Scandic

The leading hotel company in the Nordics

January–September 2018

CONTINUED IMPROVED EARNINGS

THIRD QUARTER IN SUMMARY

- Net sales rose by 22.6% to 4,874 MSEK (3,974), driven by more rooms in operation, including the acquisition of Restel, as well as positive currency effects. For comparable units, growth in net sales was 0.3%.
- Adjusted EBITDA increased to 736 MSEK (622), corresponding to a margin of 15.1% (15.7).
- Restel contributed 84 MSEK to adjusted EBITDA corresponding to a margin of 14.7%.
- Earnings per share amounted to 3.83 SEK (3.65). Excluding the effect of finance leases and currency effects from the revaluation of loans, earnings per share totaled 3.89 SEK (3.66).
- Agreements to acquire a 178-room hotel in Helsinki that will open in 2020 and a new hotel in Trondheim with about 425 rooms scheduled to open in 2022.
- A number of sustainability initiatives were launched in the quarter, including Scandic joining the International Tourism Partnership (ITP) to support the hotel industry's efforts to meet the UN's Sustainable Development Goals.

THE PERIOD IN SUMMARY

- Net sales rose by 23.7% to 13,412 MSEK (10,839). For comparable units, net sales were up 1.3%.
- Adjusted EBITDA was 1,469 MSEK (1,237), corresponding to a margin of 11.0% (11.4).
- Restel contributed 123 MSEK to adjusted EBITDA during the period corresponding to a margin of 7.7%.
- Earnings per share amounted to 4.95 SEK (5.33). Excluding the effect of finance leases and currency effects from the revaluation of loans, earnings per share totaled 5.09 SEK (5.55).
- Integration costs for Restel totaled 112 MSEK. Excluding these costs, the adjusted earnings per share increased by around 7%.

GROUP KEY RATIOS

MSEK	Jul-Sep 2018	Jul-Sep 2017	% change	Jan-Sep 2018	Jan-Sep 2017	% change	Jan-Dec 2017	Oct-Sep 2017/2018
Financial key ratios								
Net sales	4,874	3,974	*22.6%*	13,412	10,839	*23.7%*	14,582	17,155
Adjusted EBITDA	736	622	*18.3%*	1,469	1,237	*18.8%*	1,570	1,802
Adjusted EBITDA margin, %	15.1	15.7		11.0	11.4		10.8	10.5
EBITDA	733	625	*17.3%*	1,358	1,194	*13.7%*	1,473	1,637
EBIT (Operating profit/loss)	513	493	*4.1%*	728	800	*-9.0%*	925	852
Profit/loss before taxes	470	470		598	694	*-13.8%*	800	704
Net profit/loss for the period	396	377	*5.0%*	513	552	*-7.1%*	711	671
Earnings per share, SEK	3.83	3.65	*5.0%*	4.95	5.33	*-7.2%*	6.86	6.48
Net debt/Adjusted EBITDA, LTM	2.4	1.7		2.4	1.7		2.3	2.4
Hotel-related key ratios								
RevPAR (SEK)	766	758	*1.1%*	694	693	*0.0%*	680	682
ARR (Average Room Rate), SEK	1,043	993	*5.1%*	1,040	1,008	*3.2%*	1,012	1,037
OCC (Occupancy), %	73.4	76.4		66.7	68.8		67.1	65.7
Total number of rooms on reporting date	51,932	43,149	*20.4%*	51,932	43,149	*20.4%*	49,983	51,932

CEO'S COMMENTS

Positive earnings development in the quarter

Adjusted EBITDA continued to improve during the quarter and we did also report an increase in earnings per share. We are pleased to see positive development of our German hotels and the continued improvement of the market balance in Stockholm city during the quarter.

During the third quarter, increased tourism combined with warm weather and the weak Swedish krona helped drive demand, especially in July and August. At the same time, we are seeing signs of increased competition in some of our markets which had a dampening effect on underlying growth in the quarter. Net sales for comparable units grew marginally during the third quarter, increasing by 1.3% during the first nine months of the year.

Continued investments in the hotel portfolio

During the quarter, we strengthened our hotel portfolio by adding two attractive and centrally-located hotels. In early July, we opened the classic Hotel Norge by Scandic in Bergen as a signature hotel and in September, Scandic Kødbyen opened in Copenhagen's meatpacking district. At the same time, we continued to invest in our existing portfolio. We now have a pipeline of about 5,300 rooms, corresponding to about 10% of our current hotel portfolio. Since the end of the half-year, we have added one hotel in Trondheim and one in Helsinki to our pipeline.

From integration to commercial focus at Restel

Restel's contribution to EBITDA was higher than in the second quarter, mainly because the summer months are the strongest for many of these hotels. Since the Restel transaction was completed, we have been prioritizing integration, rebranding and coordinating support functions and we have already seen some positive effects from cost synergies. The first phase of the integration is finalized and we are now increasing the commercial focus for the Restel hotels in line with our ambition to strengthen revenues when the hotels are able to take full advantage of Scandic's distribution capacity.

Reinforced organization

In June, we introduced a partially new Group Management team with a strong focus on digitalization, branding, sales and distribution. During the third quarter, there were certain restructuring costs for organizational changes aimed at strengthening our commercial impact.

Continuous cost adjustments to changes in market conditions

Scandic has a flexible cost structure with proven ability to adjust costs to changes in the market conditions. We see increased competition in several destinations and we are constantly working to ensure we remain competitive and efficient. For the fourth quarter of the year, we expect continued strong sales growth driven primarily by Restel while like for like sales is expected to be slightly lower than the corresponding quarter last year.

Even Frydenberg
President & CEO

"Adjusted EBITDA continued to improve during the quarter"

5,300

rooms in the pipeline, corresponding to 10% of the hotel portfolio

" We are constantly working to ensure we remain competitive and efficient"

NORDIC HOTEL MARKET DEVELOPMENT

There was a slightly positive trend in RevPAR growth in the third quarter in Sweden, Norway and Denmark.

Sweden

In the Swedish market, supply increased by 2.4% in terms of available rooms compared with the third quarter of 2017, while the number of sold rooms rose by 2.8%. RevPAR in the market increased by 2.9% driven by higher average room rates while occupancy remained largely unchanged.

In Stockholm, the number of available rooms grew by 2.7% compared with the third quarter last year. The rate of increase in the number of available rooms was somewhat lower than in the previous quarter, as a significant part of last year's increase in capacity occurred during the second quarter. The number of sold rooms in Stockholm increased by 5.3% and RevPAR went up 4.5%, driven by higher average room rates and higher occupancy. By the end of 2018, the number of available rooms in the Stockholm area is expected to be 4% higher than at the beginning of the year and remain relatively unchanged in both Gothenburg and Malmö.

Norway

The number of available rooms in the Norwegian market grew by 3.6%, mainly as a result of increased capacity in Bergen, Oslo and Gardermoen (Oslo Airport). The number of sold rooms rose by 1.6%. RevPAR in the market grew by 1.7%, driven by higher average room rates. A large congress in Stavanger affected demand positively in the quarter. By the end of 2018, the number of available rooms in Oslo is expected to be about 4% higher than at the beginning of the year following a decrease in 2017 due to renovations.

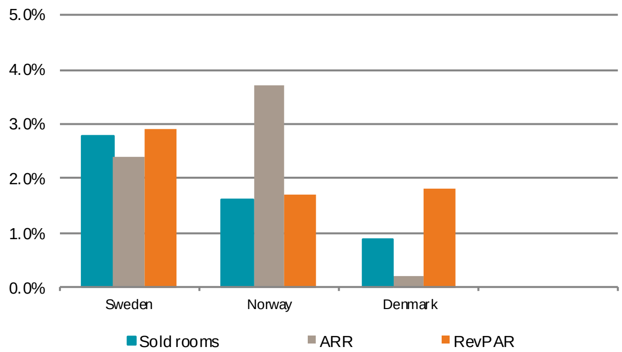
Denmark

In Denmark, RevPAR in the market grew by 1.8%, mainly as a result of somewhat higher average occupancy. The number of available rooms was largely unchanged compared with the corresponding quarter in 2017 while the number of sold rooms rose by 0.9%. Occupancy in Copenhagen remained high during the quarter and Scandic expects supply in Copenhagen to be about 7% higher by the end of 2018 than at the beginning of the year.

