THE LEADING NORDIC HOTEL COMPANY

Scandic

ANNUAL REPORT 2018

CONTENTS

This is Scandic	Insert
The leading Nordic hotel company	Insert
2018 in summary	2
CEO statement	3
Value creation for all stakeholders	7
Strategic areas of focus	15
The Nordic markets	22
A leading hotel portfolio	26
A leading customer offering	34
Optimized distribution	38
Cost efficiency	40
Sustainable corporate culture	42
Engaged & motivated team members	44
25 years of leading sustainability initiatives	48
Responsible partner in society	58
Work to develop strategy & targets	64
GRI Index	68
Auditor's Report on the Statutory Sustainability Report	71
Administration Report	72
Risks and risk management	78
Corporate governance	82
Board of Directors	90
Executive Committee	92
Financial reports	94
Notes	102
Adoption	119
Auditor's Report	130
The Scandic share	134
Definitions	136
Shareholder information	137

Scandic is a Swedish company subject to Swedish laws. All values are expressed in Swedish kronor. Figures in parentheses refer to 2017 unless otherwise specified. Data on markets and competition in Sweden is based on Scandic's own assessments unless a specific source is indicated. These assessments are based on the best and latest available facts from published sources. The annual accounts and consolidated accounts of the company are included on pages 72–128 of this document. The statutory sustainability report can be found on pages 1–15 and 42–70 in this document.

THIS IS SCANDIC

THE LEADING HOTEL COMPANY IN THE NORDIC COUNTRIES
Scandic has the largest and widest hotel network in the Nordic market. This creates a unique offering and enables high efficiency. Scandic runs operations under a single, fully-owned brand that is clearly the best-known brand in the Nordic hotel market. Scandic has hotels in about 130 locations, with 57,358 rooms in operation and under development at 283 hotels.

57,000
HOTEL ROOMS
IN OPERATION & UNDER DEVELOPMENT

283
HOTELS
IN OPERATION & UNDER DEVELOPMENT

130
LOCATIONS

A LOYAL CUSTOMER BASE
Scandic has driven development in the Nordic hospitality industry. Its innovative thinking is appreciated by guests and the company enjoys a high share of returning customers. About 35 percent of Scandic's bookings are related to Scandic Friends, the leading loyalty program in the Nordic market.

PIONEER IN SUSTAINABILITY
For many years, Scandic has been a driving force in the hotel industry within the area of sustainability, both when it comes to environmental and social issues. Scandic's sustainability initiatives contribute to reducing the use of resources, which is appreciated by guests and helps lower the company's costs.

STRATEGIC COOPERATION
Most hotels in the Nordics are operated through long-term leasing agreements. Scandic focuses on revenue-based leasing agreements, which contributes to financial stability. This also links the interests of Scandic and the property owners, which enables long-term positive development of the hotels. Thanks to Scandic's market position and business model, it is often the first choice for many property owners when it comes to new hotel projects.

15 HOTELS IN THE PIPELINE

HIGH-QUALITY HOTEL PORTFOLIO
At year-end, Scandic had a high-quality pipeline that includes 15 new hotels at attractive destinations that will open between 2019 and 2022. Scandic also works constantly to optimize its existing hotel portfolio through extensions, renovations and reconfigurations.

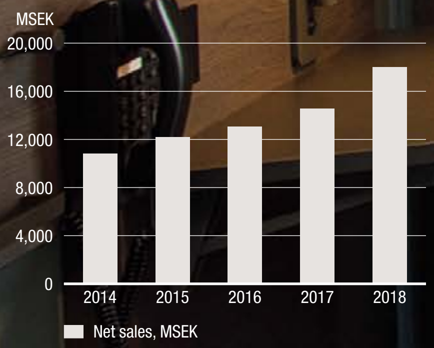
18,000
TEAM MEMBERS

ENGAGED EMPLOYEES
Scandic's team members are highly engaged, which is a prerequisite for maintaining strong customer loyalty and for creating great hotel experiences.

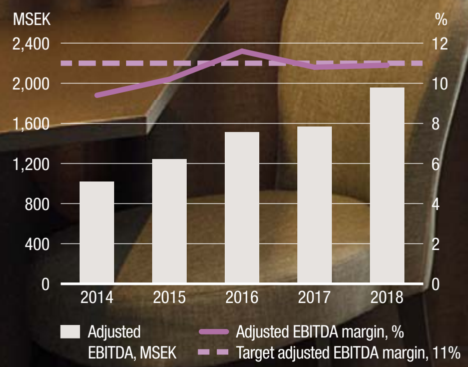
THE LEADING NORDIC HOTEL COMPANY

With 57,000 hotel rooms in operation and under development at 283 hotels, Scandic is the leading hotel company in the Nordic region. In 2018, net sales totaled 18 SEK billion and Scandic employed more than 18,000 people.

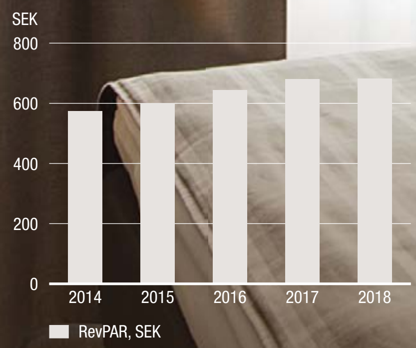
NET SALES



ADJUSTED EBITDA & EBITDA MARGIN



REVPAR




NUTES
STRØM
RALSTASJON
OSLO AIRPOR
GARDERMOEN
MINUTES

2018 IN SUMMARY

Net sales and underlying earnings improved during 2018 in part due to more rooms in operation from the Restel acquisition that was concluded in December 2017. Demand continued to develop positively in Scandic's markets more or less in line with growth in supply. This led to relatively stable development in both occupancy and average room rates during the year.

Scandic opened six hotels with lease contracts in 2018 and signed agreements for a number of new hotels. Scandic has an attractive pipeline of hotels that provides a good foundation for continued growth going forward.

IMPORTANT EVENTS IN 2018

NEW LOYALTY PROGRAM

In January, Scandic launched a new version of its Scandic Friends loyalty program and a mobile app. The new program offers better benefits, new partnerships and more ways for members to spend their points.

INCREASED HOTEL PORTFOLIO

In 2018, Scandic opened six hotels with lease agreements with 1,610 rooms. At year-end, the pipeline of new hotels corresponded to 11 percent of the existing hotel portfolio.

NEW CHAIRMAN

In April, Per G. Braathen was elected Chairman of the Board of Directors after Scandic's previous Chairman, Vagn Sørensen, announced that he would not stand for re-election.

RESTEL HOTELS NOW SCANDIC

Between February and June 2018, Scandic rebranded 33 former Cumulus hotels from the Restel acquisition in Finland into Scandic hotels in line with the original plan. At the same time, Scandic carried out a technical integration and coordinated the company's support functions.

CONTINUED IMPROVED RESULTS

Scandic improved its results during 2018 despite somewhat lower underlying market development. We have a strong market position with a clear and scalable business model and we will maintain our high tempo in our continued efforts to operate more efficiently.

Jens, on January 17, you were appointed new President & CEO of Scandic. How is it apparent that Scandic has a new CEO?
– Scandic is a strong company with a unique culture among our 18,000 team members, and I'd like to emphasize that we have a clear strategic focus that is firmly established.

– My ambition is to ensure that we maintain a high pace in our efforts to improve our efficiency and that we defend our margins. I think we need to be a bit more selective in our priorities at the same time as we address the parts of our hotel portfolio that aren't contributing financially. We also clearly need to focus on evaluating Scandic's long-term growth opportunities.

How would you summarize 2018?
– We improved our adjusted EBITDA in 2018, in part through contributions from new hotels that were added during the year. We saw continued growth in RevPAR in the Nordic markets, but the rate of increase was lower than during the previous year in some of our markets. Sales increased by 23 percent, primarily from the acquisition of Restel, while the increase in net sales for comparable units was around 1 percent.

– It was gratifying that the increase in capacity we saw in Stockholm in 2017 was gradually absorbed by higher demand during the year. The market in Stockholm showed positive RevPAR growth on a full-year basis, despite the weak start to the year.

– In 2018, we also reviewed our organization and made some changes, not least in our commercial operations. Among other things, three new members joined the Executive Committee. We also put a great deal of energy into successfully integrating Finnish Restel, which we acquired in December 2017.

How did the market develop during the year?
– Just as in many other parts of Europe, RevPAR development in the Nordic region has been positive for a long period. Among other things, this can be explained by generally good economic activity combined with structural growth in travel and greater demand from non-Nordic guests. Clearly, the Nordic region is becoming an increasingly attractive destination for international travelers.

– In 2018, demand in the hotel market continued to grow in the Nordic countries, especially in many of the larger cities, and we saw positive development in Germany. RevPAR rose in the Nordic markets by between 2 and 4 percent. Overall, the Nordic hotel market was relatively balanced with growth in demand that was roughly in line with total supply growth, but with some variations.

– In Sweden, demand increased in most major cities and RevPAR stabilized in Stockholm after the capacity increase that took place in 2017. Finland showed the strongest growth in RevPAR, although the pace was lower than in the previous year. In Norway, the rate of growth in RevPAR fell due to increased capacity at a number of destinations including Oslo and Bergen. The Danish market showed

a slight increase in RevPAR with continued high average occupancy.

How has the integration of Restel gone so far?

– When we presented the deal, we were clear that the great potential was in strengthening the revenues of the acquired hotels. To achieve this, they needed to be fully integrated into Scandic's distribution capacity with our existing Nordic customer base and loyalty program. During much of 2018, our primary focus was on implementing the integration and rebranding the former Cumulus hotels as Scandic ones. This was largely carried out during the first half of the year in line with our plans, and it is gratifying that we have already seen certain cost synergies in, for example, purchasing, marketing, sales and administration.

– After the first phase of the integration was completed, we increased our commercial focus for our Restel hotels. We see great opportunities to improve RevPAR in the acquired hotels, but it will take a few years before we reach full potential.

What internal changes took place in 2018?

– At the beginning of the year, we reviewed the way our company is organized. Scandic has grown rapidly in recent years and there's been a need to strengthen our expertise in certain areas while also achieving a somewhat clearer division of responsibility to ensure that we can truly benefit from our economies of scale. In June, we presented a partly new Executive Committee with a stronger focus on digitalization, branding, sales and distribution. The previous role of Commercial Director was divided into two functions at the same time as we now also have a Chief Information Officer in the Executive Committee. I am convinced that these changes will contribute to increased commercial power and improved efficiency for Scandic.

Was the level of activity related to new hotels equally high in 2018?
– 2018 was yet another active year for Scandic with a number of important hotel openings. We increased the total number of rooms in operation by just over 3 percent during the year. Among other things, in early July, the prestigious Hotel Norge by Scandic opened in Bergen as a signature hotel and in September, Scandic Kødbyen opened in Copenhagen's Meatpacking District.

– We added several new hotels to our pipeline, which now corresponds to about 11 percent of the current portfolio. This will contribute to growth in the coming years. The most important destination in the pipeline is Copenhagen, where we intend to open one new hotel per year over the next three years. Copenhagen is a growing destination where occupancy is now at a historically high level.

– In addition to the Nordic countries, we see Germany as an interesting market where we want to continue expanding. Our existing hotels in Berlin and Hamburg performed well during the year with rising RevPAR and improved profitability. Scandic Museumsufer, which opened in Frankfurt in February 2018, also had a promising start. And in December, we announced that we would open an exciting new 234-room hotel in Munich in 2021.

"2018 WAS YET ANOTHER ACTIVE YEAR FOR US WITH A NUMBER OF IMPORTANT HOTEL OPENINGS."

How would you describe Scandic's portfolio strategy?
– Our growth target for net sales is 5 percent per year over a business cycle excluding acquisitions, and about half of this growth should come from the annual increase in the number of rooms. We strive to maintain a balance between new hotels and takeovers of existing hotels to ensure that we grow without affecting supply too much. New hotels should primarily be in our key destinations, that is, larger growing cities. And naturally, all of our hotels must meet our investment criteria.

– Scandic's portfolio has grown substantially in recent years, partly through two major acquisitions, and we now truly enjoy unique geographic coverage in the Nordic region. An equally important part of the portfolio strategy is that we constantly review our existing hotels so we can optimize our investments in renovations and take measures at hotels where profitability is too low.

– I think we have a great relationship with our property owners that has evolved over time and our model with variable lease agreements helps stabilize our profitability while promoting growth over time.

What's your view of Scandic's sustainability initiatives?
– Scandic is truly a pioneer in sustainability in the hotel industry. This is something we should be proud of and build upon. I see sustainability as a natural part of Scandic's business model and we will strive to ensure that our entire business is characterized by a sustainable approach.

– It is clear that our corporate customers and leisure guests are placing increasing demands on sustainability that we need to live up to. Our sustainability initiatives contribute to instilling pride and motivation in our team members, which is absolutely crucial for a service company. It also makes it easier for us to secure future talents for the hotel industry. Through offering work experience, we can lower thresholds to entering the labor market and, in this way, contribute to integration.

– We're continuing to support the UN Global Compact and we operate according to its ten principles regarding human rights, labor, environment and anti-corruption.

– Scandic has chosen to join the International Tourism Partnership (ITP), an organization that includes many of the world's leading hotel chains that together are working to ensure that the entire industry operates sustainably. During the year, we also involved our team members in a sustainability hackathon where everyone was able to contribute ideas on how Scandic can operate more sustainably.

