in total, and a guaranteed rights issue of 1,750 MSEK with preferential rights for existing shareholders.

GROUP KEY RATIOS

MSEK	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019	Apr-Mar 2019/2020
Financial key ratios				
Net sales	3,343	4,066	18,945	18,222
Adjusted EBITDA	-174	160	2,046	1,712
Adjusted EBITDA margin, %	-5.2	3.9	10.8	9.4
EBITDA	442	1,091	5,425	4,776
Net profit/loss for the period	-3,927	37	725	-3,239
Net profit/loss for the period excl. effect leases	-3,876	90	942	-3,024
Earnings per share, SEK	-38.13	0.35	7.01	-31.47
Earnings per share, SEK, excl. effect leases	-37.63	0.87	9.15	-29.36
Earnings per share, SEK, excl. effect leases & items affecting comparability	-36.23	-0.79	7.49	-27.96
Net debt/Adjusted EBITDA, LTM	2.5	2.1	1.7	2.5
Hotel-related key ratios				
RevPAR (SEK)	474	599	707	675
ARR (Average Room Rate), SEK	1,043	1,018	1,071	1,078
OCC (Occupancy), %	45.5	58.9	66.0	62.6
Total number of rooms on reporting date	53,071	51,808	52,755	53,071

CEO'S COMMENTS

A quarter marked by the coronavirus crisis

The first quarter of 2020 was dominated by the coronavirus crisis. The year got off to a good start with sales increasing in both January and February, but from the end of February, we began to notice declining demand with fewer international visitors and travel restrictions among our corporate customers. Subsequently, the government decisions taken to reduce the spread of the coronavirus resulted in an extremely low level of activity that we've never experienced before. In March, in principle, our net sales were halved compared to the previous year.

Quick, powerful measures

At the end of February, we initiated a series of measures to reduce costs. Excluding rents, we've managed to lower costs by just over 70 percent at the beginning of the second quarter mainly due to lower variable costs, staff reductions and measures to lower the general cost level. We have also benefited from targeted state aid including furlough and support to cover fixed costs. We are preparing further measures to compensate for the reduction in state aid over time as it is gradually removed. Our ambition is for Scandic to be profitable at lower occupancy levels than before. Similarly, we will analyze our fixed and guaranteed rent levels to find solutions together with our property owners that will make it profitable to run hotel operations with lower occupancy levels than before.

"At the end of February, we initiated a series of measures to reduce costs"

Improved booking trend

In April, Scandic's occupancy rate hit a record low of 6 percent. Both occupancy and the booking trend have improved since mid-April. From the end of May, we plan to gradually reopen more hotels. We expect a gradual increase in occupancy of a few percentage points per month in May and June. When the holiday season starts, we expect further improvement as national tourism flows resume. That said, the level of uncertainty remains high and we are preparing for a slow recovery in demand with continued cost reductions and cash flow enhancing measures determining our success. For 2020, we expect sales to be more than halved compared with 2019.

"When the holiday season starts, we expect further improvement as national tourism flows resume"

Result in the quarter was negatively affected by two non-cash items in the form of impairment of intangible assets of around 3 billion SEK and a tax expense of around 400 MSEK related to a tax ruling in Finland. Scandic will appeal the ruling.

Financing secured, well positioned for recovery

On April 29, we announced that we had obtained a financing solution with an extended credit facility and a guaranteed rights issue to secure Scandic's future liquidity needs while enabling continued development of the company. With the extensive cost-efficiency measures now being implemented, we're creating very good opportunities in the long term to exceed our EBITDA margin target of 11 percent, even in a market with lower RevPAR levels than last year.

"On April 29, we announced that we had obtained a financing solution with an extended credit facility and a guaranteed rights issue to secure Scandic's future liquidity needs"

Jens Mathiesen
President & CEO

NORDIC HOTEL MARKET DEVELOPMENT IN THE QUARTER

Good demand in January and February

2020 began with a market trend that was broadly in line with the previous year. In the first two months, hotel demand increased in terms of the number of sold rooms in Sweden, Norway and Finland, while demand declined marginally in Denmark. In January and February, market RevPAR rose in both Finland and Norway, while RevPAR remained relatively unchanged in Sweden and fell somewhat in Denmark.

Dramatic drop in demand in March

As a result of the spread of the coronavirus, occupancy decreased significantly in all markets in March. Initially, this was due to a lower number of international visitors and travel restrictions among corporate customers. Subsequently, government decisions taken to reduce the spread of the coronavirus led to an extremely low level of activity.

In March, demand measured in terms of the number of sold rooms and market RevPAR decreased between 50 and 65 percent. The largest drop was in Denmark, while the Swedish market was slightly less impacted. The decrease in RevPAR in March is fully due to the lower occupancy level while average room rates rose by between 1 and 6 percent. Occupancy in the Nordic markets was between 23 and 29 percent in March, compared with 59 to 67 percent in March 2019.

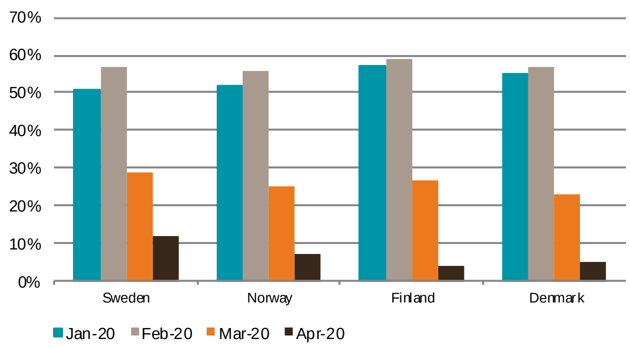
The level of activity in Sweden has generally been higher than in the other Nordic countries due to less extensive government restrictions. In general, the larger cities have been hit hardest by the coronavirus crisis.

For the first quarter as a whole, market RevPAR decreased between 19 and 28 percent, while occupancy was between 44 and 47 percent.

Continued extremely low occupancy in April

The hotel market weakened further in April as a result of the coronavirus crisis. In April, the average occupancy rate in the Swedish market was about 12 percent while RevPAR was down by about 83 percent. In Norway, market occupancy in April was just under 7 percent and RevPAR fell by 86 percent. In Finland and Denmark, occupancy was between 4 and 5 percent and RevPAR dropped between 93 and 94 percent.