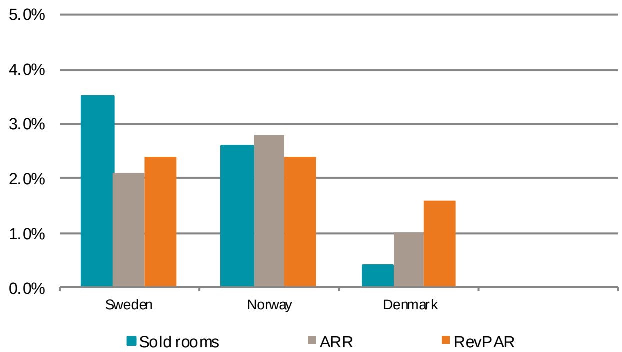
Finland

In the Finnish market, the number of sold rooms remained relatively stable the period July–August while the number of available rooms in the market rose by approximately 3% in the same period. Market RevPAR fell by approximately 1% in July–August due to slightly lower occupancy. By the end of 2018, the number of available rooms in Helsinki is expected to be just over 3% higher than at the beginning of the year and remain relatively unchanged in Tampere.

MARKET DEVELOPMENT JULY–SEPTEMBER 2018
CHANGE YEAR-ON-YEAR



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



Source: Benchmarking Alliance

HOTEL PORTFOLIO

Existing hotel portfolio

At the end of the period, Scandic had 51,932 hotel rooms in operation at 270 hotels, of which 244 had lease agreements. In July, the signature hotel Hotel Norge by Scandic opened in Bergen with 415 rooms and in September, Scandic Kødbyen opened in Copenhagen with 370 rooms. In addition, the franchise hotel Scandic Brennemoen opened in Norway with 100 rooms. During the quarter, the Scandic Park Drammen in Norway, which has 100 rooms, was exited.

In total, the number of hotel rooms in operation increased by 716 during the quarter.

Portfolio changes	**Number of rooms**
Opening balance July 1, 2018	51,216
Exits	
Scandic Park Drammen, Norway	-100
Total	**-100**
New hotels	
Scandic Kødbyen, Copenhagen	370
Hotel Norge by Scandic, Bergen	415
Scandic Brennemoen, franchise, Norway	100
Total	**885**
Change current portfolio	**-69**
Total change during the quarter	**716**
Closing balance September 30, 2018	**51,932**

Number of hotels in operation and in pipeline

	Operational on Sep 30, 2018				**Pipeline on Sep 30, 2018**	
	Hotels	of which with Lease contracts	Rooms	of which with Lease contracts	Hotels	Rooms
Sweden	85	79	17,392	16,647	3	925
Norway	85	67	15,743	13,450	4	999
Finland	68	67	12,458	12,391	2	1,192
Denmark	26	25	4,621	4,411	3	1,325
Other Europe	6	6	1,718	1,718	1	506
Total	**270**	**244**	**51,932**	**48,617**	**13**	**4,947**
Change during the quarter	*1*	*0*	*716*	*616*	*2*	*-45*

High quality pipeline

At the end of the period, the gross pipeline included 16 hotels with 5,388 rooms, corresponding to 10% of the active portfolio.

The net pipeline consisted of 13 hotels with a total of 4,947 rooms and it was impacted negatively by the three hotels in Finland being divested as a condition for the approval of the Restel acquisition. Scandic signed agreements to divest two of the hotels, Cumulus Pori and Cumulus Kuopio, in June and August respectively.

The pipeline also includes two hotels with a total of 536 rooms 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 to take over the operations of a hotel with 178 rooms in Helsinki, which is expected to open in 2020, and a new hotel with 425 rooms in Trondheim that is scheduled to open in 2022.

NET SALES AND RESULTS

Group

	Jul-Sep 2018	Jul-Sep 2017	%	Jan-Sep 2018	Jan-Sep 2017	%
Net sales (MSEK)	**4,874**	**3,974**	**22.6%**	**13,412**	**10,839**	**23.7%**
Currency effects	171		4.2%	301		2.7%
New hotels	779		19.6%	2,288		21.1%
Exits	-63		-1.5%	-155		-1.4%
LFL	13		0.3%	139		1.3%
Adjusted EBITDA	**736**	**622**	**18.3%**	**1,469**	**1,237**	**18.8%**
% margin	15.1%	15.7%		11.0%	11.4%	
RevPAR (SEK)	**766**	**758**	**1.1%**	**694**	**693**	**0.0%**
Currency effects	31		4.2%	18		2.6%
New hotels/exits	-24		-3.3%	-26		-3.7%
LFL	2		0.2%	7		1.1%

Third quarter

Net sales rose by 22.6% to 4,874 MSEK (3,974). The Restel acquisition is included in the income statement as of January 1, 2018, and the contribution to net sales was 571 MSEK in the third quarter. Sales for comparable units grew by 0.3%.

Currency effects affected net sales positively by 4.2%. Changes in the hotel portfolio contributed 18.1% or 716 MSEK to revenue growth. Except for Restel, the greatest contributors to revenue growth were Downtown Camper by Scandic in Stockholm, which opened on September 1, 2017, and the hotels Scandic Lilleström, Hotel Norge by Scandic in Bergen, Scandic Kødbyen in Copenhagen, Scandic The Mayor in Aarhus, Scandic Helsinki Airport and Scandic Museumsufer in Frankfurt, which opened during the year.

Average Revenue Per Available Room (RevPAR) dropped by 3.1% 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 0.2%. RevPAR for comparable units rose in Norway and Finland and dropped in Sweden and Other Europe.

Revenue from restaurant and conference operations grew by 19.8% and the share of total net sales was 28.1% (28.8).

Rental costs excluding the effect of finance leases accounted for 26.5% (25.9) of net sales but dropped to 23.2% excluding Restel. Fixed and guaranteed rental costs were 61.4% (57.4) 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, fixed rental costs fell as a result of increased sales and additional contracts with lower or no guarantee levels.

Central costs and Group adjustments declined to -71 MSEK (-85). The corresponding period last year was negatively affected by -10 MSEK in connection with the change of President & CEO. From July 1, 2018, hedge accounting has been 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. Market revaluation of forward contracts for electricity had a positive effect of -1 MSEK (7) on the results.

Adjusted EBITDA rose to 736 MSEK (622). The adjusted EBITDA margin declined to 15.1% (15.7). Restel contributed 84 MSEK. Currency translation effects had a positive impact of 26 MSEK on adjusted EBITDA compared with the same period in the previous year.

Pre-opening costs for new hotels totaled -20 MSEK (-14).

Items affecting comparability amounted to -13 MSEK (17) comprising integration costs of 7 MSEK related to the Restel acquisition and restructuring costs related to reinforcing the commercial organization.

EBITDA was 733 MSEK (625). Reconciliation between EBITDA and adjusted EBITDA can be found in the table on page 7.

EBIT amounted to 513 MSEK (493). The EBIT margin was 10.5% (12.4) and depreciation and amortization totaled -220 MSEK (-132). The increase in depreciation and amortization is largely due to the depreciation and amortization of assets from the Restel acquisition. The effect of finance leases affected EBIT positively by 9 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 -43 MSEK (-23). The interest expense, excluding the effect of finance leases, was -29 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 (-1).

Profit/loss before tax was 470 MSEK (470). The effect of finance leases affected results by -8 MSEK during the quarter.

Reported tax amounted to -74 MSEK (-93).

Net profit rose to 396 MSEK (377). Earnings per share after dilution totaled 3.83 SEK per share (3.65). Excluding currency effects related to the revaluation of loans and the effect of finance leases, earnings per share after dilution amounted to 3.89 SEK (3.66).