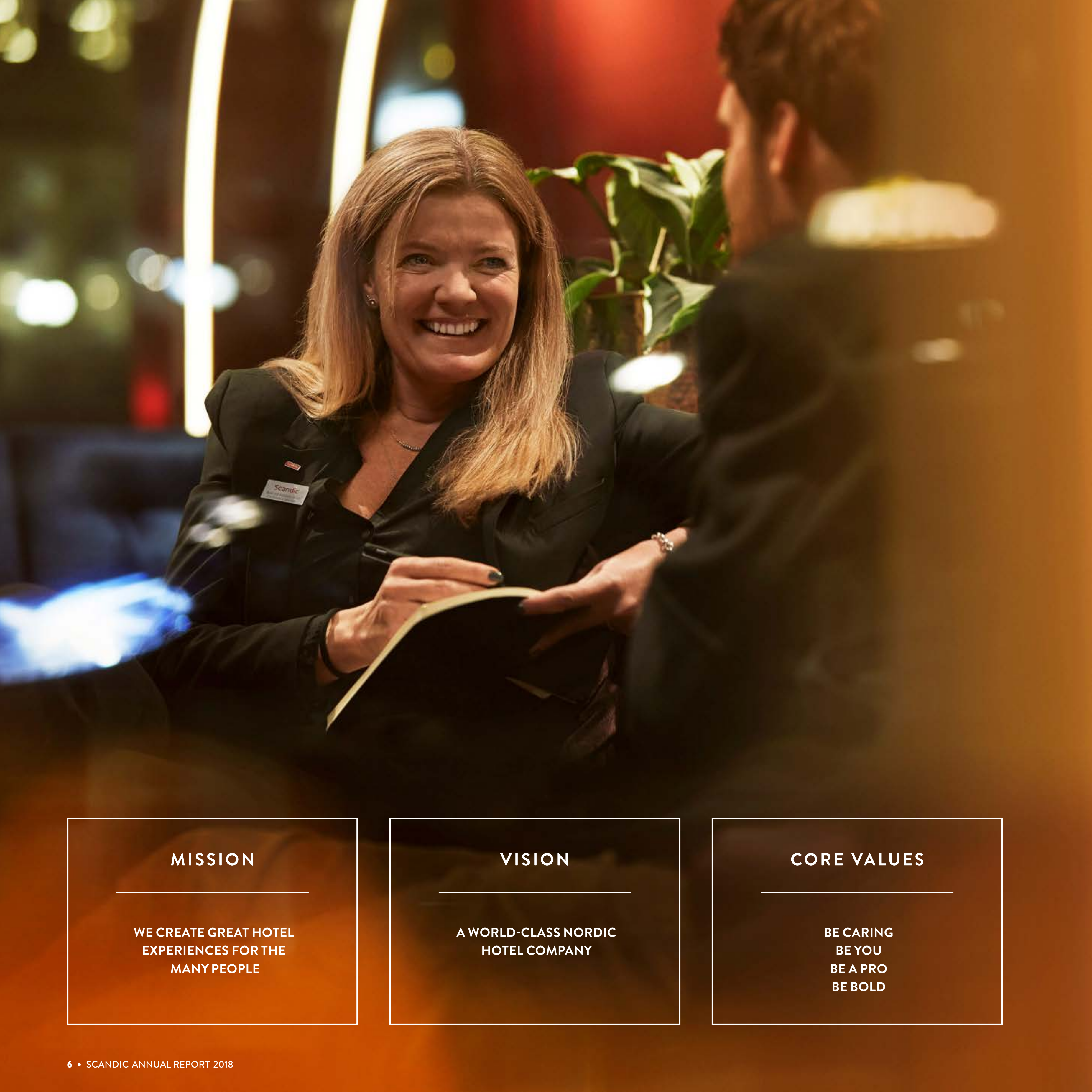
What's the outlook for Scandic in 2019?
– It's hard to predict market trends in the long term. But right now, we don't expect any major changes in demand in our markets. We will, however, see increases in capacity in Copenhagen and Oslo, for example, which will probably put some pressure on RevPAR at these destinations.

What are your main areas of focus for this year?
– Scandic has a strong market position and a clear and scalable business model, but I still see potential to be even more efficient. It is important for us to defend our margins, not least in light of the fact that we are now in a period of more subdued RevPAR development.

– I also see a need to work a bit more actively with our portfolio so we can optimize our investments and address parts of the portfolio that aren't profitable. In addition to this, we will continue full speed ahead with our long-term efforts to achieve revenue synergies from the Restel hotels.

– To conclude, I'd like to thank all of our team members. It is in our daily work that we together create great experiences for people at our hotels. And thank you to our guests and owners for your continued confidence in Scandic.

Jens Mathiesen,
President & CEO



MISSION

WE CREATE GREAT HOTEL EXPERIENCES FOR THE MANY PEOPLE

VISION

A WORLD-CLASS NORDIC HOTEL COMPANY

CORE VALUES

BE CARING
BE YOU
BE A PRO
BE BOLD

VALUE CREATION FOR ALL STAKEHOLDERS

SUCCESS FACTORS

STRATEGY

Scandic's strategy is to grow profitably by taking advantage of the growing demand for hotel experiences in Scandic's markets with a leading hotel portfolio and a customer-focused approach. Scandic's strategic focus is to constantly develop its customer offering, optimize distribution and drive profitability. All areas of operation shall be characterized by a sustainable approach and conducted with values that contribute to committed and motivated team members.

EXTERNAL FACTORS

Changing distribution landscape
Evolving customer behaviors
Digitalization
Supply/demand balance
Sustainability

VALUE CREATION

STAKEHOLDERS

Customers
Investors
Team members
Society
Property owners
Suppliers

HIGH PROFITABILITY OVER TIME

Scandic's financial targets aim to create shareholder value through profitable growth and continued financial strength.

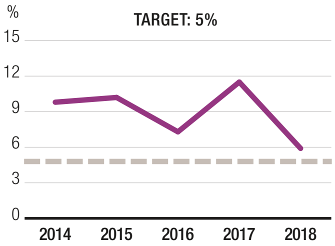
FINANCIAL TARGETS & OUTCOME 2018

1

GROWTH

The Group shall have organic growth, i.e. sales growth excluding acquisitions and adjusted for exchange rate fluctuations, of at least 5 percent on average over a complete business cycle.

TARGET & OUTCOME 2014–2018



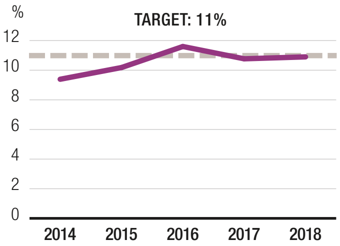
In 2018, revenue growth adjusted for exchange rate fluctuations was 20.7 percent. The acquisition of Restel accounted for about two-thirds of growth. Organic growth was 6.0 percent, mainly driven by more rooms in operation.

2

PROFITABILITY

The adjusted EBITDA margin of the Group shall be at least 11 percent on average over a complete business cycle.

TARGET & OUTCOME 2014–2018



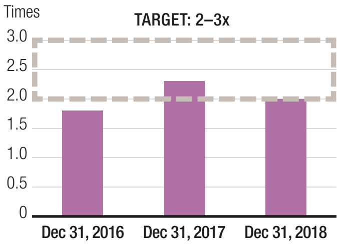
In 2018, the adjusted EBIDTA margin was 10.9 percent for the Group, slightly higher than the previous year and driven among other things by lower costs for central functions. Restel had a slight negative effect on profitability for the year.

3

CAPITAL STRUCTURE

The Group shall have net debt in relation to adjusted EBITDA of 2 to 3x.

TARGET & OUTCOME 2016–2018



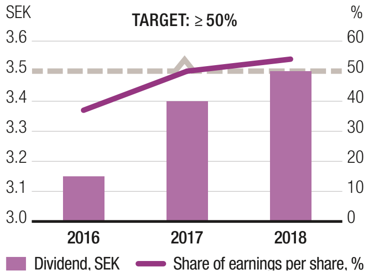
At the end of 2018, net debt in relation to adjusted EBITDA was 2.0x. Net debt increased somewhat during the year in part due to a high level of investment and costs for the integration of Restel.

4

DIVIDEND

The dividend policy is to distribute at least 50 percent of net profit for the year.

TARGET & OUTCOME 2016–2018



For 2018, the Board proposes a dividend of SEK 3.50 per share (3.40), corresponding to 54 percent of reported earnings per share.

SCANDIC'S POSITION IN THE VALUE CHAIN

The hotel industry can be divided into three different parts: property ownership, hotel operation and brand and distribution. Scandic has chosen to focus on a model with long-term lease agreements with property owners where Scandic maintains full responsibility for the brand, hotel operations and distribution. This is the dominant model in the Nordic markets and in Germany. Internationally, many large hotel chains instead prioritize a franchise model where they only control the brand while operations are run either by a specialized management company or by the property owner itself. And some hotel companies have a wholly integrated model where the property owner is responsible for both operations and the brand.

One clear advantage of Scandic's model is that it can ensure that what the customer gets is truly in line with what is marketed, and the company can enjoy economies of scale in both areas. The fact that Scandic does not tie up capital in owning real estate enables high growth in the hotel portfolio. Because a large part of Scandic's leases are revenue based, the cost base is flexible while the company shares interests with the property owners since higher revenues for Scandic mean more rental revenue and property value for the landlords.

Scandic's model involves control of both hotel operations and the brand. This ensures that what the customer gets is in line with what the hotel company markets at the same time as Scandic enjoys economies of scale in both areas.

AN ATTRACTIVE FINANCIAL PROFILE

Scandic's ability to deliver good profitability over time rests on four pillars.

1

STABLE GROWING SALES

Scandic has stable growing sales with a large share of returning guests. Its strong market position in the mid-market segment and good geographic footprint means that Scandic is often the first choice for Nordic business travelers. This can be seen in the large number of framework agreements with companies and organizations, many of which are renewed every year. Recurring sales are strengthened by the Scandic Friends loyalty program. Scandic also enjoys growing demand from leisure travelers in the Nordic countries, not least from non-Nordic guests. Scandic is an attractive partner for property owners, and its leasing model with variable rents contributes to creating a platform of common values between Scandic and the property owners. This is a prerequisite for continuing to expand the hotel network in attractive locations.

2

FLEXIBLE COST STRUCTURE

Scandic has a flexible cost structure. About 25 percent of its costs are fully variable in the form of consumables and sales-related costs such as rents and commissions. Accordingly, these costs vary directly with the sales volume. About 55 percent of Scandic's costs are semi-flexible. To adapt these to current business conditions, Scandic closely monitors the order status at all levels of operations. This allows the company to address deviations quickly by reducing costs.

3

STABLE EBITDA MARGINS

A large share of recurring sales and a flexible cost structure have provided Scandic with relatively stable EBITDA margins in recent years. The acquisitions of Rica in Norway in 2014 and Restel in Finland in 2017 have contributed to reducing the market risk, stabilizing EBITDA margins over time. Another contributing factor is cost efficiencies at all levels through careful planning of staffing and economies of scale within IT, purchasing and administration. Having a business model with variable leases contributes to stable margins over time.

4

STABLE CASH FLOWS

Scandic is good at generating cash flow. Since customers generally pay when checking in and suppliers are paid with the usual terms of credit, Scandic has negative working capital. The requirement for investments in fixed capital is limited through the division of responsibilities between the property owners and Scandic. The need for reinvestments in the hotel business, excluding the construction of new hotels, is usually 4 percent of sales. The ability to convert profits into cash flow, or cash conversion, is a result of the low level of capital tied up.

STRATEGY

Scandic aims to grow profitably by taking advantage of the rising demand for hotel experiences in its markets with a leading hotel portfolio and a customer-focused approach. Scandic's strategic focus is to constantly develop its customer offering, optimize distribution and drive profitability. All areas of operation shall be characterized by a sustainable approach and demonstrate values that contribute to committed and motivated team members.

STRATEGIC AREAS OF FOCUS

STRATEGY

Scandic aims to grow profitably by taking advantage of the rising demand for hotel experiences in Scandic's markets with a leading hotel portfolio and a customer-focused approach. Scandic's strategic focus is to constantly develop its customer offering, optimize distribution and drive profitability. All areas of operation shall be characterized by a sustainable approach and conducted with values that contribute to committed and motivated team members.

A LEADING HOTEL PORTFOLIO

Develop and maintain a leading position in the Nordic region and a selective presence in Germany

A LEADING CUSTOMER OFFERING

Provide the strongest customer offering for corporate and leisure guests

OPTIMIZED DISTRIBUTION

Maintain presence in all relevant channels and a focus on maintaining a large share of distribution through its own channels and Scandic Friends

COST EFFICIENCY

Capitalize on economies of scale and constantly improve internal efficiency

ENGAGED & MOTIVATED TEAM MEMBERS

Having an inspiring culture is a prerequisite for creating great hotel experiences and for attracting and keeping team members

SUSTAINABLE FOOTPRINT

Maintaining a focus on diversity and inclusion, wellness and reducing environmental impact benefits all stakeholders

A LEADING HOTEL PORTFOLIO

Scandic shall be a leading participant in the Nordic hotel market with a market-leading position in all selected destinations. Scandic also aims to establish hotels in the largest cities in Germany. In addition, Scandic may also consider taking over hotels in areas outside of its key destinations in the Nordic countries provided they meet the Group's commercial and financial criteria.

Scandic works proactively with existing and new property owners to constantly expand and improve its hotel portfolio. To maintain its market position and achieve the Group's growth targets, Scandic aims to grow the hotel portfolio measured in number of rooms by about 2.5 percent per year. The focus is on hotels with long revenue-based leases, while franchise and management agreements are only considered under special circumstances. To avoid creating a surplus of supply on the market, growth should take place with a balance between taking over existing hotels and adding new capacity.

Scandic shall ensure that renovations, extensions and reconfigurations are carried out in a way that optimizes the value of the portfolio. Over time, investments in renovations should not exceed 4 percent of net sales.

A LEADING CUSTOMER OFFERING

Scandic is the most well-known hotel brand in the Nordic markets and shall maintain its strong position in the business segment while striving to move its position forward among leisure guests.

Scandic aims to continue to increase the number of active members in the Scandic Friends loyalty program, which is an important tool for creating a direct relationship with guests and also helps increase customer loyalty. Scandic Friends offers additional opportunities to interact with the members throughout the guest journey, from planning to booking and staying.

Scandic measures customer satisfaction regularly and develops its product offering, concept and service to meet customer demands. This applies not least to developing digital solutions for all relevant parts of a customer's interaction with Scandic. Not only that, Scandic segments its offering between the hotels in its portfolio based on their different locations, business mix, customer needs and profitability.

Scandic's signature hotels, which are unique and centrally-located, are brands in themselves that complement the Scandic brand.

OPTIMIZED DISTRIBUTION

Scandic's distribution strategy is based on having a visible and bookable offering in all distribution channels that are relevant to customers. Scandic enters into agreements with distribution partners without guaranteeing that they will always have access to the lowest available room rates, which means that market dynamics control pricing and access to rooms. In its efforts to optimize room revenues between different distribution channels, Scandic focuses on the net price, that is, after commissions.

Scandic differentiates its offering by giving better benefits and prices to Scandic Friends members and to customers that book in Scandic's own channels. To the greatest extent possible, Scandic also builds on its knowledge of customers and markets to convert a guest's next visit into a booking made through Scandic's own distribution channels.