MARKET OCCUPANCY Q1 2020



Source: Benchmarking Alliance

HOTEL PORTFOLIO

Existing hotel portfolio

At the end of the period, Scandic had 53,071 rooms in operation at 269 hotels, of which 245 had lease agreements.

On January 30, Scandic Voss, a hotel with 215 rooms, opened in Norway.

In total, the number of rooms in operation grew by 316 during the quarter, of which 276 were at hotels with lease agreements.

Approx. 15 percent of Scandic's leases expire by the end of 2022 and around 25 percent by the end of 2025.

Portfolio changes	Number of rooms
Opening balance January 1, 2020	
Lease contracts	49,566
Franchise, Management & Other	3,189
Total	**52,755**
Change lease contracts	**276**
Change other	**40**
Total change during the quarter	**316**
Closing balance March 31, 2020	
Lease contracts	49,842
Franchise, Management & Other	3,229
Total	**53,071**

Number of hotels in operation and in pipeline

	Operational on Mar 31, 2020				Pipeline on Mar 31, 2020	
	Hotels	of which with Lease contracts	Rooms	of which with Lease contracts	Hotels	Rooms
Sweden	84	78	17,539	16,747	4	1,188
Norway	88	72	16,531	14,371	2	902
Finland	64	63	12,328	12,261	2	1,199
Denmark	27	26	4,955	4,745	4	1,574
Other Europe	6	6	1,718	1,718	2	739
Total	**269**	**245**	**53,071**	**49,842**	**14**	**5,602**
Change during the quarter	*1*	*1*	*316*	*276*	*-1*	*-280*

High-quality pipeline

At the end of the period, Scandic's pipeline included a net of 14 hotels with 5,602 rooms, corresponding to 10.6% of the current portfolio. One of the hotels in pipeline has planned opening in 2020.

The number of hotels in the pipeline was reduced by the planned exit of Scandic Ferrum with 171 rooms due to the ongoing transformation of the city of Kiruna, Sweden, as well as the planned closing of two hotels in Finland, Scandic Järvenpää and Scandic Salo that together have 159 rooms that will be divested during the year.

The gross pipeline included 17 hotels with 5,932 rum. For 2020 to 2024, the pipeline's need for investments is expected to amount to 1.2 SEK billion.

SALES & ADJUSTED EBITDA

Group

	Jan-Mar 2020	Jan-Mar 2019	%
Net sales (MSEK)	**3,343**	**4,066**	**-17.8%**
Currency effects	-16		-0.3%
Organic growth	-707		-17.5%
New hotels	*55*		*1.3%*
Exits	*-67*		*-1.7%*
LFL	*-694*		*-17.1%*
Adjusted EBITDA	**-174**	**160**	**-208.8%**
% margin	-5.2%	3.9%	
RevPAR (SEK)	**474**	**599**	**-20.8%**
Currency effects	-2		-0.2%
New hotels/exits	-1		-0.3%
LFL	-122		-20.3%

First quarter

Net sales fell by 17.8% to 3,343 MSEK (4,066). Currency effects impacted net sales negatively by 0.3%.

Organic growth, i.e. sales growth excluding currency effects and acquisitions, amounted to -17.5% or -707 MSEK. Organic growth was affected negatively by the spread of the coronavirus in all countries. For comparable units, net sales fell by 17.1%.

Average Revenue Per Available Room (RevPAR) dropped 20.6% in local currency compared with the previous year. RevPAR for comparable units went down 20.3%. RevPAR for comparable units fell in all countries.

Revenue from restaurant and conference operations decreased by 19.9% and the share of total net sales dropped to 34.3% (35.2).

Rental costs excluding the effect of finance leases accounted for 30.8% (27.1) of net sales. Fixed and guaranteed rental costs accounted for 82.0% (73.2) of total rental costs.

Results for central functions fell to -107 MSEK (-97). The increased costs are partly due to new expenses for the development of the new Scandic GO brand.

Adjusted EBITDA dropped to -174 MSEK (160). The adjusted EBITDA margin fell to -5.2% (3.9). Currency translation effects had a marginal impact on adjusted EBITDA compared with the same period of the previous year. All countries reported lower adjusted EBITDA compared with the same period of the previous year.

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Segment reporting

Quarterly, Jan-Mar	Net sales		Adjusted EBITDA		Adjusted EBITDA margin	
MSEK	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Sweden	1,154	1,372	1	118	0.1%	8.6%
Norway	888	1,152	-64	45	-7.2%	3.9%
Finland	833	975	36	80	4.3%	8.2%
Other Europe	468	567	-40	14	-8.5%	2.5%
Central costs and Group adjustments	-	-	-107	-97	-	-
Total Group	**3,343**	**4,066**	**-174**	**160**	**-5.2%**	**3.9%**

EFFECTS OF IFRS 16

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

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

Summary of the effects of IFRS 16

	Jan-Mar 2020			Jan-Mar 2019
	Excl. effect IFRS 16	Effect IFRS 16	Reported	Reported
Total operating income	**3,343**	**0**	**3,343**	**4,066**
EBITDAR	**857**	**0**	**857**	**1,263**
Total rental charges	-1,031	826	-205	-325
Adjusted EBITDA	**-174**			
Pre-opening costs	-26	0	-26	-16
Items affecting comparability	-184	0	-184	169
EBITDA	**-384**	**826**	**442**	**1,091**
Depreciations, amortizations and impairment losses	-3,166	-605	-3,771	-770
EBIT	**-3,550**	**221**	**-3,329**	**321**
Net financial items	-29	-286	-315	-301
EBT (Profit before tax)	**-3,579**	**-65**	**-3,644**	**20**
Tax	-296	13	-283	17
Profit/loss for the period	**-3,876**	**-51**	**-3,927**	**37**
Earnings per share, SEK	-37.63	-0.50	-38.13	0.35