The period January–September

Net sales rose by 23.7% to 13,412 MSEK (10,839). The Restel acquisition is included in the income statement as of January 1, 2018 and the contribution to net sales was 1,594 MSEK for the period. Sales for comparable units grew by 1.3%.

Currency effects affected net sales positively by 2.7%. Net changes in the hotel portfolio contributed 19.7% or 2,133 MSEK to the increase in sales. Except for Restel, the greatest contributors to revenue growth were the eight hotels that were added in the Pandox and Eiendomsspar transactions, which took place in the second quarter of 2017, Downtown Camper by Scandic in Stockholm, which was opened on September 1, 2017, and the hotels Scandic Lilleström, Hotel Norge by Scandic in Bergen, Scandic Kødbyen in Copenhagen, Scandic The Mayor in Aarhus, Scandic Helsinki Airport and Scandic Museumsufer in Frankfurt, which were opened during the year.

Average Revenue Per Available Room (RevPAR) dropped by 2.6% 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, where it fell marginally.

Revenue from restaurant and conference operations grew by 21.8% and the share of total net sales was 31.2% (31.7).

Rental costs, excluding finance leases, accounted for 26.4% (26.0) of net sales but declined to 22.9% excluding Restel. Fixed and guaranteed rental costs were 64.2% (61.9) 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, fixed rental costs fell as a result of increased sales and additional contracts with lower or no guarantee levels.

Central costs and Group adjustments declined to -231 MSEK (-261). From July 1, 2018, hedge accounting has been 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 revaluation of forward contracts for electricity had a positive effect of 37 MSEK (3) on the profit. The effect of the market valuation on profits is almost exclusively attributable to the period prior to the introduction of hedge accounting.

Adjusted EBITDA rose to 1,469 MSEK (1,237). The adjusted EBITDA margin declined to 11.0% (11.4). Performance improved in all segments except Sweden. The improved performance is chiefly due to the greater number of rooms in operation. Restel contributed 123 MSEK to the Group's adjusted EBITDA during the period. Currency translation effects had a positive impact of 41 MSEK on adjusted EBITDA compared with the same period in the previous year.

Pre-opening costs for new hotels totaled -89 MSEK (-48).

Items affecting comparability amounted to -118 MSEK (5) comprising integration costs of 112 MSEK related to the Restel acquisition and restructuring costs related to reinforcing the commercial organization.

EBITDA was 1,358 MSEK (1,194). Reconciliation between EBITDA and adjusted EBITDA can be found in the table on page 7.

EBIT amounted to 728 MSEK (800). The EBIT margin was 5.4% (7.4%) and depreciation and amortization totaled -630 MSEK (-394). The increase in depreciation and amortization is largely due to the depreciation and amortization of assets from the Restel acquisition. The effect of finance leases affected EBIT positively by 30 MSEK during the period.

The **Group's net financial expense** amounted to -130 MSEK (-106). The interest expense, excluding the effect of finance leases, was -86 MSEK (-83). 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 greater loan volume after the Restel acquisition. The result of exchange rate fluctuations from the revaluation of loans and investments amounted to 4 MSEK (-29).

Profit/loss before tax was 598 MSEK (694). The effect of finance leases affected results by -22 MSEK during the period.

Reported tax amounted to -85 MSEK (-142). 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 513 MSEK (552). Earnings per share after dilution totaled 4.95 SEK per share (5.33). Excluding currency effects related to the revaluation of loans and the effect of finance leases, earnings per share after dilution amounted to 5.09 SEK (5.55). Integration costs attributable to Restel had a negative impact on earnings per share.

Summary of reported EBITDA and adjusted EBITDA

Adjusted EBITDA	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Jan-Dec 2017	Oct-Sep 2017/2018
EBITDA	733	625	1,358	1,194	1,473	1,637
Effect of finance leases, fixed and guaranteed rental charges	-31	0	-96	0	0	-96
Pre-opening costs	20	14	89	48	67	108
Items affecting comparability	13	-17	118	-5	30	153
Adjusted EBITDA	**736**	**622**	**1,469**	**1,237**	**1,570**	**1,802**

Segment reporting

Quarterly, Jul-Sep	Net sales		Adjusted EBITDA		Adjusted EBITDA margin	
MSEK	2018	2017	2018	2017	2018	2017
Sweden	1,617	1,550	274	283	16.9%	18.3%
Norway	1,466	1,333	214	213	14.6%	16.0%
Finland	1,108	508	199	107	18.0%	21.1%
Other Europe	683	583	120	104	17.6%	17.8%
Central costs and group adjustments	-	-	-71	-85	-	-
Total Group	**4,874**	**3,974**	**736**	**622**	**15.1%**	**15.7%**

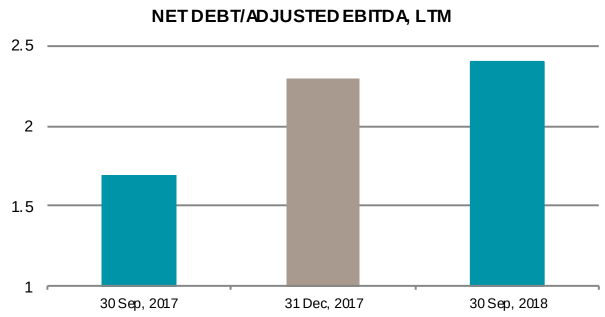
Period, Jan-Sep	Net sales		Adjusted EBITDA		Adjusted EBITDA margin	
MSEK	2018	2017	2018	2017	2018	2017
Sweden	4,654	4,399	666	672	14.3%	15.3%
Norway	3,855	3,439	402	377	10.4%	11.0%
Finland	3,085	1,420	404	247	13.1%	17.4%
Other Europe	1,818	1,581	228	202	12.5%	12.8%
Central costs and group adjustments	-	-	-231	-261	-	-
Total Group	**13,412**	**10,839**	**1,469**	**1,237**	**11.0%**	**11.4%**

BALANCE SHEET & CASH FLOW

The balance sheet total on September 30, 2018 was 18,612 MSEK, compared with 16,964 MSEK on December 31, 2017. Interest-bearing net liabilities increased during the period from 3,629 MSEK on December 31, 2017 to 4,398 MSEK on September 30, 2018. In connection with the Restel acquisition, a finance lease liability of 1,695 MSEK as at September 30, 2018 was identified in relation to hotel property leases and corresponding tangible fixed assets. Finance lease liabilities are not included in the definition of interest-bearing net debt.

The increase in net debt over the year was largely due to seasonally higher working capital during the period and large investments. Exchange rate fluctuations during the year increased the net debt by approximately 100 MSEK. Loans from credit institutions amounted to 3,386 MSEK and commercial papers totaled 1,200 MSEK at the end of the period. The net debt on September 30, 2018 corresponded to 2.4 times adjusted EBITDA for the past twelve months (2.3 times as at December 31, 2017).

On September 30, 2018, the average number of shares and votes was 103,095,129 after dilution. Equity was 7,772 MSEK compared with 7,356 MSEK on December 31, 2017.



Operating cash flow amounted to -381 MSEK (207) during the period. The cash flow contribution from the change in working capital amounted to -536 MSEK (-386). 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 -120 MSEK (-22). 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 addition, the Adjustment Board confirmed the supplementary taxation for the years 2009–2011 and 2014–2015 with an additional amount of 99 MSEK in total, which was paid by Scandic in August 2018.

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 will appeal the decision and request that the tax decision be rejected in its entirety. The company does therefore not include any cost for the taxes imposed in the accounts.

In the 2017 Annual Report, Scandic recognized a contingent liability of 404 MSEK, exclusive of interest, for a tax dispute in Finland. Based on the Adjustment Board's decision, Scandic's preliminary assessment is that the total exposure for the years 2008–2016 has been reduced due to lower assessed interest and fees to approximately 330 MSEK including interest.