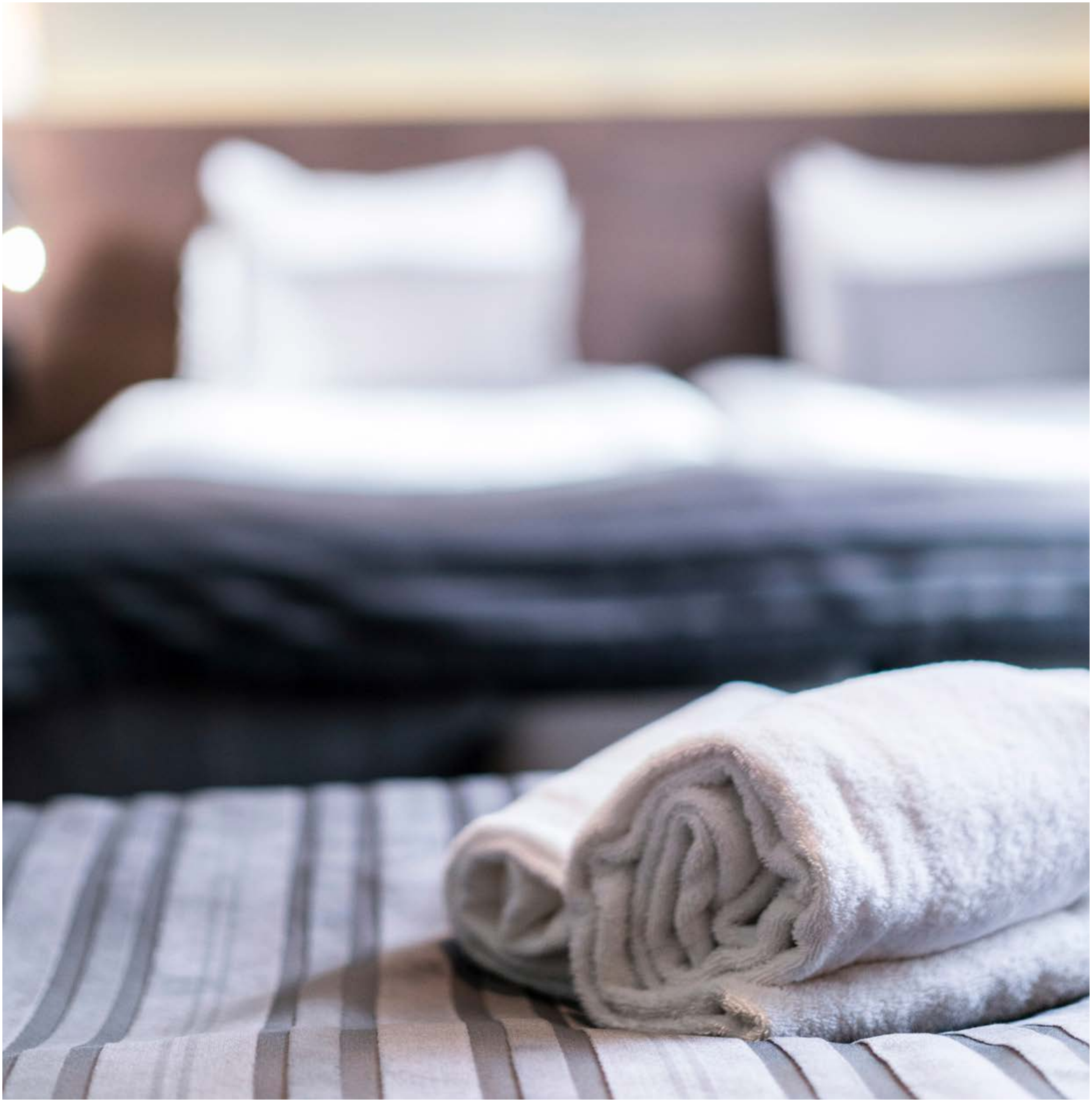
Scandic strives to maintain and develop its strong position among Nordic corporate customers. It is also working to strengthen its position in the growing leisure segment, not least among non-Nordic travelers. To reach international customer groups to a greater extent, Scandic works with selected distribution partners.

COST EFFICIENCY

Scandic benefits fully from economies of scale in areas such as IT, purchasing and administration. Internal efficiency is continually improved through standardization and sharing of best practice. This is done through modern IT systems and services throughout the Group that are handled by a central IT function.

Scandic's operations are characterized by a clear division of responsibility between its hotels and central functions. Central functions shall have close proximity to business operations and, to the greatest extent possible, benefit from the Group's economies of scale.

Business and administrative processes are continually developed through a coordinated exchange of measurements of knowledge and efficiency.



ENGAGED AND MOTIVATED TEAM MEMBERS & A SUSTAINABLE FOOTPRINT

ENGAGED & MOTIVATED TEAM MEMBERS

Scandic shall be an attractive employer that appeals to and keeps employees. The company strives to be a workplace characterized by diversity and inclusion.

Scandic understands that its team members represent the brand in every interaction with guests. Work to develop the company's culture and team members is constant. Scandic wants its guests to feel that each team member can make their own decisions within their area.

SUSTAINABLE FOOTPRINT

Sustainability is integrated into everything Scandic does. The company and all of its stakeholders have sustainability as a natural part of the agenda, in all decision-making processes. A sustainable working methodology reduces negative environmental impacts, contributes to the society in which Scandic operates and strengthens Scandic's business. Scandic's sustainability initiatives are led by a central sustainability department, but implemented by everyone. Scandic challenges its team members to think creatively and come up with ideas for developing themselves and the company. Four main sustainability goals are measured using selected KPIs while Scandic's long-term sustainability goals, stakeholder dialogues and materiality analyses are reviewed regularly.

THE NORDIC MARKETS

Demand for hotel nights continued to improve in all Nordic countries in 2018 while RevPAR growth slowed somewhat due to higher supply at a number of destinations.

CONTINUED POSITIVE GROWTH IN DEMAND

NORDIC MARKETS DOMINATED BY LEASING MODEL

The Nordic hotel market differs somewhat from other markets. The model with long-term leasing agreements is clearly dominant while larger international hotel chains focus mainly on operating hotels through franchises or management agreements, which has meant that their presence has been very limited in the Nordic region. In addition, in the Nordic countries, a larger share of customer bookings takes place through the hotel companies' own distribution channels.

GOOD HISTORIC GROWTH

In the past 10 years, demand for hotel nights has grown by between 2 and 5 percent per year, while the number of available rooms has grown by an average of about 2 percent annually. Average revenue per available room (RevPAR) increased in the market as a whole. There has, however, been some variation between the markets as the development of supply and demand has varied between different destinations.

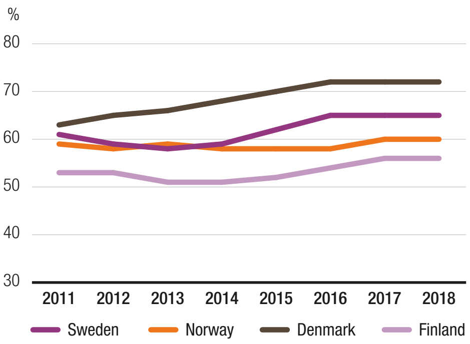
"AVERAGE REVENUE PER ROOM (REVPAR) INCREASED IN THE MARKET AS A WHOLE"

MORE FOCUS ON INTERNATIONAL LEISURE TRAVELERS

Both the business and leisure segments have grown, but the strongest development has been in the leisure segment, which is estimated to account for almost half of the total hotel market in the Nordic region. In particular, demand from non-Nordic guests has increased significantly, not least from travelers from Asia. Among other things, changing travel habits, the growing middle class in Asia and cheaper airfares have contributed to this trend. At the moment, most international guests come from Germany, the UK and the US. This growth has been driven by increased travel and the fact that the Nordic region has become an increasingly popular destination, both in larger cities and at more traditional tourist destinations. One example is northern Norway where a number of destinations have gone from being summer destinations to enjoying high occupancy during the winter months thanks to increased international tourism.

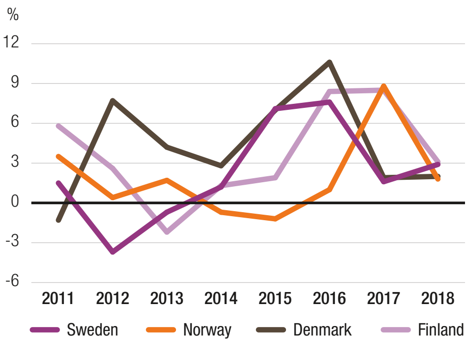
Leisure travel is expected to continue to grow and it is less cyclical than the business segment. This means that it is important for Scandic, which has historically focused on corporate customers, to adapt. The company is working to ensure that its distribution manages to reach international guests and that over time, it offers hotels with the locations and configurations to appeal to all types of customers.

OCCUPANCY IN THE MARKET



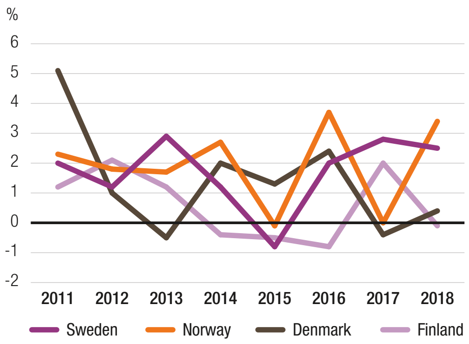
Source: Benchmarking Alliance and Finland Statistics.

ANNUAL CHANGE IN REVPAR



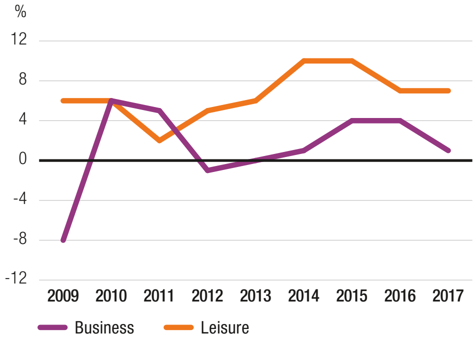
Source: Benchmarking Alliance and Finland Statistics.

ANNUAL CHANGE IN NUMBER OF AVAILABLE ROOMS



Source: Benchmarking Alliance and Finland Statistics.

SWEDEN: GROWTH IN NUMBER OF OCCUPIED ROOMS PER SEGMENT



Source: SCB.

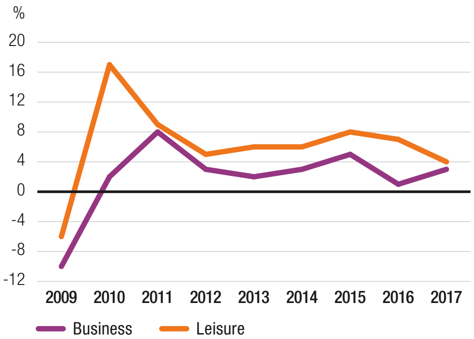
HIGHER SHARE OF LEISURE TRAVELERS AT RESTEL

With the acquisition of Restel that contributed just over 40 Finnish hotels, Scandic increased its exposure to leisure travelers in Finland as the portfolio now includes a number of hotels that are in primarily holiday destinations. In addition, Scandic's already strong position in Helsinki and at Helsinki Airport improved further. This is positive not least considering that the Finnish airline Finnair is the leader in the growing air traffic from Asia to the Nordic countries.

DEMAND CONTINUED TO GROW DURING 2018

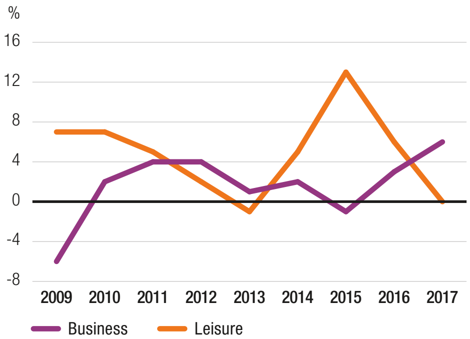
Demand for hotel nights continued to grow in all Nordic countries in 2018, although growth in RevPAR slowed somewhat as a result of increased supply at a number of destinations. In Copenhagen, the number of available rooms is estimated to have increased by about 3 percent during the year, and in Oslo including Gardemoen, the increase was around 8 percent. In Bergen, the number of available rooms increased by 7 percent. Overall, RevPAR in the market in the Nordic region was between 1 and 4 percent with the strongest development in Finland and weakest market growth in Norway. In the Greater Stockholm area, the RevPAR trend was positive for most of the year due to good growth in demand that absorbed the relatively large increase in supply during 2017.

DENMARK: GROWTH IN GUEST NIGHTS PER SEGMENT



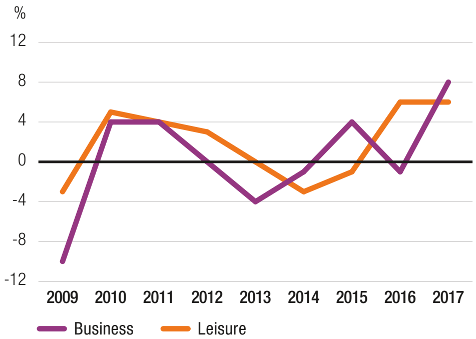
Source: Statistics Denmark.

NORWAY: GROWTH IN GUEST NIGHTS PER SEGMENT



Source: Statistics Norway.

FINLAND: GROWTH IN SOLD ROOMS PER SEGMENT



Source: Statistics Finland.

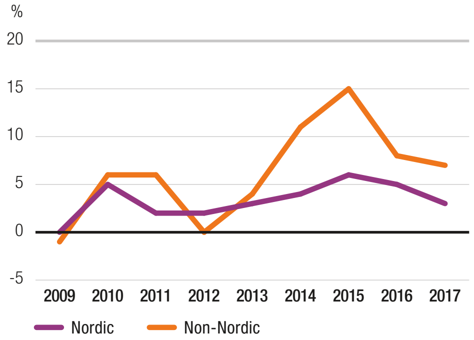
MORE SUPPLY AT SOME DESTINATIONS

Prospects for continued growth in demand are good thanks to general economic growth combined with continued increased demand from leisure guests. RevPAR, however, will likely be impacted by increased supply at certain key destinations. This applies not least to Copenhagen, which after several years of historically high occupancy will see a marked increase in the number of hotel rooms in 2019. A significant increase in hotel capacity is also expected in the coming year in Oslo.

ANNUAL INCREASE IN DEMAND FOR HOTEL NIGHTS

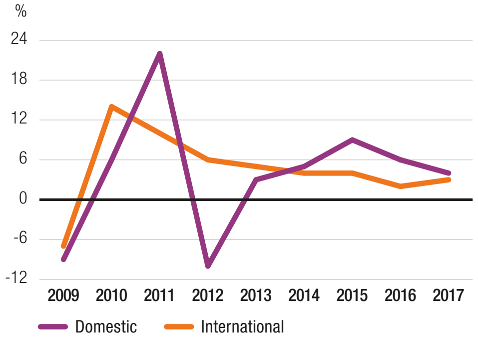
2–5%

SWEDEN: GROWTH IN GUEST NIGHTS PER DOMESTIC MARKET



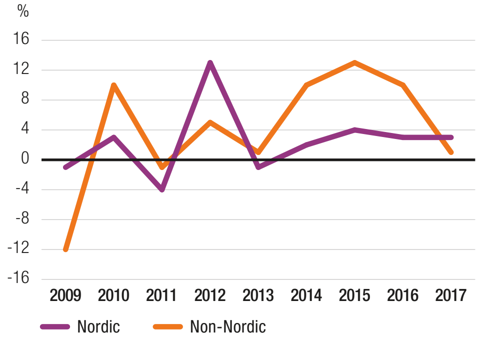
Source: SCB.

DENMARK: GROWTH IN GUEST NIGHTS PER DOMESTIC MARKET



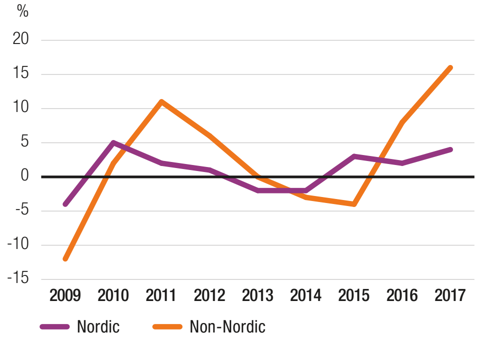
Source: Statistics Denmark.

NORWAY: GROWTH IN GUEST NIGHTS PER DOMESTIC MARKET



Source: Statistics Norway.

FINLAND: GROWTH IN SOLD ROOMS PER DOMESTIC MARKET



Source: Statistics Finland.