Result excluding effect of leases

	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019	Apr-Mar 2019/2020
Total operating income	**3,343**	**4,066**	**18,945**	**18,222**
EBITDAR	**857**	**1,263**	**7,107**	**6,701**
Total rental charges	-1,031	-1,103	-5,061	-4,989
Adjusted EBITDA	**-174**	**160**	**2,046**	**1,712**
Pre-opening costs	-26	-16	-81	-91
Items affecting comparability	-184	169	169	-184
EBITDA	**-384**	**313**	**2,134**	**1,437**
Depreciations, amortizations and impairment losses	-3,166	-199	-859	-3,826
EBIT	**-3,550**	**114**	**1,275**	**-2,389**
Net financial items	-29	-27	-99	-102
EBT (Profit before tax)	**-3,579**	**87**	**1,176**	**-2,491**
Tax	-296	3	-234	-534
Profit/loss for the period	**-3,876**	**90**	**942**	**-3,025**
Earnings per share, SEK	-37.63	0.87	9.15	-29.36

REPORTED RESULT

First quarter

EBITDA was 442 MSEK (1,091) and -384 MSEK (313) excluding the effect of leases. EBITDA included pre-opening costs for new hotels of -26 MSEK (-16). Items affecting comparability amounted to -184 MSEK (169), primarily related to costs associated with employee reduction in Sweden. Items affecting comparability for the same period of the previous year mainly comprised a capital gain from the sale of Scandic Hasselbacken.

EBIT was -3,329 MSEK (321) and -3,550 MSEK (114) excluding the effect of leases. Due to the negative effects of the spread of the coronavirus on Scandic'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 shows an impairment of intangible assets of 2,955 MSEK. The impairment mainly refers to assets in Norway and Sweden but also to Denmark and Finland. Approximately 85 percent of the impairment is due to the increased discount rate from the estimated increased risk and ensuing return requirements on hotel operations. The remaining part of the impairment amount is due to the fact that future cash flows are expected to be somewhat lower. Depreciation and amortization totaled -816 MSEK (-770). The increase is primarily due to the effect of leases. Excluding the effect of leases, depreciation and amortization amounted to -211 MSEK (-199).

The Group's net financial expense amounted to -315 MSEK (-301) MSEK and -29 (-27) excluding the effect of leases. The interest expense, excluding the effect of leases, was -25 MSEK (-28).

Earnings before tax was -3,644 MSEK (profit: 20) and -3,579 MSEK (profit: 87) excluding the effect of leases.

Reported tax amounted to -283 MSEK (17). 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. The supplementary taxation amounts 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 will therefore receive approximately 15 MSEK. Scandic is planning to appeal the decision.

Net earnings was -3,927 MSEK (profit: 37). Excluding the effect of leases, net loss totaled -3,876 MSEK (profit: 90).

Earnings per share after dilution amounted to -38.13 SEK (0.35) per share and -37.63 SEK (0.87) excluding leases. Adjusted for items affecting comparability, earnings per share amounted to -36.23 SEK (0.79) with a material negative impact on the impairment of intangible assets and the tax cost in the quarter.

Earnings per share

	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019	Apr-Mar 2019/2020
Earnings per share, SEK	**-38.13**	**0.35**	**7.01**	**-31.47**
Effect from lease	-0.50	-0.51	-2.11	-2.10
Earnings per share, SEK, excl. effect lease	**-37.63**	**0.87**	**9.15**	**-29.36**
Items affecting comparability	-1.40	1.66	1.66	-1.40
Earnings per share, SEK, excl. effect lease & items affecting comparability	**-36.23**	**-0.79**	**7.49**	**-27.96**

CASH FLOW & FINANCIAL POSITION JANUARY-SEPTEMBER

Operating cash flow, excluding leases, was -501 MSEK (-328) in the first quarter. The cash flow contribution from the change in working capital amounted to -24 MSEK (-254). The improvement is due reduction in accounts receivable and an increase in operating liabilities.

Paid tax amounted to -81 MSEK (-215).

Net investments totaled -239 MSEK (-201), of which hotel renovations accounted for -182 MSEK (-117) and IT for

-23 MSEK (-15). Investments in new hotels and increased room capacity totaled -34 MSEK (-69). During the same period in the previous year, Scandic received the preliminary purchase price of 230 MSEK for the divestment of Scandic Hasselbacken.

In total, the free cash flow fell to -740 MSEK (-299).

Operating cash flow

MSEK	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019	Apr-Mar 2019/2020
Adjusted EBITDA	-174	160	2 046	1 712
Pre-opening costs	-26	-16	-81	-91
Non-recurring items	-184	169	169	-184
Adjustments for non-cash items	6	-154	-173	-13
Paid tax	-81	-215	-343	-209
Change in working capital	-24	-254	158	388
Interests paid, credit institutions	-18	-18	-71	-71
Cash flow from operations	**-501**	**-328**	**1 705**	**1 532**
Investments in hotel renovations	-182	-117	-717	-782
Investments in IT	-23	-15	-71	-79
Free cash flow before investments in expansions	**-706**	**-460**	**917**	**671**
Acquisitions/sales of operations	-	230	232	2
Investments in new capacity	-34	-69	-367	-332
Free cash flow	**-740**	**-299**	**782**	**341**
Other items in financing activities	-	-	-20	-20
Transaction costs expensed	-3	-4	-8	-7
Exchange difference in net debt	-10	-55	-55	-10
Dividend	-	-	-360	-360
Change net debt	**-753**	**-358**	**339**	**-56**

The balance sheet total on March 31, 2020 was 40,908 MSEK compared with 43,509 MSEK on December 31, 2019.

Interest-bearing net liabilities, excluding lease liabilities, rose 753 MSEK to 4,250 MSEK in the first quarter. The increase is primarily due to the negative free cash flow.

Net debt on March 31, 2020 corresponded to 2.5x adjusted EBITDA for the past 12 months (2.1x as per March 31, 2019).

Total credit facilities amounted to 5,500 MSEK at the end of the first quarter. Loans from credit institutions amounted to 3,290 MSEK, commercial papers totaled 979 MSEK and cash and cash equivalents amounted to 19 MSEK.

On March 31, 2019, the average number of shares and votes was 103,021,361 after dilution. Equity was 2,599 MSEK compared with 6,418 MSEK on March 31, 2019.