Net investments during the period amounted to -909 MSEK (-576), of which hotel renovations accounted for -527 MSEK (-372) and IT for -63 MSEK (-32). Investments in new hotels and increased room capacity totaled -319 MSEK (-172). During the period, adjusted consideration and transaction costs for Restel of -54 MSEK were paid.

Cash flow from financing activities amounted to SEK 458 million over the period (-1,146). The change is chiefly due to an increase in net borrowing, where the utilization of the loan agreement declined by -465 MSEK while commercial papers worth 1,200 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 in the form of a multicurrency revolving credit facility that will apply until February 12, 2019.

At the end of the period, the Group had 188 MSEK (121) in cash and cash equivalents. Unused credit facilities totaled 1,061 MSEK (1,986). Available funds did hence amount to 1,249 MSEK (2,107).

Cash flow

MSEK	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017
Cash flow before changes in working capital	609	613	1,118	1,167
Changes in working capital	-388	-191	-536	-386
Investments	-218	-212	-909	-576
Operating cash flow before acquisitions/disposals	**3**	**210**	**-327**	**205**
Acquisitions/disposals	0	2	-54	2
Operating cash flow	**3**	**212**	**-381**	**207**

EMPLOYEES

The average number of employees in the Group was 11,746 on September 30, 2018 compared with 9,907 on September 30, 2017. The increase is mainly due to the Restel acquisition.

SEGMENT REPORTING

Sweden

	Jul-Sep 2018	Jul-Sep 2017	%	Jan-Sep 2018	Jan-Sep 2017	%
Net sales (MSEK)	**1,617**	**1,550**	**4.3%**	**4,654**	**4,399**	**5.8%**
New hotels	66		4.3%	227		5.1%
Exits	0		0.0%	-1		0.0%
LFL	1		0.0%	29		0.7%
Adjusted EBITDA	**274**	**283**	**-3.2%**	**666**	**672**	**-0.9%**
% margin	16.9%	18.3%		14.3%	15.3%	
RevPAR (SEK)	**773**	**761**	**1.5%**	**725**	**717**	**1.2%**
New hotels/Exits	18		2.3%	11		1.6%
LFL	-7		-0.8%	-3		-0.4%
ARR (SEK)	1,017	991	2.6%	1,049	1,021	2.8%
OCC %	76.0%	76.8%		69.1%	70.2%	

Third quarter

Net sales rose by 4.3% to 1,617 MSEK (1,550). For comparable units, there was no change in net sales. During the third quarter, the balance between supply and demand of rooms in Stockholm improved further.

Changes in the hotel portfolio contributed a net of 4.3%, or 66 MSEK, to the increase in sales. The greatest contribution to sales was from Downtown Camper by Scandic, which opened in Stockholm on September 1, 2017.

Average Revenue Per Available Room (RevPar) increased by 1.5% compared with the same quarter the previous year. RevPAR for comparable units dropped by 0.8%.

Adjusted EBITDA dropped to 274 MSEK (283). The adjusted EBITDA margin dropped from 18.3% to 16.9%. Differences in the allocation of costs between the third and fourth quarters this year compared with the previous year had a negative effect on the comparison of adjusted EBITDA for the third quarter. Measures implemented at the beginning of the year to adapt costs to somewhat lower occupancy continued to have a positive effect

The period January–September

Net sales rose by 5.8% to 4,654 MSEK (4,399). For comparable units, net sales grew by 0.7%. During the first quarter, market capacity in Stockholm grew more than the number of sold rooms. During the second and third quarters, the balance between supply and demand improved.

Net changes in the hotel portfolio contributed 5.1% or 226 MSEK to the increase in sales. The greatest contribution to sales was from Downtown Camper by Scandic, which opened in Stockholm on September 1, 2017.

Average Revenue Per Available Room (RevPAR) increased by 1.2% compared with the same period the previous year. RevPAR for comparable units dropped by 0.4%.

Adjusted EBITDA declined to 666 MSEK (672). The adjusted EBITDA margin dropped from 15.3% to 14.3%. Differences in the allocation of costs between the third and fourth quarters this year compared with the previous year had a negative effect on the comparison of adjusted EBITDA for the first nine months. Measures implemented at the beginning of the year to adapt costs to the somewhat lower occupancy had a positive effect.

Norway

	Jul-Sep 2018	Jul-Sep 2017	%	Jan-Sep 2018	Jan-Sep 2017	%
Net sales (MSEK)	**1,466**	**1,333**	**9.9%**	**3,855**	**3,439**	**12.1%**
Currency effects	78		5.8%	98		2.9%
New hotels	67		5.0%	291		8.4%
Exits	-11		-0.8%	-17		-0.5%
LFL	-1		-0.1%	44		1.3%
Adjusted EBITDA	**214**	**213**	**0.5%**	**402**	**377**	**6.6%**
% margin	14.6%	16.0%		10.4%	11.0%	
RevPAR (SEK)	**768**	**720**	**6.6%**	**669**	**641**	**4.4%**
Currency effects	40		5.5%	18		2.8%
New hotels/Exits	1		0.2%	-3		-0.4%
LFL	6		0.9%	13		2.0%
ARR (SEK)	1,058	973	8.7%	1,034	988	4.6%
OCC %	72.6%	74.0%		64.7%	64.9%	

Third quarter

Net sales rose by 9.9% to 1,466 MSEK (1,333). Net sales for comparable units dropped by 0.1%.

Net changes in the hotel portfolio contributed 4.2% or 56 MSEK to the increase in sales. The greatest contributors were Scandic Lilleström, which was opened on January 9, 2018, and Hotel Norge by Scandic in Bergen, which opened on July 1, 2018.

Average Revenue Per Available Room (RevPAR) increased by 1.1% in local currency compared with the same quarter the previous year. RevPAR for comparable units grew by 0.9%.

Adjusted EBITDA rose marginally to 214 MSEK (213).

The adjusted EBITDA margin dropped to 14.6% (16.0). Hotel Norge by Scandic, which was opened in Bergen during the quarter, initially affected the margin negatively.

The period January–September

Net sales rose by 12.1% to 3,855 MSEK (3,439). For comparable units, net sales increased by 1.3%.

Net changes in the hotel portfolio contributed 7.9% or 274 MSEK to the increase in sales. The greatest contributors were Scandic Lilleström, which was opened on January 9, 2018, Hotel Norge by Scandic in Bergen, which opened on July 1, 2018, and Scandic Flesland Airport in Bergen, which 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) increased by 1.6% in local currency compared with the same period the previous year. RevPAR for comparable units grew by 2.0%.

Adjusted EBITDA rose to 402 MSEK (377), chiefly due to more rooms in operation.

The adjusted EBITDA margin fell to 10.4% (11.0).

Finland

	Jul-Sep 2018	Jul-Sep 2017	%	Jan-Sep 2018	Jan-Sep 2017	%
Net sales (MSEK)	**1,108**	**508**	**118.2%**	**3,085**	**1,420**	**117.3%**
Currency effects	45		8.7%	97		6.9%
New hotels	589		116.0%	1,625		114.4%
Exits	-46		-9.0%	-118		-8.3%
LFL	12		2.5%	61		4.3%
Adjusted EBITDA	**199**	**107**	**86.0%**	**404**	**247**	**63.6%**
% margin	18.0%	21.1%		13.1%	17.4%	
RevPAR (SEK)	**677**	**734**	**-7.8%**	**613**	**664**	**-7.7%**
Currency effects	64		8.7%	45		6.9%
New hotels/Exits	-143		-19.5%	-126		-19.0%
LFL	22		3.0%	30		4.4%
ARR (SEK)	1,014	986	2.8%	994	989	0.5%
OCC %	66.8%	74.4%		61.7%	67.1%	

Third quarter

Integration costs for Restel in the third quarter amounted to 7 MSEK and are recognized in items affecting comparability, while investments in connection with the rebranding and system integrations were 8 MSEK. Since early June, all of the 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 greatest synergies are expected to be in the form of revenue when the acquired hotels are integrated with Scandic's distribution capacity. The acquired hotels contributed 571 MSEK to net sales and made a positive contribution of 84 MSEK to adjusted EBITDA. Restel's RevPAR is lower than the average in the rest of Scandic's Finnish operations.