A LEADING HOTEL PORTFOLIO

With presence in almost 130 locations, Scandic is clearly the leading hotel company in the Nordic region.

CLEAR NORDIC MARKET LEADER

Scandic is clearly the leading hotel operator in the Nordic market. With a network of just over 280 hotels in close to 130 different locations, Scandic offers unique reach for customers.

Scandic's total market share in the Nordic region is about 15 percent, giving the company a market leading position in all of the Nordic countries. Scandic enjoys the strongest position in Finland, becoming the clear market leader after the Restel acquisition was completed in December 2017. Scandic's lowest market share is in Denmark, a market that is more fragmented than the other Nordic countries. Today, about half of the hotels in the Nordic market are run by hotel chains and half by independent operators. There is a clear trend where the largest hotel chains are growing faster than the market over time by taking market share from smaller players. Operational economies of scale and stronger distribution capacity combined with financial capacity are contributing to this development, which is expected to continue in the future.

SCANDIC'S MARKET SHARE IN THE NORDIC COUNTRIES

15%

A HOTEL NETWORK WITH UNIQUE REACH FOR CUSTOMERS

130

LOCATIONS

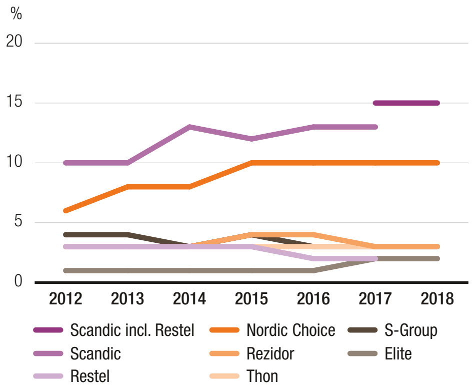
MARKET SHARE IN THE NORDIC COUNTRIES 2018 BASED ON NUMBER OF ROOMS PER OPERATOR

Number of rooms per brand, '000	Sweden	Norway	Denmark	Finland	Total
Scandic	17	14	4	12	47
Nordic Choice	16	13	1	1	31
Rezidor	2	6	2		10
S-Group				10	10
Thon		10			10
Elite	5				5
Other	85	37	40	30	192
Total market	**125**	**80**	**47**	**53**	**305**
Scandic's market share, %	13.3	17.0	9.5	22.5	15.3

Data in the table above is by hotel operator, not hotel brand.
Scandic's data includes Hilton and IHG hotels in Finland operated by Scandic and excludes Scandic hotels run as franchises.

Source: Scandic Nordic Hotel Database.

MARKET SHARE 2012–2018



Source: Scandic Nordic Hotel Database.

NEW HOTELS IN 2018

NEW HOTELS DURING 2018

At the end of 2017, Scandic's portfolio increased with 43 Finnish hotels as a result of the acquisition of Restel. And in 2018, Scandic opened six hotels with lease agreements with 1,610 rooms. Most of the growth in the number of rooms was at key destinations – larger cities considered to have good underlying growth in demand over time. Four of these were takeovers and two were new hotels. The advantage of expanding by taking over existing hotels is that it gives Scandic the opportunity to grow without affecting the total supply on the market. An additional advantage is that there is a relatively short time between the agreement and taking over operations when Scandic takes over a newly renovated hotel. Scandic Museumsufer in Frankfurt opened in February 2018 after Scandic signed a takeover agreement in July 2017 and Scandic The Mayor in Aarhus opened in March 2018, just three months after the takeover agreement was signed. In 2018, Scandic also agreed to take over two Norwegian hotels in Svolvaer and Molde, both of which opened in early 2019.

HOTEL NORGE BY SCANDIC

On June 28, 2018, Hotel Norge by Scandic opened in Bergen as a new signature hotel. Hotel Norge first opened its doors in 1885 and has since become one of Bergen and Norway's most prominent establishments. Scandic opened the hotel after a full renovation where among other things, a new floor was added. Today, it is a vibrant meeting place where city dwellers and international guests can socialize in an exciting, unique atmosphere.

SCANDIC KØDBYEN

On September 7, 2018, Scandic Kødbyen opened in Copenhagen's centrally-located Meatpacking District. The area is one of the city's trendiest and in recent years has undergone a huge transformation. Earlier, it was known for its slaughterhouses and factories, and today, Scandic Kødbyen has been developed to reflect both its history and the present-day character of the area. Since opening, the hotel has seen an increase in occupancy and an influx of both leisure and business guests. It has received much attention for its design and rustic feel, and guests have written glowing reviews. Scandic is convinced that the hotel will enjoy even more positive development thanks to its clear profile and favorable location.

Copenhagen is an attractive destination for leisure and business travelers alike. Some of the largest European congresses are also held in the city. Given the expected continued increase in capacity in Copenhagen, it is particularly important that Scandic's new hotels meet the demands of the customers of today and tomorrow while maintaining a clear segmentation strategy.

NEW HOTELS

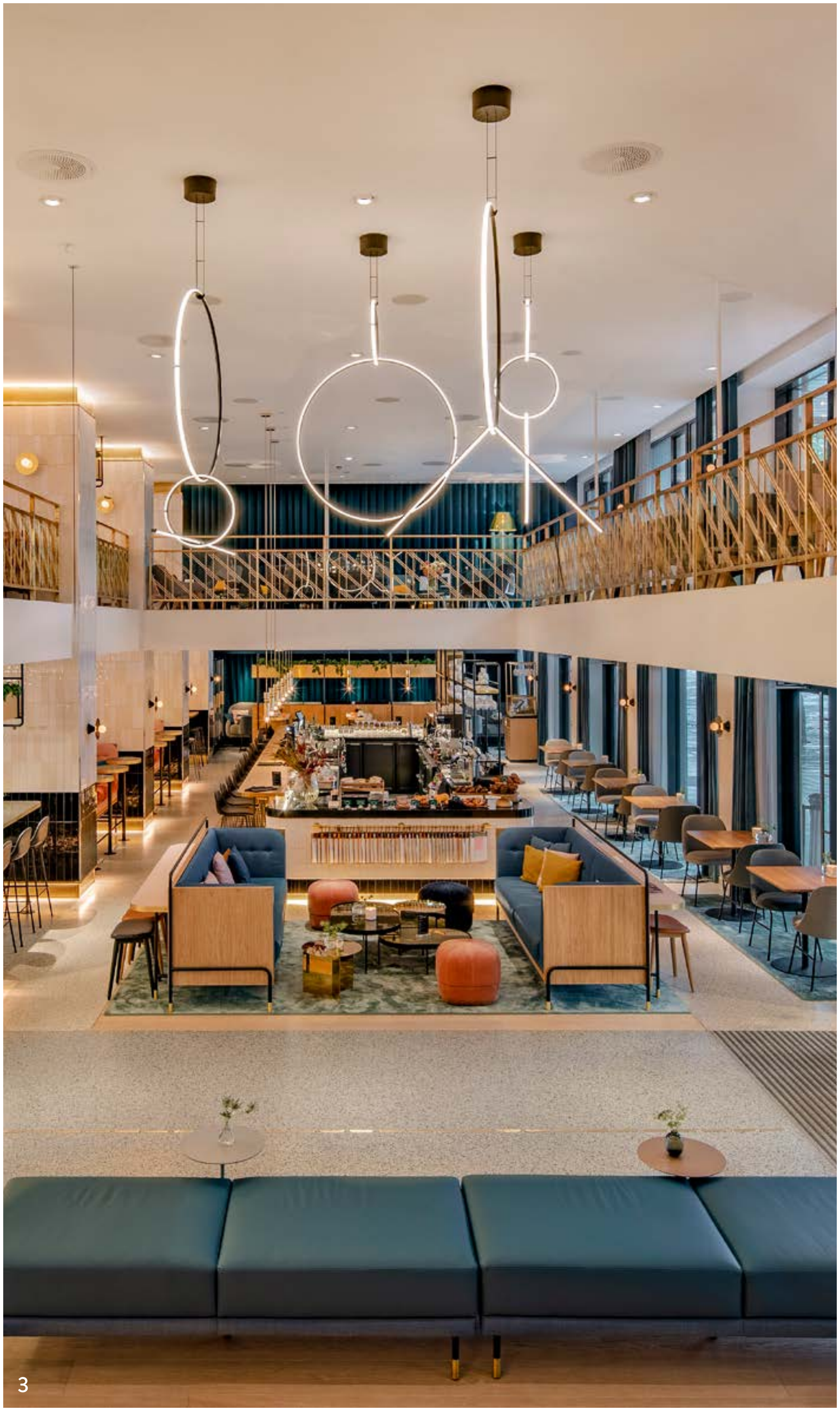
1. **SCANDIC MUSEUMSUFER, FRANKFURT**
2. **SCANDIC KØDBYEN, COPENHAGEN**
3. **HOTEL NORGE BY SCANDIC, BERGEN**

HOTEL PORTFOLIO

Hotel openings during year	Location	Type	No. rooms
Scandic The Mayor	Aarhus, Denmark	Conversion	162
Scandic Museumsufer	Frankfurt, Germany	Conversion	293
Scandic Lillestrøm	Oslo, Norway	New	220
Scandic Helsinki Airport	Helsinki, Finland	Conversion	150
Hotel Norge by Scandic	Bergen, Norway	Conversion	415
Scandic Kødbyen	Copenhagen, Denmark	New	370
			1,610

1,610

NUMBER OF ROOMS IN THE 6 HOTELS WITH LEASE AGREEMENTS THAT WERE OPENED IN 2018



A SOLID PIPELINE

A SOLID PIPELINE FOR GROWTH

At the end of 2018, Scandic had a contracted pipeline of 15 hotels and about 5,655 rooms, corresponding to about 11 percent of the current hotel portfolio. Scandic aims to grow the portfolio by about 2.5 percent per year on average, which corresponds to approximately 3 to 5 hotels on an annual basis, to achieve the Group's sales target of 5 percent growth annually. Scandic believes that the current pipeline is in line with its growth ambitions.

Scandic's pipeline is largely concentrated on key destinations. Copenhagen has the greatest weight in the pipeline, which is a market for tourism as well as business travel, not least visitors to large conferences.

Scandic opened a new hotel in Copenhagen in September 2018 and plans to open one hotel per year in the city over the next three years. Among other things, Scandic Spectrum, with a total of 632 rooms in direct proximity to the Central Station and Tivoli Gardens, will open in 2021. In addition, Scandic is building a hotel in the emerging Scanport area beside Kastrup Airport, which will open in 2021. In 2019, Scandic Falkoner, which underwent a major renovation after Scandic took it over, will also open in the Danish capital.

ACTIVE PORTFOLIO MANAGEMENT

In addition to new hotels, Scandic is constantly working with the property owners to optimize its existing hotel portfolio through improvements, extensions and reconfigurations. At the end of 2018, Scandic had ongoing extensions including 344 rooms, which roughly corresponds in capacity to one new hotel. In addition to the current pipeline, Scandic is also involved in several ongoing negotiations regarding additional agreements. Important aspects of the efforts to optimize the hotel portfolio include careful planning and follow-up on renovations, extensions and conversions and divesting hotels that do not contribute financially over time. In general, Scandic's renovation investments shall not exceed 4 percent of net sales.

PIPELINE OF NEW HOTELS AND EXTENSIONS

Pipeline, year	Hotel	Location	Type	No. rooms
2019	Scandic Alexandra	Molde, Norway	Conversion	165
	Scandic Vestfjord	Svolvaer, Norway	Conversion	63
	Holiday Inn Messukeskus	Helsinki, Finland	Renovation	244
	Scandic Bergen Strand	Bergen, Norway	Renovation	173
	Marski by Scandic	Helsinki, Finland	Renovation	363
	Scandic Falconer	Copenhagen, Denmark	Conversion	336
2020	Scandic Voss	Voss, Norway	New	216
	Scandic Pasila	Helsinki, Finland	Conversion	178
	Scandic Landvetter Airport	Gothenburg, Sweden	New	220
2021	Scandic Helsinki Railway	Helsinki, Finland	New	483
	Scandic Copenhagen Oceanview	Copenhagen, Denmark	New	357
	Scandic Frankfurt Hafenpark	Frankfurt, Germany	New	506
	Scandic Munich Macherai	München, Germany	New	234
	Scandic Spectrum	Copenhagen, Denmark	New	632
	Scandic Hamburger Börs	Turku, Finland	Conversion	300
	Scandic Helsingborg Hamn	Helsingborg, Sweden	New	180
	Scandic Ferrum	Kiruna, Sweden	New	230
2022	Scandic Nyhavna	Trondheim, Norway	New	425
	New Scandic in central Gothenburg	Gothenburg, Sweden	New	451
Ongoing extensions				344
Total pipeline, gross				**6,100**
Exits and assets held for sale				-445
Total pipeline, net				**5,655**

"SCANDIC'S HOTEL PORTFOLIO SHOULD GROW ON AVERAGE BY AROUND 2.5 PERCENT PER YEAR."

NUMBER OF ROOMS IN PIPELINE	PIPELINE'S SHARE OF CURRENT HOTEL PORTFOLIO
5,655	**11%**

SUCCESSFUL PARTNERSHIPS WITH PROPERTY OWNERS

Scandic's business model is based on hotels that are operated through leases with property owners. These leases are generally long term with variable leases based on the hotel's revenue.

At the end of 2018, 242 of Scandic's 268 hotels were operated through leasing agreements. Just over two-thirds had variable leases with a minimum guarantee, approximately 19 percent had fully variable leases and only 16 had fixed leases.

The revenue-based leasing model has been developed over considerable time, and Scandic currently has very close and long-term cooperation with property owners. In Sweden and to some extent in Denmark, there is a legal tenure, meaning that the tenant is entitled to extend the lease on market terms at the end of the original lease. At the end of 2018, the average remaining lease term was 12 years.

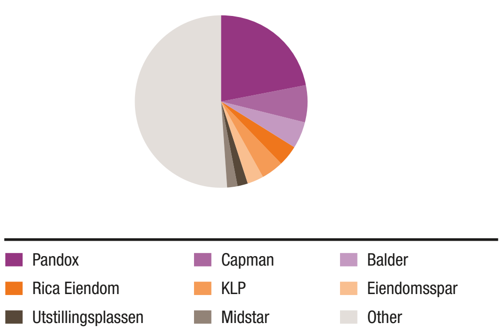
"THE MODEL WITH VARIABLE LEASE AGREEMENTS ENABLES A FLEXIBLE COST STRUCTURE."

Responsibility for investments is clearly regulated in the leases. In general, Scandic is responsible for maintaining and renovating furniture, fixtures and equipment while the property owner is responsible for the building as well as technical installations and bathrooms. Accordingly, the property owner is responsible for most investments made in a hotel over time, while Scandic generally invests up to 4 percent of sales in renovations.

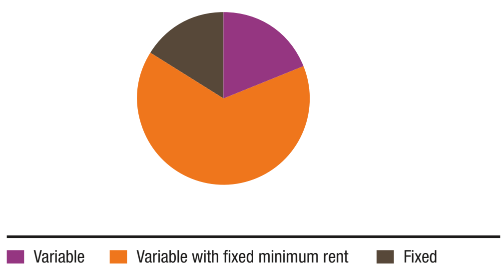
The eight largest property owners currently represent roughly half of Scandic's total hotel portfolio. Pandox, which is Scandic's largest property owner, currently owns approximately 22 percent of the portfolio.