SEGMENT REPORTING

Sweden

	Jan-Mar 2020	Jan-Mar 2019	%
Net sales (MSEK)	**1,154**	**1,372**	**-15.9%**
Organic growth	-218		-15.9%
New hotels	*-*		*-*
Exits	*-7*		*-0.5%*
LFL	*-211*		*-15.4%*
Adjusted EBITDA	**1**	**118**	**-99.1%**
% margin	0.1%	8.6%	
RevPAR (SEK)	**494**	**619**	**-20.2%**
New hotels/exits	1		0.1%
LFL	-126		-20.3%
ARR (SEK)	1,031	1,005	2.6%
OCC %	47.9%	61.6%	

First quarter

Net sales dropped 15.9% to 1,154 MSEK (1,372). For comparable units, net sales went down 15.4%.

Scandic Hasselbacken in Stockholm was sold on March 1, 2019, which affected net sales for the quarter negatively by 7.4 MSEK compared with the previous year.

Average Revenue Per Available Room (RevPAR) went down 20.2% compared with the same quarter the previous year. RevPAR for comparable units decreased by 20.3%.

Adjusted EBITDA dropped to 1 MSEK (118). The adjusted EBITDA margin decreased from 8.6% to 0.1%.

Norway

	Jan-Mar 2020	Jan-Mar 2019	%
Net sales (MSEK)	**888**	**1,152**	**-22.8%**
Currency effects	-53		-4.4%
Organic growth	-211		-18.4%
New hotels	*22*		*1.9%*
Exits	*-6*		*-0.5%*
LFL	*-228*		*-19.8%*
Adjusted EBITDA	**-64**	**45**	**-244.3%**
% margin	-7.2%	3.9%	
RevPAR (SEK)	**415**	**564**	**-26.4%**
Currency effects	-25		-4.4%
New hotels/exits	-7		-1.3%
LFL	-117		-20.7%
ARR (SEK)	1,003	1,044	-3.9%
OCC %	41.4%	54.0%	

First quarter

Net sales dropped 22.8% to 888 MSEK (1,152). For comparable units, net sales went down 19.8%.

New hotels contributed 22 MSEK during the quarter. The greatest contributors were Stavanger Royal, which Scandic took over on October 1, 2019, and Scandic Voss, which opened on January 30, 2020.

Average Revenue Per Available Room (RevPAR) decreased 22.0% in local currency compared with the same quarter in the previous year. RevPAR for comparable units decreased by 20.7%.

Adjusted EBITDA dropped to -64 MSEK (45). The adjusted EBITDA margin decreased to -7.2% (3.9).

Finland

	Jan-Mar 2020	Jan-Mar 2019	%
Net sales (MSEK)	**833**	**975**	**-14.6%**
Currency effects	23		2.3%
Organic growth	-165		-16.9%
New hotels	*5*		*0.5%*
Exits	*-54*		*-5.5%*
LFL	*-116*		*-11.9%*
Adjusted EBITDA	**36**	**80**	**-54.9%**
% margin	4.3%	8.2%	
RevPAR (SEK)	**513**	**570**	**-9.9%**
Currency effects	14		2.5%
New hotels/exits	4		0.6%
LFL	-74		-13.0%
ARR (SEK)	1,093	997	9.7%
OCC %	46.9%	57.1%	

First quarter

Net sales dropped 14.6% to 833 MSEK (975). For comparable units, net sales went down 11.9%.

New/exited hotels contributed a net of -51 MSEK. Scandic Eden, which was closed for renovations in December 2019, had the greatest negative effect.

Average Revenue Per Available Room (RevPAR) went down 12.4% in local currency compared with the same quarter the previous year. RevPAR for comparable units decreased by 13.0%.

Adjusted EBITDA dropped to 36 MSEK (45). The adjusted EBITDA margin decreased to 4.3% (8.2).

Other Europe

	Jan-Mar 2020	Jan-Mar 2019	%
Net sales (MSEK)	**468**	**567**	**-17.4%**
Currency effects	12		2.3%
Organic growth	-112		-19.7%
New hotels	*27*		*4.8%*
Exits	*-*		
LFL	*-139*		*-24.5%*
Adjusted EBITDA	**-40**	**14**	**-384.3%**
% margin	-8.5%	2.5%	
RevPAR (SEK)	**483**	**681**	**-29.1%**
Currency effects	16		2.3%
New hotels/exits	-7		-1.0%
LFL	-207		-30.4%
ARR (SEK)	1,059	1,042	1.7%
OCC %	45.6%	65.4%	

First quarter

Since January 1, 2018, the Other Europe segment has included Scandic's operations in Denmark, Germany and Poland.

Net sales dropped 17.4% to 468 MSEK (567). For comparable units, net sales went down 24.5%.

New hotels contributed 27 MSEK with Copenhagen's Scandic Falkoner as the greatest contributor.

Average Revenue Per Available Room (RevPAR) went down 31.4% in local currency compared with the same quarter the previous year. RevPAR for comparable units decreased by 30.4%. RevPAR declined in all countries.

Adjusted EBITDA dropped to -40 MSEK (14). The adjusted EBITDA margin decreased to -8.5% (2.5).

Central functions

Adjusted EBITDA for central functions amounted to -107 MSEK (-97) during the quarter.

EMPLOYEES

The average number of employees in the Group was 10,136 on March 31, 2020 compared with 11,000 on March 31, 2019.

OUTLOOK AND EVENTS AFTER THE REPORTING DATE

As a direct result of the Covid-19 pandemic, Scandic has been impacted by a significant loss of revenue with highly negative consequences for profits and cash flow. For this reason, Scandic initiated a process already in mid-March to ensure that the Group would have sufficient liquidity both during the outbreak of the pandemic and for the period until demand has reached a level where positive cash flow may be expected. The calculations assume that Scandic's business situation will be very weak with occupancy expected to be between 7 and 11 percent until the second quarter 2020, followed by a gradual recovery in the second half of the year. In 2021, RevPAR is expected to be 15 to 25 percent lower than in 2019. Combined with measures taken to cut costs and strengthen cash flow, this has resulted in a need for additional liquidity including a requisite safety margin and operational liquidity needs of 2.9 billion SEK until the end of 2021. The need is expected to be greatest in the first six months of 2021 due to the seasonal increase in working capital and the payment of deferred taxes and fees. At the end of April, a solution to the liquidity needs was presented when the Board of Directors resolved on a 1.75 billion SEK rights issue with preferential rights for shareholders and also entered into an agreement with the existing lending banks for an additional 1.15 billion SEK credit facility. In addition to customary terms and conditions, the credit facility is conditional upon the rights issue being fully underwritten. The rights issue has strong support among Scandic's current shareholders and Stena Sessan, AMF and Formica Capital have entered into subscription undertakings for 41.6 percent of the shares. AMF has made an additional subscription undertaking for 500 MSEK, or 28.6 percent of the votes, provided its ownership does not exceed 29.9 percent after the rights issue is finalized. In addition, Swedbank Robur has expressed its intention to subscribe for its 5.7 percent share. As regards the remaining part of the issue, DnB and Goldman Sachs have confirmed that they will enter into an underwriting agreement at the point in time when the rights issue is initiated. Even if it is still highly uncertain how long the Covid-19 pandemic will continue and how Scandic's business will be affected, it is highly likely that the measures described above, combined with continued good business practices regarding managing revenue, expenses and cash flow, will suffice to ensure liquidity and continuity both this year and the next.