Net sales in the third quarter increased by 118.2% to 1,108 MSEK (508). Net sales for comparable units rose by 2.5%.

Net changes in the hotel portfolio contributed 107% or 544 MSEK to the increase in sales. In addition to the newly-added hotels from the Restel acquisition, Scandic Helsinki Airport was opened at the end of the first quarter. Scandic Vierumäki, which was divested on September 30, 2017, was included in the third quarter the previous year.

Average Revenue Per Available Room (RevPAR) declined by 16.5% in local currency compared with the same quarter the previous year. RevPAR for comparable units grew by 3.0%.

Adjusted EBITDA rose to 199 MSEK (107).

The adjusted EBITDA margin declined to 18.0% (21.1). Excluding Restel, the adjusted EBITDA margin rose somewhat.

The period January–September

During the period, integration costs for Restel totaled 112 MSEK and are recognized in items affecting comparability, while investments in connection with the rebranding and system integrations were 24 MSEK. Integration costs are expected to total around 120 MSEK and investments for rebranding and systems integration are expected to be about 30 MSEK, which is somewhat lower than estimated when the transaction was announced. The acquired hotels contributed 1,594 MSEK to net sales and made a positive contribution of 123 MSEK to adjusted EBITDA.

In total, net sales during the period rose by 117.3% to 3,085 MSEK (1,420). Net sales for comparable units rose by 4.3%.

Net changes in the hotel portfolio contributed 106.2% or 1,507 MSEK to the increase in sales. In addition to the newly-added hotels from the Restel acquisition, Scandic Helsinki Airport was opened at the end of the first quarter.

Average Revenue Per Available Room (RevPAR) dropped by 14.6% in local currency compared with the same period during the previous year. RevPAR for comparable units grew by 4.4%.

Adjusted EBITDA rose to 404 MSEK (247).

The adjusted EBITDA margin dropped to 13.1% (17.4). Excluding Restel, the adjusted EBITDA margin showed positive development.

Other Europe

	Jul-Sep 2018	Jul-Sep 2017	%	Jan-Sep 2018	Jan-Sep 2017	%
Net sales (MSEK)	**683**	**583**	**17.2%**	**1,818**	**1,581**	**15.0%**
Currency effects	49		8.4%	106		6.7%
New hotels	56		9.6%	145		9.2%
Exits	-6		-0.9%	-19		-1.2%
LFL	1		0.1%	5		0.3%
Adjusted EBITDA	**120**	**103**	**16.5%**	**228**	**202**	**12.9%**
% margin	17.6%	17.7%		12.5%	12.8%	
RevPAR (SEK)	**932**	**862**	**8.1%**	**832**	**774**	**7.4%**
Currency effects	73		8.4%	52		6.7%
New hotels/Exits	1		0.1%	1		0.1%
LFL	-4		-0.4%	5		0.6%
ARR (SEK)	1,134	1,044	8.6%	1,108	1,027	7.9%
OCC %	82.2%	82.6%		75.1%	75.4%	

Third quarter

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

Net sales rose by 17.2% to 683 MSEK (583). Net sales for comparable units rose by 0.1%.

Net changes in the hotel portfolio contributed 8.7% or 50 MSEK to the increase in sales. 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) dropped by 0.3% in local currency compared with the same quarter the previous year. RevPAR for comparable units dropped by 0.4%. The trend in Germany was positive, while development in Poland and Denmark was marginally negative.

Adjusted EBITDA rose to 120 MSEK (103).

The adjusted EBITDA margin declined to 17.6 % (17.7).

The period January–September

Net sales rose by 15.0% to 1,818 MSEK (1,581). Net sales for comparable units rose by 0.3%.

Net changes in the hotel portfolio contributed 8.0% or 126 MSEK to the increase in sales. Scandic Sluseholmen in Copenhagen, Scandic The Mayor in Aarhus, Scandic Frankfurt Museumsufer and Scandic Kødbyen in Copenhagen were the main contributors to the increase.

Average Revenue Per Available Room (RevPAR) increased by 0.7% in local currency compared with the same period the previous year. RevPAR for comparable units grew by 0.6%. The trend in Germany was positive, while development in Poland and Denmark was marginally negative.

Adjusted EBITDA rose to 228 MSEK (202).

The adjusted EBITDA margin declined to 12.5 % (12.8).

Central functions

Adjusted EBITDA for central functions was -71 MSEK (-85) during the quarter and -231 MSEK (-261) during the period. From July 1, 2018, hedge accounting has been 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. Market valuation of forward contracts for electricity had a negative effect of -1 MSEK (7) on adjusted EBITDA during the quarter and a positive effect of 37 MSEK (3) during the first nine months.

OUTLOOK

For the fourth quarter, sales for comparable units are expected to be slightly lower than the corresponding quarter of last year.

The integration costs for Restel are expected to reach around 120 MSEK in 2018 and investments related to integration are estimated at approximately MSEK 30.

FINANCIAL TARGETS

At the beginning of 2016, Scandic adopted a clear long-term strategy aimed at developing operations in line with the following medium- and long-term 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/New Year'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

Scandic's Annual General Meeting 2018 resolved on a dividend for 2017 of 3.40 SEK (3.15) per share to be paid out in two equal amounts of 1.70 SEK. The record date for the first payment was April 30, 2018 and the record date for the second payment will be October 30, 2018.

PRESENTATION OF THE REPORT

The presentation of Scandic's Interim Report will take place at 9:00 CET on October 25, 2018 with President & CEO Even Frydenberg and CFO Jan Johansson available by phone. To participate, just dial: +46856642664 (SE) or +442030089808 (UK). Please call in five minutes before the start. The presentation will also be available afterwards at scandichotelsgroup.com.

FOR MORE INFORMATION

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

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

FINANCIAL CALENDAR

2019-02-19	Year-end report 2018 (silent period from January 19, 2019)
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)

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 September 30, 2018, Scandic's goodwill and intangible assets amounted to 9,931 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	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Jan-Dec 2017	Oct-Sep 2017/2018
INCOME						
Room revenue	3,359	2,725	8,898	7,180	9,464	11,182
Restaurant and conference revenue*	1,371	1,144	4,180	3,433	4,853	5,600
Franchise and management fees	9	8	23	20	26	29
Other hotel-related revenue	135	97	311	206	239	344
Net sales	***4,874***	***3,974***	***13,412***	***10,839***	***14,582***	***17,155***
Other income	-	-	-	1	1	-
TOTAL OPERATING INCOME	**4,874**	**3,974**	**13,412**	**10,840**	**14,583**	**17,155**
OPERATING COSTS						
Raw materials and consumables	-415	-338	-1,171	-939	-1,295	-1,527
Other external costs	-1,081	-800	-2,975	-2,328	-3,215	-3,862
Personnel costs	-1,353	-1,186	-4,222	-3,514	-4,738	-5,446
Fixed and guaranteed rental charges	-761	-590	-2,210	-1,746	-2,323	-2,787
Variable rental charges	-498	-438	-1,269	-1,076	-1,442	-1,635
Pre-opening costs	-20	-14	-89	-48	-67	-108
Items affecting comparability	-13	17	-118	5	-30	-153
EBITDA	**733**	**625**	**1,358**	**1,194**	**1,473**	**1,637**
Depreciation and amortization	-220	-132	-630	-394	-549	-785
TOTAL OPERATING COSTS	**-4,361**	**-3,481**	**-12,684**	**-10,040**	**-13,659**	**-16,303**
EBIT (Operating profit/loss)	**513**	**493**	**728**	**800**	**925**	**852**
Financial income	3	2	10	7	9	12
Financial expenses	-46	-25	-140	-113	-133	-160
Net financial items	**-43**	**-23**	**-130**	**-106**	**-124**	**-148**
EBT (Profit/loss before taxes)	**470**	**470**	**598**	**694**	**800**	**704**
Taxes	-74	-93	-85	-142	-90	-33
PROFIT/LOSS FOR PERIOD	**396**	**377**	**513**	**552**	**711**	**671**
Profit/loss for period relating to:						
Parent Company shareholders	395	376	510	549	707	668
Non-controlling interest	1	1	3	3	4	4
Profit/loss for period	**396**	**377**	**513**	**552**	**711**	**672**
Average number of outstanding shares before dilution	102,991,742	102,985,075	102,991,742	102,985,075	102,959,870	102,990,062
Average number of outstanding shares after dilution	103,095,129	103,028,202	103,095,129	103,028,202	103,003,004	103,073,941
Earnings per share before dilution, SEK	**3.84**	**3.65**	**4.95**	**5.33**	**6.87**	**6.49**
Earnings per share after dilution, SEK	**3.83**	**3.65**	**4.95**	**5.33**	**6.86**	**6.48**
EBITDA margin, %	15.0	15.7	10.1	11.0	10.1	9.5
EBIT margin, %	10.5	12.4	5.4	7.4	6.3	5.0