The model with variable leases ensures a flexible cost structure, making it possible to adapt costs and keep margins stable during periods of weak demand. Revenue-based leases also encourage constructive cooperation between Scandic and property owners, with a joint interest for both parties to develop and improve the properties continuously, as increased revenues for Scandic also generate higher rents for the property owner.

LARGEST PROPERTY OWNERS[1]

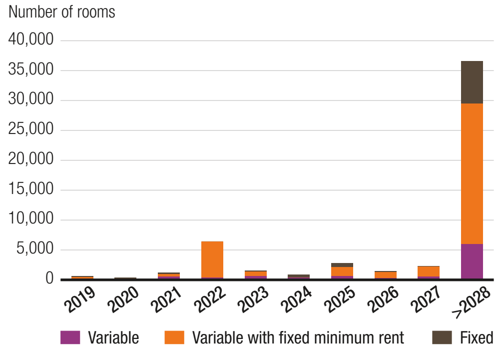


BREAKDOWN OF LEASE AGREEMENTS[1]



[1] Exclusive pipeline

REMAINING LEASE LENGTHS[2]



[2] Inclusive pipeline

CONTINUED POSITIVE DEVELOPMENT IN GERMANY

IMPROVED RESULTS IN GERMANY

Scandic operates six hotels outside of the Nordic countries: four in Germany and two in Poland. Even if Scandic's base is the Nordic market, the company aims to continue to grow in the largest cities of Germany. Today, Scandic has two hotels in Berlin, one hotel in Hamburg and one hotel in Frankfurt.

Scandic's first hotel in Berlin, Scandic Potsdamer Platz, opened in 2010 and two years later, Scandic Hamburg Emporio opened in Hamburg. In 2014, the company opened its second hotel in Berlin under the name Scandic Kurfürstendamm. In 2018, Scandic took over the operations of Scandic Museumsufer in downtown Frankfurt. At the end of 2017, Scandic also signed an agreement to operate a new hotel that will open in 2022 beside the European Central Bank's new headquarters. In December, Scandic signed an agreement for a new 234-room hotel in Munich that will open in 2021. The hotel is being built in the emerging Macherei district, a former industrial area that will have an urban feel and offer art and cultural activities as well as new workplaces and social spaces.

Scandic's German hotels have generally had positive RevPAR and margin development in recent years. Despite the fact that Scandic does not have as strong a brand or the same economies of scale in Germany as in the Nordic countries, its German hotels have shown good profitability.

The German hotel market is fragmented and like the Nordic one, it is dominated by the model with long leasing agreements.

A LEADING CUSTOMER OFFERING

Scandic operates its hotels under one brand. Because Scandic controls both the operation of its hotels and the brand, it can ensure a consistent customer offering and high efficiency.

OWN BRAND & A LEADING CUSTOMER OFFERING

A CONSISTENT CUSTOMER OFFERING

Scandic's business model is based on controlling both hotel operations and the brand, allowing the company to ensure a consistent offering in all markets and hotels. This model allows Scandic to make changes and launch new concepts and processes in all markets. This is different from many other hotel companies that only control their brand. The fact that focus is on a single brand – Scandic – allows significant efficiencies in marketing and operations. In addition, Scandic has 10 franchise hotels where Hilton and IHG are responsible for the commercial side.

SEGMENTATION & DESTINATION STRATEGY

Scandic is positioned in the mid-market segment, which constitutes a very large proportion of the Nordic hotel market. Unlike in many other countries, only a few hotels in the Nordic countries fall into the luxury category. The pure budget segment is also very limited in the area. But even if Scandic's portfolio is concentrated to a single category and brand, there are, of course, differences between hotels when it comes to offerings and location. There is therefore a slight segmentation between the hotels, most notably in Scandic's key destinations. This is most important when adding capacity – avoiding the "cannibalization" that could arise when new Scandic hotels take customers from the company's existing hotels.

"SCANDIC IS POSITIONED IN THE MID-MARKET SEGMENT, WHICH CONSTITUTES A VERY LARGE PROPORTION OF THE NORDIC HOTEL MARKET."

In 2016, Scandic introduced a separate category of hotels called signature hotels. These belong to the higher price segment of the company's portfolio and they have a more experience-based character. They offer additional services such as concierge assistance and are individually designed, aiming to attract target groups that otherwise may not have chosen Scandic. In 2018, Scandic opened its fourth signature hotel, Hotel Norge by Scandic, in Bergen and in 2019, Hotel Marski by Scandic will open in Helsinki.

REBRANDING CUMULUS HOTELS

From February to June 2018, 33 Cumulus hotels acquired through the Restel acquisition in Finland were rebranded as Scandic hotels in line with the plan at the time of the acquisition. In connection with the acquisition, the technical integration was implemented and the companies' support functions were coordinated. Average room prices and occupancy at Restel hotels are currently lower than in Scandic's other hotels, but Scandic believes these differences will be reduced once the hotels are fully integrated into Scandic's brand and strong distribution capacity.

STRONG POSITION AMONG BUSINESS TRAVELERS

Scandic is clearly the most well-known brand in the Nordic hotel market with a strong position among Nordic business travelers. This can be seen in the large number of framework agreements with companies and organizations, many of which are renewed each year. Recurring sales are strengthened by the Scandic Friends loyalty program and contribute to stability over time.

SCANDIC FRIENDS

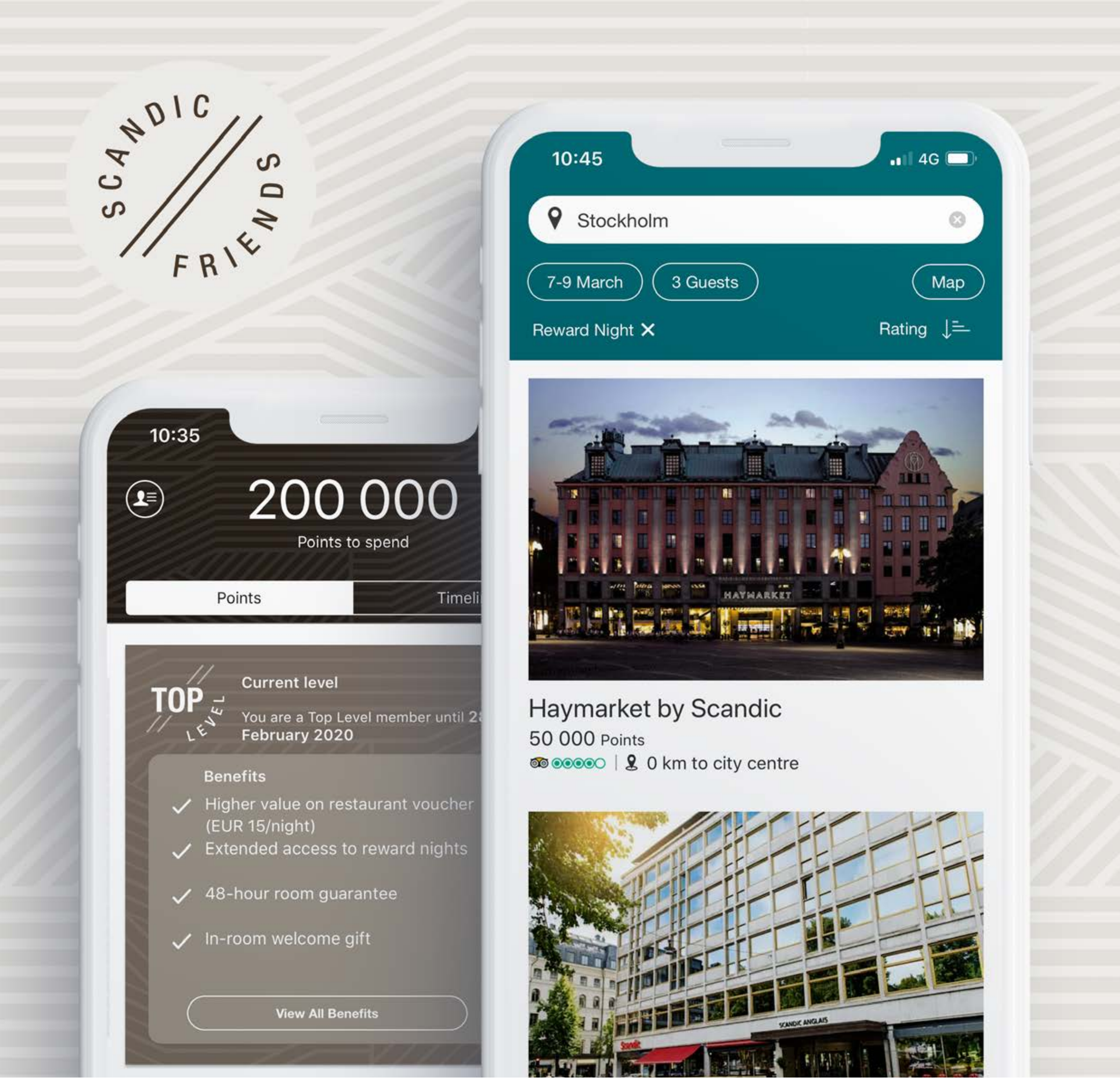
NEW VERSION OF SCANDIC FRIENDS LAUNCHED

At the beginning of the year, Scandic launched an updated version of its loyalty program, Scandic Friends. The program had existed for about 10 years from the time that Hilton sold Scandic. Having a powerful loyalty program is of the utmost importance in a consumer-related sector, perhaps in particular in the travel industry. The starting point for the new program is more personal communication that is relevant to the customer. Scandic also expanded its network of partners within the framework of the program and in these agreements there is more space for earn and spend arrangements between the various companies involved. Among other things, at the end of the year, Scandic introduced a Scandic Friends credit card together with SEB to provide more opportunities to earn points and level up faster in the program.

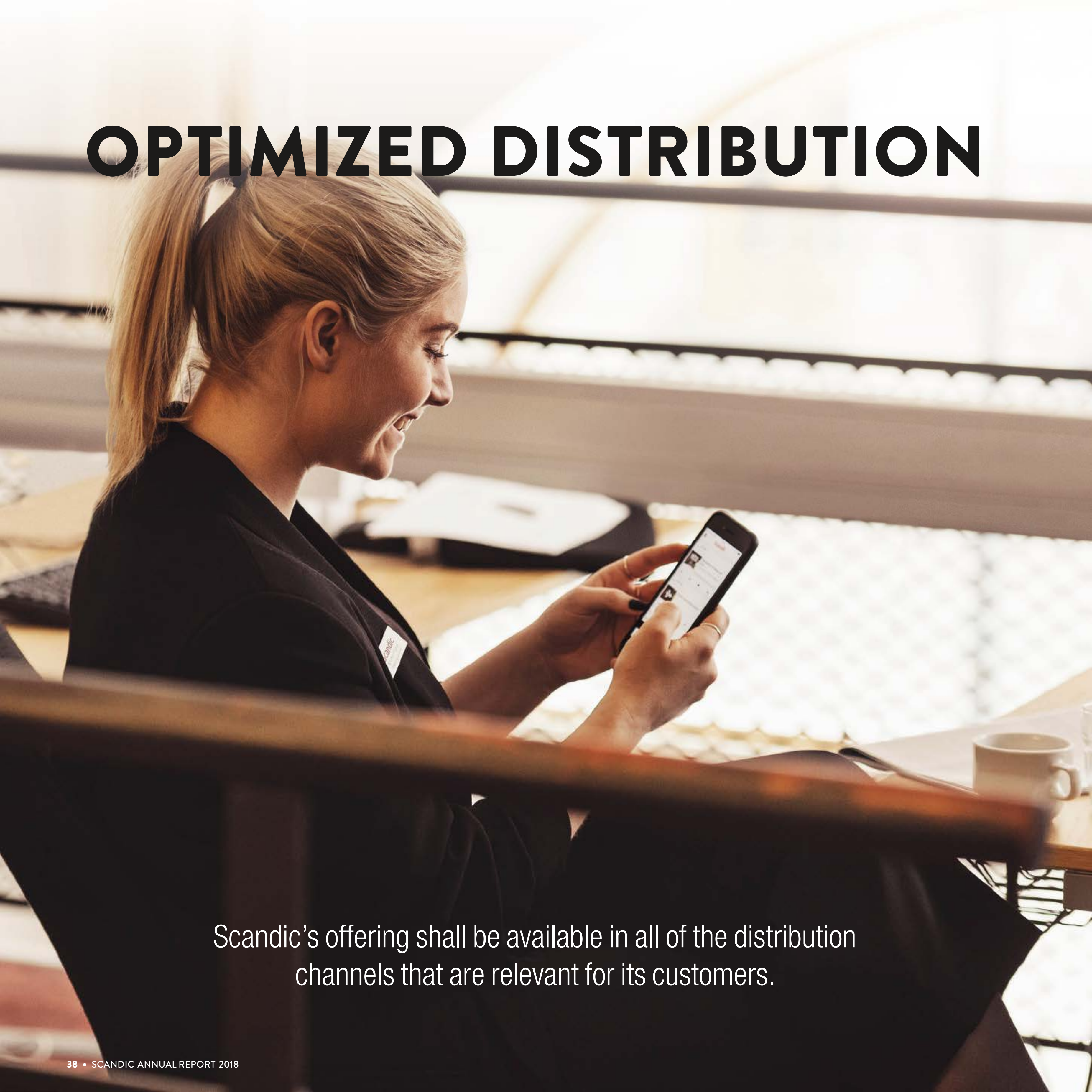
CUSTOMER RELATIONSHIPS & DATA

The updated loyalty program was intended to establish closer relationships with Scandic's loyalty customers and to gain a better understanding of their consumption habits so that the company can make decisions that affect sales going forward. The design is more emotional than before and the app that complements the program is based in part on gamification to encourage customers to move up to the next level of the program and spend more at Scandic.

In 2018, Scandic Friends members' share of bookings corresponded to approximately 35 percent of the Group's accommodation sales. During the first year, the new program received significant feedback and work to develop the program further continues at full speed. Scandic's marketing department is also processing data from guest feedback to optimize the program in the future.


SCANDIC FRIENDS
10:35
200 000
Points to spend
Points
Current level
TOP LEVEL
February 2020
Benefits
Higher value on restaurant voucher
(EUR 15/night)
Extended access to reward nights
48-hour room guarantee
In-room welcome gift
View All Benefits
10:45
4G
Stockholm
7-9 March
3 Guests
Map
Reward Night
Rating
HAYMARKET
Haymarket by Scandic
50 000 Points
0 km to city centre

OPTIMIZED DISTRIBUTION



Scandic's offering shall be available in all of the distribution channels that are relevant for its customers.

IMPROVED DIGITAL DISTRIBUTION THROUGH SCANDIC'S CHANNELS

RAPIDLY-CHANGING DISTRIBUTION LANDSCAPE

Digital booking sites, which are known as online travel agencies or OTAs, have taken an increasingly large share of hotel bookings. Metasearch engines such as TripAdvisor have also become more important. Through these channels, customers can compare prices and read reviews as well as book stays either on the hotel's website or through an OTA.