OUTLOOK FOR THE COMING QUARTER

In April, Scandic's occupancy rate hit a record low of 6 percent. Both occupancy and the booking trend have improved since mid-April. From the end of May, we plan to gradually reopen more hotels. We expect a gradual increase in occupancy of a few percentage points per month in May and June. When the holiday season starts, we expect further improvement as national tourism flows resume.

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.

DIVIDEND & AGM

On March 16, 2020, Scandic's Board of Directors resolved to withdraw the previous dividend proposal of 3.70 SEK per share due to the company's worsened business situation.

Scandic will hold an Extraordinary General Meeting on May 28, 2020 and the company's Annual General Meeting will take place in Stockholm on June 15, 2020.

PRESENTATION OF THE REPORT

A webcast presentation of the company's interim report for the first quarter will be held at 09.00 on May 20, 2020 by President & CEO Jens Mathiesen and CFO Jan Johansson. The webcast will be livestreamed on

Scandic's website at scandichotelsgroup.com and SE +46850558355, UK:+443333009269 (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

2020-05-28	Extraordinary General Meeting
2020-06-15	Annual General Meeting
2020-07-17	Interim report Q2 2020 (silent period from June 16, 2020)
2020-11-03	Interim report Q3 2020 (silent period from October 2, 2020)

SIGNIFICANT RISKS & UNCERTAINTY FACTORS

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

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

On March 31, 2020, Scandic's goodwill and intangible assets amounted to 6,988 MSEK.

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

SENSITIVITY ANALYSIS

Scandic has a cost structure consisting of variable costs that are affected by changes in volume and costs that are fixed and independent of changes in volume in the short term. Costs that are affected by changes in volume are primarily sales commissions and other distribution costs, the cost of goods sold, sales-based rental costs, property-related costs (energy, water, etc.), payroll expenses for hotel employees without guaranteed working hours and cost of certain services such as laundry. Costs that are not affected by changes in volume largely consist of payroll expenses for hotel employees with guaranteed working hours, fixed and guaranteed rental costs and costs related to country and Group-wide functions 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 percent on an annual basis. The assessment refers to changes in volume within a minor interval (+/-2%) and assumes that the change in sales would not cause any leases to pass the minimum rent threshold 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	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019	Apr-Mar 2019/2020
INCOME				
Room revenue	2,121	2,553	12,416	11,984
Restaurant and conference revenue*	1,145	1,431	6,095	5,809
Franchise and management fees	6	6	30	30
Other hotel-related revenue	71	76	404	399
Net sales	***3,343***	***4,066***	***18,945***	***18,222***
Other income	-	-	-	-
TOTAL OPERATING INCOME	**3,343**	**4,066**	**18,945**	**18,222**
OPERATING COSTS				
Raw materials and consumables	-290	-373	-1,634	-1,551
Other external costs	-894	-1,020	-4,335	-4,209
Personnel costs	-1,302	-1,410	-5,869	-5,761
Fixed and guaranteed rental charges	-19	-29	-74	-64
Variable rental charges	-186	-296	-1,696	-1,586
Pre-opening costs	-26	-16	-81	-91
Items affecting comparability	-184	169	169	-184
EBITDA	**442**	**1,091**	**5,425**	**4,776**
Depreciation, amortization and impairment losses	-3,771	-770	-3,281	-6,282
TOTAL OPERATING COSTS	**-6,672**	**-3,745**	**-16,801**	**-19,728**
EBIT (Operating profit/loss)	**-3,329**	**321**	**2,144**	**-1,506**
Financial income	-	2	11	9
Financial expenses	-315	-303	-1,253	-1,265
Net financial items	**-315**	**-301**	**-1,242**	**-1,256**
EBT (Profit/loss before taxes)	**-3,644**	**20**	**902**	**-2,762**
Taxes	-283	17	-177	-477
PROFIT/LOSS FOR PERIOD	**-3,927**	**37**	**725**	**-3,239**
Profit/loss for period relating to:				
Parent Company shareholders	-3,928	36	722	-3,242
Non-controlling interest	1	1	3	3
Profit/loss for period	**-3,927**	**37**	**725**	**-3,239**
Average number of outstanding shares before dilution	102,985,075	102,985,075	103,006,267	103,006,209
Average number of outstanding shares after dilution	103,021,361	103,017,705	103,036,484	103,021,361
Earnings per share before dilution, SEK	**-38.14**	**0.35**	**7.01**	**-31.47**
Earnings per share after dilution, SEK	**-38.13**	**0.35**	**7.01**	**-31.47**

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

Consolidated statement of comprehensive income

MSEK	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019	Apr-Mar 2019/2020
Profit/loss for period	-3,927	37	725	-3,239
Items that may be reclassified to the income statement	-67	87	69	-85
Items that may not be reclassified to the income statement	-9	-45	-159	-123
Other comprehensive income	**-76**	**42**	**-90**	**-208**
Total comprehensive income for period	**-4,003**	**79**	**635**	**-3,447**
Relating to:				
Parent Company shareholders	-4,004	76	626	-3,454
Non-controlling interest	1	3	9	7