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

Consolidated statement of comprehensive income

MSEK	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Jan-Dec 2017	Oct-Sep 2017/2018
Profit/loss for period	396	377	513	552	711	671
Items that may be reclassified to the income statement	-58	-2	293	-63	-56	300
Items that may not be reclassified to the income statement	4	-9	-26	-36	-79	-69
Other comprehensive income	**-54**	**-11**	**267**	**-99**	**-135**	**231**
Total comprehensive income for period	**342**	**366**	**780**	**453**	**576**	**902**
Relating to:						
Parent Company shareholders	336	362	770	448	571	893
Non-controlling interest	6	4	10	5	5	10

Consolidated balance sheet, summary

MSEK	30 Sep 2018	30 Sep 2017	31 Dec 2017
ASSETS			
Intangible assets	9,931	8,986	9,669
Tangible assets	6,135	3,158	5,599
Financial fixed assets	331	64	170
Total fixed assets	**16,397**	**12,208**	**15,438**
Current assets	1,922	1,613	1,285
Assets held for sale	105	-	101
Cash and cash equivalents	188	121	140
Total current assets	**2,215**	**1,734**	**1,526**
TOTAL ASSETS	**18,612**	**13,942**	**16,964**
EQUITY AND LIABILITIES			
Equity attributable to owners of the Parent Company	7,733	7,202	7,323
Non-controlling interest	39	33	33
Total equity	**7,772**	**7,235**	**7,356**
Liabilities to credit institutions	3,386	2,961	3,769
Finance lease liabilities	1,633	0	1,607
Other long-term liabilities	1,476	1,259	1,312
Total long-term liabilities	**6,495**	**4,220**	**6,688**
Derivative instruments	5	11	5
Current liabilities for finance leases	62	-	58
Current liabilities, commercial papers	1,200	-	-
Liabilities held for sale	73	-	70
Other current liabilities	3,004	2,476	2,786
Total current liabilities	**4,344**	**2,487**	**2,919**
TOTAL EQUITY AND LIABILITIES	**18,612**	**13,942**	**16,964**
Equity per share, SEK	75.1	69.9	71.1
Total number of shares outstanding, end of period	102,985,075	102,985,075	102,985,075
Working capital	-1,050	-863	-1,470
Interest-bearing net liabilities	4,398	2,840	3,629
Interest-bearing net liabilities/adjusted EBITDA	2.4	1.7	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	**-**	**-**	**-**	**549**	**549**	**3**	**552**
Total other comprehensive income, net after tax	*-*	*-*	*-65*	*-36*	*-101*	*2*	*-99*
Total comprehensive income for the year	**-**	**-**	**-65**	**513**	**448**	**5**	**453**
Total transactions with shareholders	*-*	*-*	*-*	*-318*	*-318*	*-3*	*-321*
CLOSING BALANCE 09/30/2017	**26**	**7,865**	**-94**	**-595**	**7,202**	**33**	**7,235**
Profit/loss for the period	**-**	**-**	**-**	**158**	**158**	**1**	**159**
Total other comprehensive income, net after tax	*-*	*-*	*8*	*-43*	*-35*	*-1*	*-36*
Total comprehensive income for the year	**-**	**-**	**8**	**115**	**123**		**123**
Total transactions with shareholders	*-*	*-*	*-*	*-2*	*-2*	*-*	*-2*
CLOSING BALANCE 12/31/2017	**26**	**7,865**	**-86**	**-482**	**7,323**	**33**	**7,356**
Change accounting principles	*-*	*-*	*-*	*-*	*-*	*-*	*-*
OPENING BALANCE 01/01/2018	**26**	**7,865**	**-86**	**-482**	**7,323**	**33**	**7,356**
Profit/loss for the period	**-**	**-**	**-**	**510**	**510**	**3**	**513**
Total other comprehensive income, net after tax	*-*	*-*	*286*	*-26*	*260*	*7*	*267*
Total comprehensive income for the year			**286**	**484**	**770**	**10**	**780**
Total transactions with shareholders	*-*	*-*	*-*	*-360*	*-360*	*-4*	*-364*
CLOSING BALANCE 09/30/2018	**26**	**7,865**	**200**	**-358**	**7,733**	**39**	**7,772**

Consolidated cash flow statement

	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Jan-Dec 2017	Oct-Sep 2017/2018
OPERATING ACTIVITIES						
EBIT (Operating profit/loss)	513	493	728	800	925	853
Depreciation	220	132	630	394	549	785
Items not included in cash flow	-35	-8	-120	-5	-1	-116
Paid tax	-89	-4	-120	-22	-125	-223
Change in working capital	-388	-191	-536	-386	196	46
Cash flow from operating activities	**221**	**422**	**582**	**781**	**1,544**	**1,346**
INVESTING ACTIVITIES						
Net investments	-218	-212	-909	-576	-964	-1,297
Sale of operations	-	2	-	2	17	15
Acquisitions	-	-	-54	-	-1,146	-1,200
Cash flow from investing operations	**-218**	**-210**	**-963**	**-574**	**-2,093**	**-2,482**
OPERATIVE CASH FLOW	**3**	**212**	**-381**	**207**	**-549**	**-1,136**
FINANCING OPERATIONS						
Interest payments	-20	-17	-52	-64	-80	-68
Dividends	-4	-	-178	-322	-325	-181
Refinancing of loans	-5	-	-5	-6	-6	-5
Dividend, share swap agreement	-	-	-41	35	30	-46
Net borrowing/amortization, credit institutions	50	-445	-465	-789	9	333
Issue commercial papers	-	-	1,199	-	-	1,199
Cash flow from financing operations	**21**	**-462**	**458**	**-1,146**	**-372**	**1,232**
CASH FLOW FOR PERIOD	**24**	**-250**	**77**	**-939**	**-921**	**95**
Cash and cash equivalents at beginning of period	161	371	140	1,068	1,068	121
Translation difference in cash and cash equivalents	3	-	-29	-8	-7	-28
Cash and cash equivalents at end of the period	188	121	188	121	140	188

Parent Company income statement, summary

MSEK	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Jan-Dec 2017	Oct-Sep 2017/2018
Net sales	11	8	22	21	54	55
Expenses	-14	-26	-23	-40	-71	-54
EBIT (Operating profit/loss)	**-3**	**-18**	**-1**	**-19**	**-17**	**1**
Financial income	40	30	130	82	113	161
Financial expenses	-26	-27	-78	-95	-104	-87
Net financial items	**14**	**3**	**52**	**-13**	**9**	**74**
Appropriations	-	-	-	-	334	334
EBT (profit/loss before tax)	**11**	**-15**	**50**	**-32**	**325**	**409**
Tax	-2	3	-11	7	-71	-89
PROFIT/LOSS FOR PERIOD	**9**	**-12**	**39**	**-25**	**254**	**320**