HIGH SHARE OF DISTRIBUTION THROUGH OWN CHANNELS

Compared with many other hotel companies, Scandic enjoys a relatively high proportion of bookings made in its own channels. This is explained, among other things, by its strong position within the Nordic business segment that has been developed through close relationships. Scandic also hosts a significant number of conferences, most of which are booked through direct contact with the hotels.

In 2018, 62 percent of rooms sold were booked through Scandic's own distribution channels, that is, its website, call center and directly through hotels. This represents a marginal decrease year-on-year. The share of bookings through Scandic's website increased slightly while the share of bookings through analogue channels continued to drop. The number of bookings through OTAs remained relatively stable at just under 17 percent. In addition to OTAs, external booking channels include contracted dealers and global distribution systems (GDS).

IMPROVED DIGITAL SOLUTIONS

Scandic's digital offering has improved considerably in recent years. Among other things, Scandic has allocated more resources to producing better content for its digital channels, which contributed to driving traffic. In early 2018, Scandic launched an app at the same time as it introduced an updated version of the Scandic Friends loyalty program. Scandic Friends is integrated in the app, giving members an overview of partnerships and benefits.

There are several reasons why a high share of distribution through Scandic's own channels is positive. The obvious advantage is that Scandic receives the entire revenue for bookings made directly through the company rather than having to pay commissions for bookings to OTAs. Additionally, Scandic can use bookings through its own channels to develop relationships and communicate with customers, from searching to booking and staying.

Scandic strives to maintain as much control as possible over inter-Nordic hotel bookings while OTAs and similar participants are important for reaching non-Nordic customers that Scandic cannot access as easily through its own channels.

DEVELOPMENT OF DISTRIBUTION MIX

There has been a gradual transfer of distribution to digital channels and in recent years, bookings on Scandic's website have grown faster than OTAs. Investing in website improvements and launching the Scandic app have contributed to this development.

RELEVANT IN ALL CHANNELS

Scandic's ambition is for the company's offering to be available in all channels that are relevant to its customers, while at the same time enjoying a large proportion of booking though its own channels.

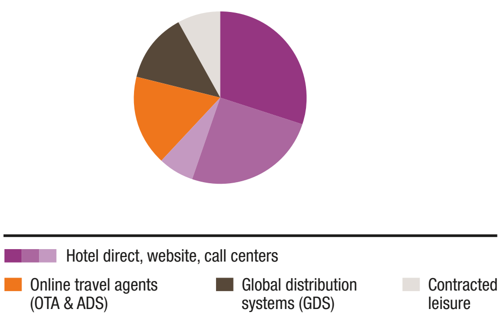
As a result of the increase in non-Nordic guests, it is becoming increasingly important to cooperate with distribution partners to reach customers that Scandic cannot reach as easily through its own channels, which means that the share of bookings through OTAs will likely continue to grow. This does not necessarily have to be negative for Scandic as long as it occurs in the right way and with the right customer mix. For Scandic, it could be profitable to pay a commission to reach individual customers from, for example, Asia and North America, since it is expensive to reach them through its own channels. At the same time, Scandic aims to control inter-Nordic bookings to the greatest extent possible. Scandic's leading position makes it an attractive partner for OTAs and it generally pays lower commissions for intra-Nordic bookings than for international guests.

In addition, there is a tradeoff between commissions paid to OTAs and Scandic's costs for driving traffic and bookings to its own website.

DISTRIBUTION MIX 2016–2018

% guest nights	2016	2017	2018
Scandic's website & app	22.4	23.7	25.4
Hotel direct	33.4	31.9	30.1
Call center	8.3	7.1	6.7
Direct	**64.1**	**62.8**	**62.2**
OTAs	16.0	16.5	16.8
GDS	12.1	12.2	13.2
Wholesalers	7.8	8.5	7.8
Indirect	**35.9**	**37.2**	**37.8**

SALES BY DISTRIBUTION CHANNEL



COST EFFICIENCY

Scandic benefits from economies of scale within areas such as IT, purchasing and administration. Internal efficiency is improved constantly through standardization and sharing of best practices.

SIGNIFICANT ECONOMIES OF SCALE

CLEAR COST FOCUS

Scandic considers itself to be the most profitable hotel company in the Nordic market. One reason for this is that as the largest operator in the market, it enjoys economies of scale. With a clear division of responsibilities between hotels and central functions, there are excellent opportunities to benefit from these economies of scale in a number of important areas such as IT, purchasing, investments and administration.

General managers have full responsibility for revenue and costs for their respective hotels, with all the necessary support from Scandic's central functions. There are efficient systems for following up which means that when one hotel implements measures that improve profitability and efficiency, they can be easily implemented in the rest of the hotel portfolio.

"SCANDIC HAS A PROVEN MODEL TO QUICKLY INTEGRATE NEW HOTELS."

Scandic's strong market position also helps the company control distribution costs. With what is clearly the most extensive offering on its market, Scandic has the strength to compete with external distribution partners that smaller companies do not have. Scandic can also maintain an effective website, unlike independent hotel operators. Since Scandic focuses on one brand, it can quickly and efficiently implement new concepts and processes in its organization.

The Nordic hotel industry has consolidated over time, and given the clear economies of scale, it is likely that this trend will continue.

QUICK INTEGRATION OF NEW HOTELS

Scandic has a proven model to quickly integrate new hotels so they can be run as efficiently as possible. This also applies to major acquisitions. When Scandic acquired Rica in Norway in 2014, many cost synergies were identified. And with the Restel acquisition in Finland, clear cost synergies in IT, purchasing and administration were achieved as early in the second half of 2018, less than a year after the transaction was completed.

SUSTAINABLE CORPORATE CULTURE

Scandic has sustainability on the agenda in all decision-making. The company shall be an attractive employer known for its inclusive culture and diversity among team members.

VISION, MISSION & VALUES

OUR VISION

To be a world-class Nordic hotel company

With the help of our Nordic spirit, corporate culture and way of doing things, we will be the best hotel company we can be. World class isn't about five stars, red carpets or the number of hotels, but about delivering an appreciated experience every day, both on stage and behind the scenes for our guests, customers, employees and owners.

OUR MISSION

To create great hotel experiences for the many people

We want to cater to as many people as we can. No matter who they are, how they dress, where they are from or where they are heading, we get up every morning to create great hotel experiences for everyone from the moment our guests first think of us until they check out and tell their friends.

OUR VALUES

The foundation for the culture that characterizes Scandic was built 50 years ago when the first Esso Motor Hotel opened. Even though today we have thousands of employees in six countries, we always try to live up to the driving forces that laid the foundation for Scandic. This legacy runs like a common thread throughout our entire organization and governs the way we recruit new team members.

Our culture can be summed up in four main values that team members can apply in their daily work and in all relationships, both internal and external. They are formulated and communicated internally as follows.

OUR VALUES

BE CARING

We are warm and welcoming, meeting everyone with open arms and minds. And we care for the people, planet and society around us.

BE A PRO

We are reliable and always deliver consistent high quality. But we also exceed expectations. We know that the key to success is focusing on details and constantly endeavoring to be even better.

BE YOU

We are ourselves. We celebrate each other's potential and appreciate our differences, just as we treat each guest as a unique individual.

BE BOLD

We dare to do things differently. We leave our comfort zone and look forward, always aspiring to inspire our guests, our stakeholders, each other and society at large.

ENGAGED & MOTIVATED TEAM MEMBERS

CONTINUED FOCUS ON CULTURE

2018 was the fourth year for Scandic's cultural platform, Inspiring Nordic. The project was started to further improve customer service by instilling pride and a feeling of security among team members. In the first year, the cultural platform was introduced. Following this, all team members participated in workshops on Scandic's values, vision and mission. During year three, targeted training was held for the company's leaders to give general managers and heads of departments the tools required to develop as individuals and develop their teams.

In 2018, Scandic took the next step to fully realize the meaning of its culture in interactions with guests. The work focuses on three main areas: welcoming guests, exceeding expectations and turning disappointed customers. Workshops on these topics have been held at the hotels and training is continuing on the company's digital platform for learning and internal communication. Ultimately, it boils down to imbuing team members with a sense of responsibility and authority so that they can choose the best way to provide service in any situation. These service-related efforts are of the utmost importance, not least because reviews on digital sites such as TripAdvisor are increasing in significance.

DIGITAL TOOLS FOR BETTER BUSINESS

In 2017, Scandic launched a digital tool for social learning and internal communication, Fuse. At the end of the year, users numbered about 2,000. One year later, there were more than 9,000. One in three Scandic team members is active on Fuse and the number of users has also increased markedly as new features have been added.

Social learning and shorter digital paths strengthen Scandic's business. The tool is based on team members creating content themselves that their colleagues can interact with. Over time, information sharing and tips have increased and it can be said that 2018 was the year that Scandic fully migrated to a more modern way of communicating and learning from each other – throughout the entire company.

The platform itself has been created to great extent by Scandic's own team members through a project run as part of Scandic's internal training program, Talent at Scandic. On page 49, you can also read about Scandic's Sustainability Hackathon that was held to generate ideas on how Scandic can operate more sustainably with the goal of implementing solutions across the company.

EMPLOYEES WITH COLLECTIVE AGREEMENTS

89%

GENERAL MANAGERS RECRUITED INTERNALLY

81%

DIGITAL TRAINING HAS REPLACED THE CLASSROOM & HELPS SCANDIC MEASURE TRAINING MORE QUALITATIVELY

Thanks to a digital tool, Scandic can optimize learning for its team members, regardless of what roles or needs the team members have.

"1 IN 3 TEAM MEMBERS IS ACTIVE ON FUSE FOR SOCIAL LEARNING AND INTERNAL COMMUNICATION."

ATTRACTIVE EMPLOYER

REFLECTING SOCIETY TO STRENGTHEN BUSINESS

Scandic strives to have an inclusive culture throughout its operations. The company's recruiting strategy is clear – it seeks diversity among its team members. The company has distinct goals linked to this area, see page 50. Gender distribution in the Group is 63 percent women and 37 percent men and the proportion of female general managers is 56 percent. The total number of employees in the Group was significantly impacted by the Restel acquisition and Scandic's workforce has grown by some 13 percent since the end of 2017. Adjusted for Restel, the increase is approximately 4 percent.

Just under 60 percent of the new employees hired in 2018 are under 30 and of the Group's employees, approximately 40 percent are under 30. This is natural, as Scandic's operations are affected by seasonality and temporary highs. To meet these changes in an effective way, Scandic has a great need for temporary employees. In this respect, Scandic has a key role to play as a first employer. Scandic offers young people the opportunity to gain valuable professional experience. Scandic's temporary employees are an important recruiting base for its operations, and many people are offered permanent employment within the company.

A total of 13 percent of the company's employees are over 50 and there are more than 120 nationalities working at Scandic's hotels. Scandic strives to develop a rich culture with a strong diversity of skills and languages among its team members. Approximately 90 percent of Scandic's team members believe that the company is diverse and that all team members, regardless of background, contribute and help create value.

"SCANDIC OFFERS YOUNG PEOPLE THE OPPORTUNITY TO GAIN VALUABLE PROFESSIONAL EXPERIENCE."

RESPONSIBLE & APPRECIATED EMPLOYER

Every year, Scandic carries out an extensive employee survey that results in a Voice Index. The 2018 Voice Index was 771 in total. The result was affected by the Restel acquisition since many new team members joined the company. Despite such a large acquisition, Scandic placed in the Excellent category among companies using the same measurement tools. Excluding new team members from Restel, the score was 781. The form of the survey changed to a new two-digit index and this year's total result was 80 according to the new index.

Within the framework of the Voice survey, special categories measure commitment, loyalty and work environment. Four out of five team members said that they are proud to work at Scandic and happy to speak positively about Scandic to others. The same proportion, 80 percent, believe strongly in the company and its future direction.

Just as many team members, approximately 80 percent, say that they can make decisions themselves, regardless of their position, which is important in a fast-moving industry where customer focus is key. The increase was greatest among team members that are not managers, which may

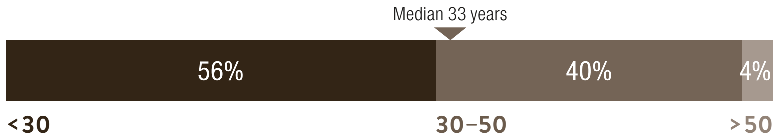
AN ATTRACTIVE EMPLOYER

Scandic Sweden	**Most attractive workplace** according to Visita.
Scandic Finland	**First place** in Great Place to Work, large company category.
Scandic Denmark	**First place** for inclusion in Great Place to Work, workplaces with more than 500 employees category.
Scandic Germany	**Third place** in Great Place to Work, multinational companies category.

AGE DISTRIBUTION, NEW EMPLOYEES[1)]

1,468

NEW HIRES 2018



[1)] Data refers to permanent employees.

be a result of the efforts aimed at moving decision-making closer to the customer.

Having a happy, healthy workplace is a competitive advantage when it comes to recruiting, and the company strives to provide a good work-life balance for its employees. Read more about Scandic's work to promote good health among team members on pages 52. The company complies with national legislation and rules to ensure a good working environment for its team members. Employees receive remuneration based on local salary levels and market practices, and the remuneration model is based on clearly-set criteria regardless of gender, origin, ethnicity or age. Scandic also greatly values being a committed corporate citizen, see pages 58–59. The company seeks to reflect the society in which its hotels operate and consequently analyzes appointments of new positions from an equality and equal opportunities perspective. For many roles, development is carried out through Scandic's internal training program. For other roles, externally recruited experts with specific skills are required.

GENDER DISTRIBUTION, GENERAL MANAGERS

56% (52%) women

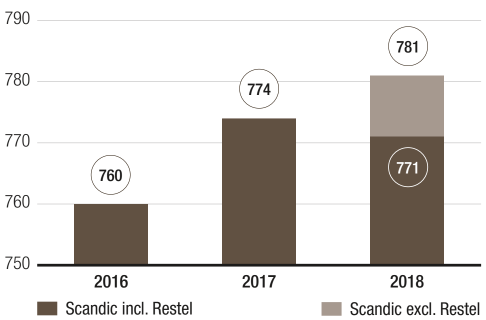
44% (48%) men

GENDER DISTRIBUTION, NEW EMPLOYEES[1)]

57% (55%) — 779 women

43% (45%) — 639 men

VOICE INDEX DEVELOPMENT



TOTAL NUMBER OF EMPLOYEES

63% (63%) women

37% (37%) men

11,927 women | 6,980 men

TOTAL NUMBER OF EMPLOYEES: 18,907

6,934 women | 4,049 men

PERMANENT EMPLOYEES: 10,983

4,541 women | 2,753 men

TEMPORARY EMPLOYEES: 7,294

452 women | 178 men

CONTRACTED WORKERS: 630

NUMBER OF NATIONALITIES

120+

[1)] Refers to permanent employees.