Consolidated balance sheet, summary

MSEK	31 Mar 2020	31 Mar 2019	31 Dec 2019
ASSETS			
Intangible assets	6,988	9,975	9,941
Buildings and land	27,269	26,104	26,759
Equipment, fixtures and fittings	4,921	4,543	4,865
Financial fixed assets	216	589	616
Total fixed assets	**39,394**	**41,211**	**42,181**
Current assets	1,495	1,574	1,294
Derivative instruments	-	25	8
Assets held for sale	-	2	-
Cash and cash equivalents	19	80	26
Total current assets	**1,514**	**1,681**	**1,328**
TOTAL ASSETS	**40,908**	**42,892**	**43,509**
EQUITY AND LIABILITIES			
Equity attributable to owners of the Parent Company	2,560	6,377	6,557
Non-controlling interest	39	41	43
Total equity	**2,599**	**6,418**	**6,601**
Liabilities to credit institutions	3,290	3,200	3,036
Lease liabilities	27,158	25,930	26,661
Other long-term liabilities	1,229	1,204	1,342
Total long-term liabilities	**31,677**	**30,335**	**31,039**
Derivative instruments	72	-	-
Current liabilities for leases	2,204	1,988	2,116
Commercial papers	979	1,075	487
Liabilities held for sale	-	1	-
Other current liabilities	3,377	3,076	3,266
Total current liabilities	**6,632**	**6,139**	**5,869**
TOTAL EQUITY AND LIABILITIES	**40,908**	**42,892**	**43,509**
Equity per share, SEK	24.9	61.9	63.7
Total number of shares outstanding, end of period	102,985,075	102,985,075	102,985,075
Working capital	-1,882	-1,501	-1,972
Interest-bearing net liabilities	4,250	4,194	3,497
Interest-bearing net liabilities/adjusted EBITDA	2.5	2.1	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	**-**	**-**	**-**	**36**	**36**	**1**	**37**
Total other comprehensive income, net after tax	*-*	*-*	*85*	*-45*	*40*	*2*	*42*
Total comprehensive income for the year	**-**	**-**	**85**	**-9**	**76**	**3**	**79**
Total transactions with shareholders				*-1*	*-1*		*-1*
CLOSING BALANCE 03/31/2019	**26**	**7,865**	**170**	**-1,684**	**6,377**	**41**	**6,418**
Profit/loss for the period	**-**	**-**	**-**	**686**	**686**	**2**	**688**
Total other comprehensive income, net after tax	*-*	*-*	*-22*	*-114*	*-136*	*4*	*-132*
Total comprehensive income for the year	**-**	**-**	**-22**	**573**	**550**	**6**	**556**
Total transactions with shareholders	*-*	*-*	*-*	*-370*	*-370*	*-4*	*-374*
CLOSING BALANCE 12/31/2019	**26**	**7,865**	**148**	**-1,481**	**6,557**	**43**	**6,601**
Change in accounting principles	*-*	*-*	*-*	*-*	*-*	*-*	*-*
OPENING BALANCE 01/01/2020	**26**	**7,865**	**148**	**-1,481**	**6,557**	**43**	**6,601**
Profit/loss for the period	**-**	**-**	**-**	**-3,928**	**-3,928**	**1**	**-3,927**
Total other comprehensive income, net after tax	*-*	*-*	*-62*	*-9*	*-71*	*-5*	*-76*
Total comprehensive income for the year			**-62**	**-3,937**	**-3,999**	**-4**	**-4,003**
Total transactions with shareholders	*-*	*-*	*-*	*2*	*2*	*-*	*2*
CLOSING BALANCE 03/31/2020	**26**	**7,865**	**86**	**-5,416**	**2,560**	**39**	**2,599**

Consolidated cash flow statement

	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019	Apr-Mar 2019/2020
OPERATING ACTIVITIES				
EBIT (Operating profit/loss)	-3,329	321	2,144	-1,506
Depreciation, amortization and impairment losses	3,771	770	3,281	6,282
Items not included in cash flow	6	-154	-173	-13
Paid tax	-81	-215	-343	-209
Change in working capital	-24	-254	158	388
Cash flow from operating activities	**343**	**468**	**5,067**	**4,942**
INVESTING ACTIVITIES				
Net investments	-239	-201	-1,155	-1,193
Sale of operations	-	230	232	2
Cash flow from investing operations	**-239**	**29**	**-923**	**-1,191**
FINANCING OPERATIONS				
Paid interest, credit institutions	-18	-18	-71	-71
Paid interest, lease	-286	-274	-1,143	-1,155
Dividends	-	-	-357	-357
Divident from investments	-	-	-4	-4
Refinancing of loans	-	-	-6	-6
Dividend, share swap agreement	-	-	-14	-14
Net borrowing/amortization, credit institutions	288	214	52	126
Amortization, lease	-540	-504	-2,147	-2,183
Issue of commercial papers	493	75	-513	-95
Cash flow from financing operations	**-63**	**-507**	**-4,203**	**-3,759**
CASH FLOW FOR PERIOD	**41**	**-10**	**-59**	**-8**
Cash and cash equivalents at beginning of period	26	103	103	80
Translation difference in cash and cash equivalents	-48	-13	-18	-53
Cash and cash equivalents at end of the period	19	80	26	19

Parent Company income statement, summary

MSEK	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019	Apr-Mar 2019/2020
Net sales	9	22	57	44
Expenses	-12	-21	-57	-48
EBIT (Operating profit/loss)	**-3**	**1**	**-**	**-4**
Financial income	71	37	155	160
Financial expenses	-26	-102	-149	-44
Net financial items	**45**	**-65**	**6**	**116**
Appropriations	-	-	613	613
EBT (profit/loss before tax)	**42**	**-63**	**619**	**725**
Tax	-9	13	-133	-155
PROFIT/LOSS FOR PERIOD	**33**	**-50**	**486**	**570**

Parent Company statement of comprehensive income

MSEK	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019	Apr-Mar 2019/2020
Profit/loss for period	**33**	**-50**	**486**	**570**
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	**33**	**-50**	**486**	**570**