Consolidated statement of comprehensive income

MSEK	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Jan-Dec 2017	Oct-Sep 2017/2018
Profit/loss for period	**9**	**-12**	**39**	**-25**	**254**	**320**
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	**9**	**-12**	**39**	**-25**	**254**	**320**

Parent Company balance sheet, summary

MSEK	30 Sep 2018	30 Sep 2017	31 Dec 2017
ASSETS			
Investments in subsidiaries	5,039	4,590	5,039
Group company receivables	6,029	4,778	5,174
Deferred tax assets	-	78	-
Other receivables	24	-	-
Total fixed assets	**11,092**	**9,446**	**10,213**
Current receivables	7	19	28
Group company receivables	-	-	333
Cash and cash equivalents	70	-	-
Total current assets	**77**	**19**	**361**
TOTAL ASSETS	**11,169**	**9,465**	**10,574**
EQUITY AND LIABILITIES			
Equity	**6,284**	**6,329**	**6,606**
Liabilities to credit institutions	3,386	3,009	3,813
Deferred tax liabilities	11	-	-
Other liabilities	25	-	-
Total long-term liabilities	**3,422**	**3,009**	**3,813**
Liabilities for commercial papers	1,200	-	-
Other liabilities	248	103	118
Accrued expenses and prepaid income	15	24	37
Total current liabilities	**1,463**	**127**	**155**
TOTAL EQUITY AND LIABILITIES	**11,169**	**9,465**	**10,574**

Changes in Parent Company's equity

MSEK	Share capital	Share premium reserve	Retained earnings	Total equity
OPENING BALANCE 01/01/2017	**26**	**1,534**	**5,112**	**6,672**
Profit/loss for period	**-**	**-**	**-25**	**-25**
Total other comprehensive income, net after tax	-	-	-	-
Total other comprehensive income			**-25**	**-25**
Total transactions with shareholders	**-**	**-**	**-318**	**-318**
CLOSING BALANCE 09/30/2017	**26**	**1,534**	**4,769**	**6,329**
Profit/loss for period			**279**	**279**
Total other comprehensive income, net after tax	-	-	-	-
Total other comprehensive income	**-**	**-**	**279**	**279**
Total transactions with shareholders	-	-	-2	-2
OPENING BALANCE 01/01/2018	**26**	**1,534**	**5,046**	**6,606**
Profit/loss for period			**39**	**39**
Total other comprehensive income, net after tax	-	-	-	-
Total other comprehensive income	**-**	**-**	**39**	**39**
Total transactions with shareholders	-	-	*-361*	*-361*
CLOSING BALANCE 09/30/2018	**26**	**1,534**	**4,724**	**6,284**

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 22 MSEK (21). The operating profit was -1 MSEK (-19).

Net financial items for the period totaled 52 MSEK (-13). The Parent Company's profit before tax was 50 MSEK (-32).

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 8 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. In 2017, the Group began evaluating and quantifying changes to its accounting. This work continued during the period and decisions were made regarding system support and data collection.

From 1 July 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 the profit.

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 1–26 is an integral part of these financial statements.

ALTERNATIVE PERFORMANCE MEASURES

The company uses alternative performance measures for its financial statements. From 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.

Rest of Europe – hotels operated under the Scandic brand in Belgium, Denmark, Poland and Germany.

Central functions – costs for finance, business development, investor relations, communication, technical development, human resources, branding, marketing, sales, IT and purchasing. These functions support 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

Jul-Sep	Sweden		Norway		Finland		Other Europe		Central functions		Group	
MSEK	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Room revenue	1,155	1,097	949	853	758	351	497	424	-	-	3,359	2,725
Restaurant and conference revenue	438	430	445	412	309	149	179	153	-	-	1,371	1,144
Franchise and managment fees	4	4	3	2	0	0	2	2	-	-	9	8
Other hotel-related income	20	19	69	66	41	8	5	4	-	-	135	97
Net sales	**1,617**	**1,550**	**1,466**	**1,333**	**1,108**	**508**	**683**	**583**	**-**	**-**	**4,874**	**3,974**
Other income	-	-	-	-	-	-	-	-	-	-	-	-
Internal transactions	-	-	-	-	-	-	-	-	11	8	11	8
Group eliminations	-	-	-	-	-	-	-	-	-11	-8	-11	-8
Total income	**1,617**	**1,550**	**1,466**	**1,333**	**1,108**	**508**	**683**	**583**	**-**	**-**	**4,874**	**3,974**
Expenses	-1,343	-1,267	-1,252	-1,120	-909	-401	-563	-479	-71	-85	-4,138	-3,352
Adjusted EBITDA	**274**	**283**	**214**	**213**	**199**	**107**	**120**	**104**	**-71**	**-85**	**736**	**622**
Adjusted EBITDA margin, %	16.9	18.3	14.6	16.0	18.0	21.1	17.6	17.8	-	-	15.1	15.7
EBITDA	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**733**	**625**
EBITDA margin, %	-	-	-	-	-	-	-	-	-	-	15.0	15.7
Depreciation and amortization	-	-	-	-	-	-	-	-	-	-	-220	-132
EBIT (Operating profit/loss)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**513**	**493**
Net financial items	-	-	-	-	-	-	-	-	-	-	-43	-23
EBT (Profit/loss before tax)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**470**	**470**

Jan-Sep	Sweden		Norway		Finland		Other Europe		Central functions		Group	
MSEK	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Room revenue	3,208	3,016	2,384	2,118	2,022	939	1,284	1,107	-	-	8,898	7,180
Restaurant and conference revenue	1,385	1,327	1,337	1,190	943	459	515	457	-	-	4,180	3,433
Franchise and managment fees	9	9	8	5	-	-	5	5	-	-	23	19
Other hotel-related income	52	47	126	126	120	22	14	12	-	-	311	207
Net sales	**4,654**	**4,399**	**3,855**	**3,439**	**3,085**	**1,420**	**1,818**	**1,581**	**-**	**-**	**13,412**	**10,839**
Other income	-	1	-	-	-	-	-	-	-	-	-	1
Internal transactions	-	-	-	-	-	-	-	-	22	21	22	21
Group eliminations	-	-	-	-	-	-	-	-	-22	-21	-22	-21
Total income	**4,654**	**4,400**	**3,855**	**3,439**	**3,085**	**1,420**	**1,818**	**1,581**	**-**	**-**	**13,412**	**10,840**
Expenses	-3,988	-3,728	-3,453	-3,062	-2,681	-1,173	-1,590	-1,379	-231	-261	-11,943	-9,603
Adjusted EBITDA	**666**	**672**	**402**	**377**	**404**	**247**	**228**	**202**	**-231**	**-261**	**1,469**	**1,237**
Adjusted EBITDA margin, %	14.3	15.3	10.4	11.0	13.1	17.4	12.5	12.8			11.0	11.4
EBITDA	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,358**	**1,194**
EBITDA margin, %	-	-	-	-	-	-	-	-	-	-	10.1	11.0
Depreciation and amortization	-	-	-	-	-	-	-	-	-	-	-630	-394
EBIT (Operating profit/loss)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**728**	**800**
Net financial items	-	-	-	-	-	-	-	-	-	-	-130	-106
EBT (Profit/loss before tax)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**598**	**694**

Assets and investments by segment

30 Sep	Sweden		Norway		Finland		Other Europe		Central functions		Group	
MSEK	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Fixed assets	5,721	5,188	3,951	3,558	5,640	2,411	922	764	163	287	16,397	12,208
Investments in fixed assets	230	260	282	136	179	77	146	70	72	33	909	576