25 YEARS OF LEADING SUSTAINABILITY INITIATIVES

1993
Launched the "hang up your towel" initiative that today is the global industry standard.

1995
Introduced smart shower heads to reduce water use.

1996
Started reporting environmental data on the hotel level. Began phasing out single-use plastic packaging.

1999
First Nordic Swan Ecolabeled hotels.

2001
Launched Scandic in Society (hotel activities that support the local community).

2002
Appointed a Director of Accessibility.

2006
Started serving Fairtrade coffee at all hotels.

2008
Started serving local Scandic water in sustainable, refillable bottles designed specially by Scandic.

2010
Implemented comprehensive employee survey.

2015
Launched "Breakfast for All," a vegan and allergy-friendly breakfast buffet. Started "Snabbspåret" fast track program to help integrate and employ new arrivals to Sweden at Scandic's restaurants. Adopted the principles of the UN Global Compact.

2016
Introduced an anti-trafficking policy at all hotels.

2018

Completely phasing out cage eggs by 2022.

No straws or cocktail sticks at Scandic going forward, a reduction of about 1.3 million straws and 120,000 sticks per year.

LANGUAGE
INTEGRATION PROJECT

Integration project with language training at hotels.

Vegan burger on the menu. In Sweden, about 15,000 burgers sold in first month.

Sustainability Hackathon: All team members participated to generate ideas on how Scandic can operate more sustainably. More than 400 innovative ideas put forward.

Health initiative with health inspirers at Swedish hotels and support offices to promote team member wellness through health-boosting activities.

22/326
RANKING
IN THE SUSTAINABLE BRAND INDEX

Ranked high in the annual Sustainable Brand Index. Best in the industry in Sweden for the eighth year running, placing 22/326.

Partnerships to sell leftover food on digital platforms. During 2018, more than 125,000 portions of leftover food were sold onwards.

SCANDIC'S SUSTAINABILITY GOALS

Scandic has four main goals within sustainability and each area has been chosen based on its high relevance to Scandic's operations. The company's ability to make a difference in these areas is consequently great.

1

DIVERSITY & INCLUSION

Goal 2020
Scandic will lead the hotel industry in giving all employees the same opportunities and reflect the society in which it operates.

2

HEALTH

Goal 2020
Scandic will be the premier hotel choice for customers who prioritize a healthy lifestyle and an attractive employer when it comes to work-life balance.

3

CO_2 EMISSIONS

Goal 2020
Scandic will be the hotel company with the lowest CO_2 emissions.

4

WASTE

Goal 2020
Scandic will continually work to reduce total waste and increase the share of recycled waste.

4 MAIN SUSTAINABILITY GOALS

		2016	2017	2018	Goal 2020
1	Share of employees who state in the employee satisfaction survey that Scandic has a good level of diversity in the organization	85	87	86	>90
2	Total employee index in the employee satisfaction survey	760	774	771	>820
	Increase of 4 points in employee satisfaction survey regarding recovery from stress, physical work environment and leadership index	61	63	64	>65
3	Share of hotels using renewable electricity, %	86.0	99.6	97.0	100
	CO_2 emissions kg/revenue, KSEK	2.75	1.62	2.45	<2.5
	CO_2 emissions kg/guest night	2.64	1.55	2.42	<2.3
	% share of hotels that are environmentally certified 1 year after opening/rebranding	N/A	90	90	100
	Water use (m^3)/guest night)	0.18	0.18	0.19	<0.16
	Share of environmentally-certified chemicals	78	82	81	>95
4	Total kg waste/guest night [1)]	0.7	0.76	0.64	<0.62
	Recycled waste	69	79	89	>76

[1)] Excluding household waste due to difficulties sourcing reliable information. This is because in many Swedish municipalities, household waste is not weighed at collection.

1

DIVERSITY & INCLUSION

Diversity refers to the mix of people of various backgrounds and characteristics, while inclusion is how to manage the mix to achieve the best possible results. Scandic employs more than 120 nationalities and there is a relatively even gender distribution within the organization. Scandic's Diversity & Inclusion Policy stipulates that the company shall actively recruit employees that reflect society and Scandic's customers. In addition, Scandic does not tolerate any form of discrimination. The annual employee survey covers various issues regarding diversity and job satisfaction and Scandic measures the proportion of people in the company who perceive that Scandic has a good level of diversity. In the 2018 survey, the figure was 86 percent, very close to the company's 90 percent target.

The annual employee survey carried out in 2018 had a response rate of 93 percent.

Projects linked to diversity and inclusion are often carried out internally by Scandic or with Scandic as a partner. Scandic Sweden has trained several young chefs, many of them new arrivals to the country, in its restaurants and has arranged competitions where their abilities were recognized by a qualified jury. Several of them were later offered jobs at Scandic hotels.

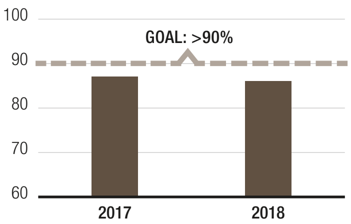
My Dream Now is a Swedish project that brings together mentors and secondary school students in vulnerable areas. During 2018, many of Scandic's senior managers continued to act as mentors for these youths.

In Norway, Scandic entered into its second year in the **Helt Med** project together with the SOR organization and the Norwegian authorities, a program where people with special needs can gain work experience and then have the possibility to be employed at Scandic. The results have been positive and several participants are now employed.

KPI – GOAL 2020

At least 90 percent of employees shall state in the employee survey that there is a good level of diversity in the company.

OUTCOME



2 HEALTH

Scandic constantly focuses on the well-being of its team members. The company regularly monitors physical and psychosocial work environments through safety inspections, employee surveys and dialogues between managers and team members. The company also appraises team members' perception of how they recover from stress, how they rank their leaders and how they regard their physical work environment. In 2018, the index was 64, close to the target of >65.

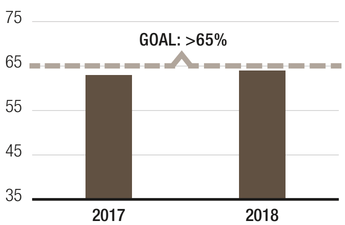
Scandic's Code of Conduct covers human rights aspects. It states that fundamental human rights and working conditions shall be known, respected and apply equally to all team members, regardless of their form of employment. When suppliers are procured, those who meet the UN Global Compact criteria are prioritized. One such example is Scandic's cooperation with Fairtrade, an organization that ensures good working conditions for people working with its products.

Scandic encourages physical activity among its employees through wellness subsidies. Scandic Sweden has started a club to share exercise and diet inspiration and organize competitions and activities. All of Scandic's hotels have also designated their own health inspirers.

KPI – GOAL 2020

At least 65 percent of employees shall state that they are positive about being able to manage stress in the annual employee survey.

OUTCOME



3 CO_2 EMISSIONS

To Scandic and its stakeholders, doing business sustainably is of the utmost importance. From an environmental standpoint, this ultimately involves both helping to protect the planet and making the business more profitable. Scandic regularly monitors its emissions and the general manager of each hotel is responsible for reporting several key performance indicators. This way, each hotel can see the results of its efforts. In addition, Scandic can also influence property owners when it comes to new constructions and renovations.

Scandic's key performance indicators for following up on emissions are provided on page 50. In 2018, Scandic reached or nearly reached all targets.

In total, Scandic's emissions increased in 2018. This is because the new Restel hotels, particularly in Finland, had higher emissions. At the same time Scandic's total emissions for comparable units decreased. See page 60 for a detailed explanation of Scandic's CO_2 emissions.

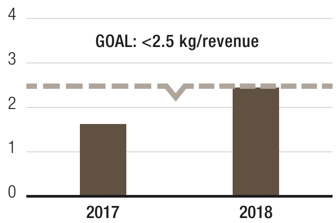
Scandic obtains 97 percent of all electricity from fossil-free sources. Over the year, some hotels obtained solar panels to generate electricity. Water consumption remained on almost the same level as before. In some of the company's hotels, water-saving shower heads were installed, for example at Scandic Oulu City in Finland. Such measures have led to a reduction in water consumption from 18 to 12 liters/minute.

Scandic has adopted the target that all hotels shall meet the certification requirements of the Nordic Swan Ecolabel, or Green Globe or EU Ecolabel for Germany and Poland, which includes guidelines for CO_2 emissions, water consumption, waste management, energy consumption and chemical use. By the end of 2018, over 90 percent of Scandic's hotels met these requirements. Scandic supports and maintains a close dialogue with the Nordic Swan Ecolabel and its equivalents to remain up to date with the latest findings and continue developing its own environmental efforts.

KPI – GOAL 2020

10 percent reduction in CO_2 emissions/revenue.

OUTCOME



4

WASTE MANAGEMENT

Scandic handles waste management in a variety of ways and has KPIs that the company follows up on regularly to reduce food waste and increase the share of waste that is recycled. To reduce food waste, Scandic has introduced smaller plates in its restaurants. In Sweden, Norway and Denmark, Scandic also cooperates with Karma, Too Good To Go and #KuttMatSvinn2020, organizations that ensure that that leftover food that would normally have gone to waste is sold on digital platforms. Scandic measures the share of waste that goes to recycling and the total kilograms of waste per guest night. In 2018, the share of recycled material increased and the company is ahead of its 2020 target. Scandic's waste per guest night in 2018 was 0.64 kg compared with the target of 0.62 kg/guest night.

Since Scandic introduced these initiatives and partnerships, the company has seen constant improvement. By the end of 2018, there was a clear reduction in food waste, with some 89 percent of leftover food sold onwards instead of being thrown out, exceeding Scandic's goal for 2020. See the outcomes for all KPIs linked to Scandic's main goals for 2017 and 2018 on page 50.

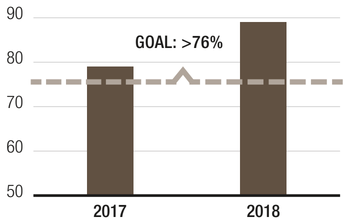
Since Scandic started digital partnerships in Sweden, Denmark and Norway, more than 125,000 portions of food have been saved.

For comparable units, Scandic's total waste was just under the total waste for 2017.

KPI – GOAL 2020

10 percent more waste recycled.

OUTCOME



WASTE

In 2018, Scandic recycled 89 percent of its waste, an increase of 10 percentage points compared with 2017. Household waste, which constitutes a high share of total waste, is excluded in this calculation as a result of difficulties in sourcing reliable information mainly from Sweden's municipalities.

	2017		2018	
Total weight per method of disposal, tonnes	**Hazardous waste**	**Non-hazardous waste**	**Hazardous waste**	**Non-hazardous waste**
Reuse	0	0	0	0
Recycling	5.88	9,191.51	15.82	10,249.93
Energy recovery	25.96	2,073.64	23.08	1,025.62
Combustion	35.87	0.00	28.16	0.00
Landfill	4.72	299.97	3.67	234.15
Total	**72.4**	**11,565.1**	**70.7**	**11,509.7**

Data on waste from newly-acquired Restel hotels is insufficient.

Total weight per type of waste, tonnes	2017	2018
Paper	2,229.5	2,396.4
Glass	1,854.3	2,067.4
Metal	218.6	161.9
Plastic	303.3	304.9
Other	6,959.4	6,579.1

SCANDIC SUPPORTS THE UN'S SUSTAINABLE DEVELOPMENT GOALS & CONTRIBUTES TO MANY OF THEM

Scandic has a Code of Conduct that applies to all team members. The code is based on the UN Global Compact principles dealing with anti-corruption, working environment, the environment, employees and human rights. Scandic is a signatory of Agenda 2030 and the UN's 17 Sustainable Development Goals. The company contributes to most of them to varying degrees, but significantly to the following goals:

SUSTAINABLE DEVELOPMENT GOALS		HOW SCANDIC CONTRIBUTES
5 GENDER EQUALITY	Equality is a goal in itself as well as a prerequisite for sustainable and peaceful development. Gender equality is achieved when both women and men, girls and boys, enjoy equal rights, conditions, opportunities and the power to shape their lives themselves and contribute to the development of society.	Scandic analyzes and acts to achieve gender balance in recruiting through internal programs as well as internal and external recruiting. Scandic is conscientious in ensuring that its team reflects society and the company strives for gender balance at all levels in the Group.
8 DECENT WORK AND ECONOMIC GROWTH	Work for inclusive and long-term sustainable economic growth, with full and productive employment and decent working conditions for all.	Scandic offers equal conditions, follows up on work environment and has a Supplier Code of Conduct. The company also offers work experience programs for people outside the labor market such as Helt Med in Norway. Read more on page 51.
10 REDUCED INEQUALITIES	Reduce inequality within and between countries.	Scandic offers equal conditions regardless of gender, disability, ethnic background, etc. through value and leadership development. The company also offers work experience for people outside the labor market and has a focus on Fairtrade products. For example, Scandic only serves Fairtrade coffee.

GRI: 102-12

SUSTAINABLE DEVELOPMENT GOALS	HOW SCANDIC CONTRIBUTES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION Promote sustainable consumption and production patterns through the efficient use of resources, consideration for ecosystem services that are necessary for supply and reduce the impacts of hazardous chemicals.	Scandic carries out third-party environmental certifications of all of its hotels, for example Nordic Swan Ecolabel certification and similar. This helps reduce energy, water and chemical use and waste. It also has environmental requirements for suppliers. In 2018, digital partnerships contributed to ensuring that more than 125,000 portions of leftover food was sold onwards.
6 CLEAN WATER AND SANITATION Ensure availability and sustainable management of water and sanitation for all. Focus on responsible water stewardship.	All of Scandic's hotels must be Nordic Swan Ecolabeled. When taking over new hotels, the hotel must be certified within the first year. Water-reducing shower heads have been installed at several hotels and shower timers were trialed at one new hotel. Water consumption is measured and monitored regularly through a reporting program.
11 SUSTAINABLE CITIES AND COMMUNITIES Make cities inclusive, safe, resilient and sustainable.	Focused work to primarily reduce the amount of waste and recycle a greater share of waste. Integration projects for new arrivals and work training for people with special needs. Regular security and anti-trafficking training at hotels.
13 CLIMATE ACTION Take urgent action to combat climate change and its impacts.	Scandic buys all electricity from fossil-free sources and the newly acquired Restel hotels will shift to the same model as soon as possible. The cooling systems used in the Group are largely based on hydroelectric power. In 2018, Scandic reduced CO_2 emissions for comparable units compared with 2017.

SUSTAINABILITY INITIATIVES THROUGH PARTNERSHIPS

Scandic's sustainability work is built on the valuable cooperation it has with companies, organizations and authorities. Scandic's operations also create value for stakeholders from a broader social perspective.