Parent Company balance sheet, summary

MSEK	31 Mar 2020	31 Mar 2019	31 Dec 2019
ASSETS			
Investments in subsidiaries	5,039	5,039	5,039
Group company receivables	5,791	5,530	4,397
Other receivables	22	24	23
Total fixed assets	**10,852**	**10,593**	**9,459**
Group company receivables	2	1	618
Current tax receivables	5	13	-
Current receivables	8	1	-
Cash and cash equivalents	0	0	0
Total current assets	**15**	**15**	**618**
TOTAL ASSETS	**10,867**	**10,608**	**10,077**
EQUITY AND LIABILITIES			
Equity	**6,396**	**6,194**	**6,361**
Liabilities to credit institutions	3,290	3,200	3,036
Other liabilities	22	24	23
Total long-term liabilities	**3,312**	**3,224**	**3,059**
Liabilities for commercial papers	979	1,075	487
Other liabilities	141	76	142
Accrued expenses and prepaid income	39	39	28
Total current liabilities	**1,159**	**1,190**	**657**
TOTAL EQUITY AND LIABILITIES	**10,867**	**10,608**	**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	**-**	**-**	**-50**	**-50**
Total other comprehensive income, net after tax	**-**	-	**-**	-
Total other comprehensive income			**-50**	**-50**
Total transactions with shareholders	**-**	**-**	**-1**	**-1**
CLOSING BALANCE 03/31/2019	**26**	**1,534**	**4,634**	**6,194**
Profit/loss for period	**-**	**-**	**536**	**536**
Total other comprehensive income, net after tax	-	-	-	-
Total transactions with shareholders	**-**	**-**	**-369**	**-369**
OPENING BALANCE 01/01/2020	**26**	**1,534**	**4,801**	**6,361**
Profit/loss for period	**-**	**-**	**33**	**33**
Total other comprehensive income, net after tax	-	-	**-**	**-**
Total transactions with shareholders	**-**	**-**	**2**	**2**
CLOSING BALANCE 03/31/2020	**26**	**1,534**	**4,836**	**6,396**

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 9 MSEK (22). The operating profit was -3 MSEK (1).

Net financial items for the period totaled 45 MSEK (-65). The Parent Company's profit before taxes was 42 MSEK (-63).

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

The company 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.

Alternative performance 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 alternative performance measures can be found at scandichotelsgroup.com/en/definitions

CALCULATION OF FAIR VALUE

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

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

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

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

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

SEGMENT DISCLOSURES

Segments are reported according to IFRS 8, Operating segments. Segment information is reported in the same way as it is analyzed and studied internally by executive decision-makers, mainly 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, IR, communication, technical development, human resources, branding, marketing, sales, IT and purchasing. These functions support all hotels in the Group including those under lease agreements and management and franchise agreements.

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

Segment disclosures

Jan-Mar	Sweden		Norway		Finland		Other Europe		Central functions		Group	
MSEK	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Room revenue	755	899	526	667	542	618	297	370	-	-	2,120	2,554
Restaurant and conference revenue	383	455	338	469	260	317	165	191	-	-	1,146	1,432
Franchise and managment fees	2	2	3	3	-	0	1	1	-	-	6	6
Other hotel-related income	14	16	21	13	31	40	5	5	-	-	71	74
Net sales	**1,154**	**1,372**	**888**	**1,152**	**833**	**975**	**468**	**567**			**3,343**	**4,066**
Other income	-	-	-	-	-	-	-	-	-	-	-	-
Internal transactions	-	-	-	-	-	-	-	-	9	22	9	22
Group eliminations	-	-	-	-	-	-	-	-	-9	-22	-9	-22
Total income	**1,154**	**1,372**	**888**	**1,152**	**833**	**975**	**468**	**567**	**-**	**-**	**3,343**	**4,066**
Expenses	-1,153	-1,254	-952	-1,107	-797	-895	-508	-553	-107	-97	-3,517	-3,906
Adjusted EBITDA	**1**	**118**	**-64**	**45**	**36**	**80**	**-40**	**14**	**-107**	**-97**	**-174**	**160**
Adjusted EBITDA margin, %	0.1	8.6	-7.2	3.9	4.3	8.2	-8.5	2.5	-	-	-5.2	3.9
EBITDA	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**442**	**1,091**
EBITDA margin, %	-	-	-	-	-	-	-	-	-	-	13.2	26.8
and write-downs	-	-	-	-	-	-	-	-	-	-	-3,771	-770
Net financial items	-	-	-	-	-	-	-	-	-	-	-315	-301
EBT (Profit/loss before tax)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-3,644**	**20**

Assets and investments by segment

31 Mar	Sweden		Norway		Finland		Other Europe		Central functions		Group	
MSEK	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Fixed assets	10,777	11,033	9,232	11,808	14,507	13,432	5,321	4,883	-443	55	39,394	41,211
Investments in fixed assets	56	47	34	36	101	46	25	56	23	16	239	201

Revenue by country

MSEK	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019	Apr-Mar 2019/2020
Sweden	1,154	1,372	6,291	6,073
Norway	888	1,152	5,343	5,080
Finland	833	975	4,547	4,404
Denmark	320	394	1,979	1,906
Germany	135	158	696	673
Poland	13	15	89	87
Total countries	**3,343**	**4,066**	**18,945**	**18,222**
Other	9	22	57	44
Group eliminations	-9	-22	-57	-44
Group	**3,343**	**4,066**	**18,945**	**18,222**

Revenue by type of agreement

MSEK	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019	Apr-Mar 2019/2020
Lease agreements	3,329	4,049	18,877	18,157
Management agreements	2	3	12	11
Franchise and partner agreements	4	3	16	17
Owned	8	11	40	37
Total	**3,343**	**4,066**	**18,945**	**18,222**
Other	9	22	57	44
Group eliminations	-9	-22	-57	-44
Group	**3,343**	**4,066**	**18,945**	**18,222**

Summary of reported EBITDA & adjusted EBITDA

	Jan-Mar 2020	**Jan-Mar 2019**	**Jan-Dec 2019**	**Apr-Mar 2019/2020**
EBITDA	442	1091	5,425	4,776
Effect of leases, fixed and guaranteed rental charges	-826	-778	-3,291	-3,339
Pre-opening costs	26	16	81	91
Items affecting comparability	184	-169	-169	184
Adjusted EBITDA	**-174**	**160**	**2,046**	**1,712**