Revenue by country

MSEK	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Jan-Dec 2017	Oct-Sep 2017/2018
Sweden	1,617	1,550	4,654	4,399	5,979	6,232
Norway	1,466	1,333	3,855	3,440	4,585	5,001
Finland	1,108	509	3,085	1,420	1,915	3,580
Denmark	479	430	1,286	1,150	1,535	1,671
Germany	181	125	472	357	473	588
Poland	23	22	60	56	73	77
Belgium	-	5	-	18	23	6
Total countries	**4,874**	**3,974**	**13,412**	**10,840**	**14,583**	**17,155**
Other	11	8	22	21	54	55
Group eliminations	-11	-8	-22	-21	-54	-55
Group	**4,874**	**3,974**	**13,412**	**10,840**	**14,583**	**17,155**

Revenue by type of agreement

MSEK	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Jan-Dec 2017	Oct-Sep 2017/2018
Lease agreements	4,854	3,956	13,356	10,788	14,514	17,082
Management agreements	4	4	9	8	11	12
Franchise and partner agreements	5	5	13	11	15	17
Owned	11	9	34	33	43	44
Total	**4,874**	**3,974**	**13,412**	**10,840**	**14,583**	**17,155**
Other	11	8	22	21	54	55
Group eliminations	-11	-8	-22	-21	-54	-55
Group	**4,874**	**3,974**	**13,412**	**10,840**	**14,583**	**17,155**

Effect of finance lease

The following items in EBT have been affected by finance lease accounting	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Jan-Dec 2017	Oct-Sep 2017/2018
Fixed and guaranteed rental charges	31	0	96	0	0	96
Depreciations	-22	0	-66	0	0	-66
Total effect of finance lease accounting on EBIT	**9**	**0**	**30**	**0**	**0**	**30**
Financial expenses	-17	0	-51	0	0	-51
Total effect of finance lease accounting on EBT	**-8**	**0**	**-21**	**0**	**0**	**-21**

Total rental charges

Total rental charges	Jul-Sep 2018	Jul-Sep 2017	Jan-Sep 2018	Jan-Sep 2017	Jan-Dec 2017	Oct-Sep 2017/2018
Fixed and guaranteed rental charges according to income statement	-761	-590	-2,210	-1,746	-2,323	-2,787
Fixed and guaranteed rental charges, reversed effect of finance lease	-31	0	-96	0	0	-96
Total fixed and guaranteed rental charges	**-792**	**-590**	**-2,306**	**-1,746**	**-2,323**	**-2,883**
Variable rental charges	-498	-438	-1,269	-1,076	-1,442	-1,635
Total rental charges	**-1,290**	**-1,028**	**-3,575**	**-2,822**	**-3,765**	**-4,518**
Fixed and guaranteed rental charges	16.2%	14.8%	17.2%	16.1%	15.9%	16.8%
Variable rental charges	10.2%	11.0%	9.5%	9.9%	9.9%	9.5%
Total rental charges	26.5%	25.9%	26.7%	26.0%	25.8%	26.3%

Quarterly data

MSEK	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
RevPAR, SEK	766	737	572	640	758	719
Net sales	4,874	4,748	3,791	3,743	3,974	3,770
Adjusted EBITDA	736	618	115	333	622	461
EBITDA	733	537	88	279	625	432
Adjusted EBIT	516	406	-83	179	490	330
EBIT (Operating profit/loss)	513	325	-110	125	493	301
EBT (Profit/loss before tax)	470	275	-146	106	470	255
Adjusted EBITDA margin, %	15.1	13.0	3.0	8.9	15.7	12.2
EBITDA margin, %	15.0	11.3	2.3	7.5	15.7	11.5
Adjusted EBIT margin, %	10.6	8.6	-2.2	4.8	12.3	8.8
EBIT margin, %	10.5	6.8	-2.9	3.3	12.4	8.0
Fixed and guaranteed rental charges, % of net sales	16.2	16.2	19.6	15.9	14.8	15.5
Variable rental charges, % of net sales	10.2	10.1	7.7	9.9	11.0	10.3
Total rental charges, % of net sales	26.5	26.3	27.4	25.8	25.9	25.8
Earnings per share after dilution, SEK	3.83	2.51	-1.39	1.52	3.65	2.02

Quarterly data per segment

	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Net sales						
Sweden	1,617	1,674	1,364	1,579	1,550	1,528
Norway	1,466	1,352	1,038	1,146	1,333	1,171
Finland	1,108	1,059	918	495	508	489
Other Europe	683	663	471	523	583	582
Total net sales	**4,874**	**4,748**	**3,791**	**3,743**	**3,974**	**3,770**
Adjusted EBITDA						
Sweden	274	270	122	203	283	244
Norway	214	160	28	113	213	112
Finland	199	149	56	92	107	87
Other Europe	120	108	-	65	104	95
Central functions	-71	-69	-91	-140	-85	-77
Total adj EBITDA	**736**	**618**	**115**	**333**	**622**	**461**
Adjusted EBITDA margin, %	*15.1%*	*13.0%*	*3.0%*	*8.9%*	*15.7%*	*12.2%*

Exchange rates

SEK/EUR	Jan-Sep 2018	Jan-Sep 2017	Jan-Dec 2017
Income statement (average)	10.2348	9.5797	9.6326
Balance sheet (at end of period)	10.2945	9.5668	9.8497
SEK/NOK			
Income statement (average)	1.0671	1.0376	1.0330
Balance sheet (at end of period)	1.0858	1.0205	1.0011
SEK/DKK			
Income statement (average)	1.3738	1.2881	1.2949
Balance sheet (at end of period)	1.3804	1.2854	1.3229

Alternative performance measures

Interest-bearing net liabilities	30 Sep 2018	30 Sep 2017	31 Dec 2017
Liabilities to credit institutions	3,386	2,961	3,769
Liabilities, commercial papers	1,200	0	0
Cash and cash equivalents	-188	-121	-140
Interest-bearing net liabilities	**4,398**	**2,840**	**3,629**

Working capital	30 Sep 2018	30 Sep 2017	31 Dec 2017
Current assets, excl cash and bank balances	2,027	1,613	1,386
Current liabilities	-3,077	-2,476	-2,856
Working capital	**-1,050**	**-863**	**-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 of 2019, the first quarter of 2020 and the first quarter of 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 173,399 shares for the LTIP 2016, 177,600 shares for the LTIP 2017 and 236,626 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 36 MSEK, excluding social security contributions, and the cost included in the income statement for the Group in accordance with IFRS 2 amounted to 2 MSEK for the third quarter 2018, including social security contributions. The maximum cost of the program, including social security contributions, is estimated to be 90 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, October 25, 2018

Per G. Braathen
Chairman

Ingalill Berglund
Member of the Board

Frank Fiskers
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

Even Frydenberg
President & CEO

AUDITORS’ REVIEW

Introduction

We have reviewed the condensed interim financial information (interim report) of Scandic Hotels Group AB as of September 30, 2018 and the nine-month period then ended. The Board of Directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, *Review of Interim Report Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA and other generally accepted auditing standards in Sweden.

The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Stockholm, October 25, 2018

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.

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 taxes.

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

EBITDA
Earnings before interest, taxes, depreciation and amortization.

EBITDA margin
EBITDA as percentage of net sales.

Adjusted EBIT
Earnings before pre-opening costs, items affecting comparability, interest and taxes, adjusted for the effects of 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 cash and cash equivalents less total current liabilities, excluding financial instruments, 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

Press releases (selection)

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

2018-06-20 Scandic to divest one hotel in Pori

2018-06-18 Scandic strengthens its Executive Committee with strategic expertise within digitalization, branding and marketing

2018-05-03 Scandic Hotels to open hotel in the fast-growing market of Voss

2018-04-23 Scandic Hotels to open hotel in Helsingborg harbor

2018-03-27 Scandic publishes its Annual Report 2017

2018-03-12 Scandic establishes a Commercial Paper Program

2018-02-27 Scandic's Nomination Committee announces proposal for new Chairman and presents its proposal for the Annual General Meeting

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 2017, the Group had annual sales of SEK 14.6 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.

scandichotelsgroup.com

Follow us in digital channels

Contact

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

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

Scandic