Total rental charges

Total rental charges	**Jan-Mar 2020**	**Jan-Mar 2019**	**Jan-Dec 2019**	**Apr-Mar 2019/2020**
Fixed and guaranteed rental charges according to income statement	-19	-29	-74	-64
Fixed and guaranteed rental charges, reversed effect of lease	-826	-778	-3,291	-3,339
Total fixed and guaranteed rental charges	**-845**	**-807**	**-3,365**	**-3,403**
Variable rental charges	-186	-296	-1,696	-1,586
Total rental charges	**-1,031**	**-1,103**	**-5,061**	**-4,989**
Fixed and guaranteed rental charges	25.3%	19.9%	17.8%	18.7%
Variable rental charges	5.6%	7.3%	9.0%	8.7%
Total rental charges	30.8%	27.1%	26.7%	27.4%

Quarterly data

MSEK	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Net sales	3,343	4,831	5,195	4,853	4,066	4,595
Adjusted EBITDA	-174	504	823	559	160	487
Adjusted EBITDA margin, %	-5.2	10.4	15.8	11.5	3.9	10.6
EBIT (Operating profit/loss)	-3,329	498	799	526	321	255
Profit/Loss for the period	-3,927	126	387	173	37	165
Profit/lLoss for the period, excl. effect lease	-3,876	189	441	222	90	172
Earnings per share, SEK	-38.13	1.21	3.76	1.67	0.35	1.59
Earnings per share, SEK, excl. effects lease	-37.63	1.84	4.28	2.16	0.87	1.67
Net debt / adjusted EBITDA, LTM	2.5	1.7	2.0	2.2	2.1	2.0
RevPAR (Revenue per available room), SEK	474	672	807	745	599	651
ARR (Average room revenue), SEK	1,043	1,080	1,070	1,111	1,018	1,060
OCC (Occupancy), %	45.5	62.2	75.5	67.1	58.9	61.4

Quarterly data per segment

	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Net sales						
Sweden	1,154	1,622	1,674	1,623	1,372	1,621
Norway	888	1,277	1,519	1,397	1,152	1,260
Finland	833	1,222	1,234	1,115	975	1,084
Other Europe	468	710	768	718	567	630
Total net sales	**3,343**	**4,831**	**5,195**	**4,853**	**4,066**	**4,595**
Adjusted EBITDA						
Sweden	1	239	309	244	118	244
Norway	-64	115	232	148	45	100
Finland	36	216	247	165	80	186
Other Europe	-40	60	125	97	14	76
Central functions	-107	-126	-90	-95	-97	-119
Total adj EBITDA	**-174**	**504**	**823**	**559**	**160**	**487**
Adjusted EBITDA margin, %	*-5.2%*	*10.4%*	*15.8%*	*11.5%*	*3.9%*	*10.6%*

Exchange rates

SEK/EUR	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019
Income statement (average)	10.6647	10.4173	10.5892
Balance sheet (at end of period)	11.0832	10.4221	10.4336
SEK/NOK			
Income statement (average)	1.0213	1.0689	1.0747
Balance sheet (at end of period)	0.9594	1.0749	1.0579
SEK/DKK			
Income statement (average)	1.4274	1.3957	1.4183
Balance sheet (at end of period)	1.4840	1.3963	1.3968

Alternative performance measures

Interest-bearing net liabilities	31 Mar 2020	31 Mar 2019	31 Dec 2019
Liabilities to credit institutions	3,290	3,200	3,036
Liabilities, commercial papers	979	1,075	487
Cash and cash equivalents	-19	-80	-26
Interest-bearing net liabilities	**4,250**	**4,195**	**3,497**

Working capital	31 Mar 2020	31 Mar 2019	31 Dec 2019
Current assets, excl cash and bank balances	1,495	1,576	1,294
Current liabilities	-3,377	-3,077	-3,266
Working capital	**-1,882**	**-1,501**	**-1,972**

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

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 2017 (LTIP 2017), 2018 (LTIP 2018) and 2019 (LTIP 2019).

The long-term incentive programs enable participants to receive matching shares and performance shares provided they make their own investments in shares or allocate shares already held to the program. For each savings share, the participants may receive a matching share, where 50% of the allocation depends on a requirement related to the total return on the company's shares (TSR) being met and 50% is free of consideration. In addition, participants may receive a number of performance shares, free of consideration, depending on the degree of meeting certain performance criteria adopted by the Board of Directors related to EBITDA, cash flow and RGI (Revenue Generation Index = RevPAR in relation to the competitor group's RevPAR) for the 2017–2019 (LTIP 2017) and 2018–2020 (LTIP 2018) financial years respectively. For the LTIP 2018 and 2019, there are no RGI-related performance criteria.

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

Senior managers have invested in the program and may be allocated a maximum of 162,689 shares for the LTIP 2017, 203,443 shares for the LTIP 2018 and 248,735 shares for the LTIP 2019, corresponding to approximately 0.6% of Scandic's share capital and votes. The cost of the program is expected to be 10 MSEK, including social security contributions, and the cost included in the income statement for the Group in accordance with IFRS 2 amounted to 3 MSEK for the first quarter 2020, including social security contributions. The maximum cost of the program, including social security contributions, is expected to be 96 MSEK. For more information, see Note 6 in Scandic's Annual Report 2018. The expected financial exposure to shares that may be allocated under the LTIP 2017, LTIP 2018 and LTIP 2019 and the delivery of shares to participants has been hedged by Scandic's entering into a share swap agreement with a third party on market terms.

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

Stockholm, May 20, 2020

Per G. Braathen
Chairman

Ingalill Berglund
Member of the Board

Grant Hearn
Member of the Board

Christoffer Lundström
Member of the Board

Susanne Mørch Koch
Member of the Board

Riitta Savonlahti
Member of the Board

Martin Svalstedt
Member of the Board

Fredrik Wirdenius
Member of the Board

Marianne Sundelius
Employee representative

Jens Mathiesen
President & CEO

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 31 March 2020 and the three-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 14, under paragraph Outlook and Event after the reporting date, where it is stated that the additional credit facility that is decisive to ensure the financing and continuity is conditional upon the rights issue being fully underwritten and that the right issue is approved by the Extraordinary General Meeting.

Stockholm 20 May 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)

2020-04-29 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

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

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

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

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

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

scandichotelsgroup.com

Follow us in digital channels

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Scandic