EXAMPLES OF INITIATIVES SCANDIC SUPPORTS

Organization	Description	Country	Type of cooperation
Mitt liv	Works to promote an inclusive society and labor market diversity through mentoring, training and networking.	Sweden	Partner
My Dream Now	Works to link the labor market with students from upper secondary schools in vulnerable areas.	Sweden	Partner
Diversity Charter Finland	Part of Diversity Charter's European network. Works to promote diversity and inclusion in companies/ organizations.	Finland	Member and one of the founders
The Finnish Paralympic Committee	Encourages young athletes and contributes to research and training within sports for the disabled.	Finland	Sponsor
Food Bank Charity	Project to reduce food waste.	Poland	Partner
GOT – Gdansk Tourism Organisation	Networks in tourism and hotels with focus on sharing experience as well as opportunity to participate in charity projects.	Poland	Member
Budnianer hilfe e.V.	Provides physical and social support for marginalized children and young adults.	Germany	Supporter
Joblinge	Partnerships between companies, individuals and authorities to support vulnerable youth and integrate them so they can earn their own living.	Germany	Partner
Helt Med	Aims to create meaningful work for people with physical and/or learning disabilities.	Norway	Partner
Ringer i vannet (NHO)	Works to improve conditions for recruiting people outside the labor market.	Norway	Partner
Dansk Erhverv CSR netværk	Network for the service industry in Denmark (17,000 Danish companies).	Denmark	Member
ReFood	Collects and distributes leftover food from restaurants.	Denmark	Member

RESPONSIBLE PARTNER IN SOCIETY

SECURITY

Security is a key area of focus for Scandic. Scandic's team members undergo regular training in basic security issues, both interactively and through practice, and two mandatory fire and evacuation drills are carried out each year. In addition, every six months, Scandic carries out comprehensive crisis management exercises to simulate possible and relevant events. For example, all hotels have carried out three exercises related to extraordinary events such as terror attacks and lockdowns. These are run by Scandic's Central Crisis Unit, which follows up on the results. All hotels also have access to emergency help from the Scandic Crisis Call Center, a 24-hour emergency service run by specially-trained security staff. Crisis support can, among other things, involve contact with psychologists and crisis support staff at all times of the day. Additionally, every year, all hotels hold first aid courses focused on CPR and using AEDs (automated external defibrillators). All activities related to security are collected in a digital tool that enables easy follow-up, analysis and continued development of Scandic's security initiatives.

ANTI-CORRUPTION

Scandic has a special Anti-Corruption Policy that stipulates that Scandic shall never engage in any form of corruption.

Scandic works to eliminate all forms of corruption, including extortion, bribery, nepotism, fraud and money laundering. Scandic works to ensure that all employees, partners and suppliers understand that corruption is unacceptable. Confidence and trust between companies and their customers, employees and the public are very important factors for corporate development.

Scandic is committed to complying with good business practices and acting in a sustainable way based on internationally-accepted principles of anti-corruption. Scandic complies with all relevant national legislation. Scandic has signed the UN Global Compact and complies with its principles. The principle applicable to Scandic's Anti-Corruption Policy is Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery. The policy covers compliance and responsibility as well as the consequences of breaches, bribery or "lubrication payments." It also deals with how Scandic regards gifts and entertainment, donations, sponsorship and political party contributions, fraud, extortion and money laundering, conflicts of interests, fair competition and insider trading (for which there is a special policy). For Scandic, it is of the utmost importance that the company adheres to good business practices in all contexts for society, people and Scandic to perform well.

SCANDIC IN SOCIETY

SCANDIC IN SOCIETY

For Scandic, it is important to contribute to the communities in which it operates hotels. Scandic's hotels are often hubs in the cities or stops along highways. For several years, Scandic has run a project called "Scandic in Society" where each hotel aims to carry out at least three activities or initiatives that help the local community at each location. Some examples are Scandic's Norwegian hotels that provide breakfast to people who do beach cleans, Swedish hotels that cooperate with the Swedish Society for Nature Conservation (*Naturskyddsföreningen*) to arrange clothing swap days in the local community and the many hotels within the company that lend space to non-profit organizations and language training activities in the evenings. In Denmark, Scandic Roskilde invited people to pick up and sell furniture that was being removed for a renovation, encouraging them to donate the proceeds to charity.

ECONOMIC VALUE FROM INTEGRATED SUSTAINABILITY INITIATIVES

Economic value creation, MSEK	2015	2016	2017	2018
Direct economic value generated	**12,211**	**13,360**	**14,592**	**18,019**
Revenues	12,211	13,360	14,592	18,019
Economic value distributed	**12,103**	**12,478**	**13,882**	**17,341**
Operating expenses	7,642	7,959	8,920	11,405
Employee wages and other remuneration	3,954	4,211	4,738	5,620
Financial expenses	500	133	133	185
Taxes	6.5	175	90	131
Social investments[1)]	0.34	0.17	1.18	2.29
Remaining economic value	**108.16**	**881.83**	**709.82**	**675.71**

[1)] Social investments, SEK	2015
Sweden	139,150
Finland	98,983
Norway	35,483
Denmark	70,100

[1)] Social investments, SEK	2016
Denmark	105,200
Poland	7,700
Germany	57,400

[1)] Social investments, SEK	2017
Denmark	24,559
Norway	11,290
Sweden	1,000,000
Other Europe	139,820

[1)] Social investments, SEK	2018
Sweden	2,000,000
Finland	20,000
Norway	206,800
Denmark	36,701
Other Europe	28,620

The information in the table shows the generated and distributed economic value. This indicates how Scandic has created value for stakeholders from a broader social perspective. Scandic's operations are run in a sound way with a sustainable distribution of operating expenses, including salaries, taxes and social investments while there is still good profitability for shareholders.

CLIMATE IMPACT

Scandic measures its environmental impacts by monitoring energy consumption, CO_2 emissions and waste. In 2018, significantly more hotels were included than in 2017, mainly due to the Restel acquisition. This led to a general increase in emissions. Scandic's central sustainability unit calculates emissions in Scopes 1 to 3 based on data from hotels and the energy suppliers and travel companies with which Scandic cooperates.

SCOPE 2 Indirect emissions

SCOPE 1 Direct emissions

SCOPE 3 Other emissions

2

INDIRECT EMISSIONS

Scope 2 – indirect CO_2 emissions – includes emissions from the electricity and district heating/cooling that Scandic uses. During 2018, indirect emissions increased mainly due to new hotels in operation and then primarily from the Restel hotels that were added to Scandic's portfolio from January 1, 2018. The warm summer in the Nordic countries also led to a higher use of cooling compared with the previous year. For comparable units, emissions increased marginally. Scandic states and analyzes emissions based on market-based calculations, since the values depend on suppliers' material choices and calculations are based on supplier reports.

	2017	2018
Energy consumption, MWh		
Electricity	290,835.0	362,670.7
District heating	213,176.3	299,452.2
District cooling	12,383.1	23,648.1
	516,394.4	**685,771.0**
CO_2 emissions, tonnes		
Electricity[1)]	85.9	7,125.6
District heating	20,553.4	33,488.1
Disctrict cooling	461.5	682.1
	21,100.8	**41,295.8**

1) Many newly-acquired Restel hotels used electricity from a variety of sources until July, which resulted in higher emissions.

1

DIRECT EMISSIONS

Scope 1 – direct CO_2 emissions – includes emissions from oil and gas that Scandic uses in its operations. In 2018, direct emissions increased mainly because of the greater number of hotels in operation, including the Restel hotels that were added to Scandic's portfolio from January 1, 2018. For comparable units, direct emissions and use of gas and oil went down. The increased use of biofuel is positive as Scandic is striving to use it as the primary fuel in its kitchens. Scandic is also working to replace gas and heating oil with district heating. Scandic uses the Greenhouse Gas (GHG) protocol to calculate CO_2 emissions.

	2017	2018
Energy consumption, MWh		
Propane gas	1,774.8	1,702.1
Natural gas	5,229.2	5,590.2
Biofuel	311.6	871.8
Heating oil[1)]	1,089.0	67.8
	8,404.6	**8,231.9**
CO_2 emissions, tonnes		
Propane	416.0	398.9
Natural gas	997.6	1,117.4
Biofuel	10.5	421.9
Heating oil	287.3	17.9
	1,711.4	**1,956.2**

1) From Q2, heating oil was no longer used. Instead, Scandic uses district heating or electricity.

3

OTHER EMISSIONS

In scope 3 – other emissions – Scandic reports only on emissions from business travel (air and train). During 2018, emissions decreased marginally. As in Scope 2, these emissions come from purchased energy, but from a third party such as an airline. These emissions dropped during the year. Calculations are based on data Scandic receives from travel agents. Based on this data, Scandic uses the GHG protocol to calculate CO_2 emissions.

	2017	2018
Air		
Total km	7,251,664	6,303, 974
CO_2 emissions, tonnes	879.1	790.9
Train		
Total km	1,306,348	1,199,545
CO_2 emissions, tonnes	0.003	0.003

ACTIVE COOPERATION WITH SUPPLIERS

As the leading hotel company in the Nordic countries, Scandic buys goods and services worth substantial amounts each year. For this reason, procurement and supplier control are important elements of the company's sustainability initiatives. Scandic works systematically to ensure that only suppliers that live up to the company's requirements are contracted.

SUSTAINABILITY – A NATURAL PART OF THE SELECTION PROCESS

To ensure that Scandic only cooperates with suppliers that share its values, sustainability is included as an item in the selection process when it comes to cooperation. A special sustainability screening is carried out by Scandic's procurement team as a first step in the process. This involves criteria regarding the environment, anti-corruption, human rights and work environment. During the year, all suppliers that underwent and passed the selection process undertook to follow the principles in Scandic's Code of Conduct for Suppliers. Scandic also regularly carries out risk assessments of the entire supplier base. If there is uncertainty regarding a supplier, a more in-depth assessment is carried out through a self-assessment that may also be followed by an onsite audit of the supplier. All deviations identified during self- or third-party audits must be addressed in the manner described in a corrective action plan approved by Scandic. The measures stated must be implemented within the agreed timeframe for the supplier to remain under contract.

COOPERATION

After decades of working with sustainability, Scandic has extensive knowledge and gladly shares it with its suppliers. The company encourages a continuous dialogue with suppliers parallel to the screening process to support and help develop suppliers' sustainability initiatives. In Norway, Scandic is driving supplier sustainability forward together with other companies through the procurement company Gress-gruppen. And in January 2018, Scandic Sweden held a conference at which its larger suppliers and general managers were invited to develop this work further. In addition, each year a sustainability prize is awarded to the supplier that best supports Scandic in achieving its sustainability goals.

CONSTANTLY DEVELOPED

Scandic has successfully worked with systematizing its process for supplier management. To support the process, the company constantly works with skills development and follows up on the procurement team as regards challenges in the area. To simplify the process for team members that are responsible for procurement, Scandic has developed general criteria for materials and substances that are suitable for use from a sustainability perspective, including the requirement to always apply the precautionary principle. These guidelines will be further developed in 2019 to include specific criteria for food and beverages.

KEY FIGURES PROCUREMENT

96%
OF ALL CONTRACTED SUPPLIERS SCREENED (GOAL 95%)

5.4
SEK BILLION PURCHASING VOLUME

1%
SUPPLIERS ACCOUNT FOR 74% OF SPENDING

GRI: 102-9, 102-11, 102-16, 308-1, 414-1, 103-1/ -2/ -3

EMPLOYEE DATA

Breakdown by type of employment

	Sweden		Norway		Finland		Denmark		Other		
2018	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Total
Total number	5,201	2,869	3,220	2,261	2,047	807	1,191	830	268	213	**18,907**
Permanent employment	2,619	1,442	1,827	1,278	1,476	597	770	541	242	191	**10,983**
Full-time	1,489	1,013	1,090	947	753	380	396	410	234	184	**6,896**
Part-time	1,128	429	735	331	724	217	374	131	9	7	**4,085**
Temporary	2,582	1,427	1,393	983	119	32	421	289	26	22	**7,294**
Contracted workers	0	0	0	0	452	178	0	0	0	0	**630**

	Sweden		Norway		Finland		Denmark		Other		
2017	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Total
Total number	4,966	2,650	3,235	2,178	913	481	1,085	761	286	206	**16,761**
Permanent employment	2,504	1,387	1,747	1,207	558	303	690	488	252	178	**9,314**
Full-time	1,489	972	1,022	892	325	211	361	357	239	173	**6,041**
Part-time	1,015	414	725	315	233	92	329	131	13	5	**3,272**
Temporary	2,462	1,263	1,488	971	68	27	395	273	34	28	**7,009**
Contracted workers	0	0	0	0	287	151	0	0	0	0	**438**

New hires[1)]

		2018		2017	
		Number	Share, %	Number	Share, %
Total number/% of total		1,468	7.8	1,418	8.5
Of which	Women	836	7.6	779	8.4
	Men	632	9.2	639	10.6
Of which	Age <30	819	20	808	24.7
	Age 30–50	580	8	550	7.8
	Age >50	69	11	60	13.7
Of which	Sweden	456	31.1	534	37.7
	Norway	375	25.5	341	24
	Finland	174	11.9	94	6.6
	Denmark	349	23.8	328	23.1
	Other Europe	114	7.8	121	8.5

[1)] Data refers to permanent employment.

Employee turnover[1)]

		2018		2017	
		Number	Share, %	Number	Share, %
Total number/% of total		2,218	11.7	1,807	10.8
Of which	Women	1,296	11.8	974	53.9
	Men	922	13.4	833	46.1
Of which	Age <30	979	24	803	44.4
	Age 30–50	1,017	13.9	856	47.4
	Age >50	222	35.2	148	8.2
Of which	Sweden	800	36.1	707	39.1
	Norway	431	19.4	445	24.6
	Finland	428	19.3	128	7.1
	Denmark	416	18.8	386	21.4
	Other Europe	143	6.4	141	7.8

[1)] Data refers to permanent employment.

Demographic breakdown

2018	Total number of employees, %		Board of Directors, %		Executive Committee, %		Managers, %		Employees, %	
Men	6,802	37.2	5	55.6	10	83.3	678	44.5	6,114	36.5
Women	11,475	62.8	4	44.4	2	16.7	845	55.5	10,628	63.5
Age <30	7,711	42.2					164	10.8	7,547	45.1
Age 30–50	8,163	44.7	1	11.1	6	50	1,050	68.9	7,097	42.5
Age >50	2,403	13.1	8	88.9	6	50	299	19.6	2,098	12.5
Total number	**18,277**		**9**		**12**		**1,523**		**16,742**	

2017	Total number of employees, %		Board of Directors, %		Executive Committee, %		Managers, %		Employees, %	
Men	5,527	36.9	9	75	8	88.9	588	46.5	4,922	36
Women	9,449	63.1	3	25	1	11.1	677	53.5	8,768	64
Age <30	6,564	43.8	–	–	–	–	143	11.3	6,421	46.9
Age 30–50	6,670	44.5	4	33.3	7	77.8	908	71.8	5,751	42
Age >50	1,742	11.6	8	66.7	2	22.2	214	16.9	1,518	11.1
Total number	**14,976**		**12**		**9**		**1,265**		**13,690**	

NEW PERMANENT EMPLOYEES DURING THE YEAR

1,468

During the year, the total number of employees increased by 13 percent. The increase was greatest in Finland due to the Restel acquisition. Adjusted for Restel, the increase was 4 percent. Both demographically and geographically, distribution was largely unchanged except for in Finland where there was a large shift in gender distribution related to Restel, with a greater share of women. Scandic's employee data is secured though the company signing employment contracts with team members and managing the data in an HR system to maintain an overview of staff composition, overall and locally. There is a deviation within 404-1 (Average hours of training per year per employee): Scandic does not measure the average number of training hours in the same way. See page 44 for a more detailed description of digital learning.

WORK TO DEVELOP STRATEGY & TARGETS

Scandic has clear HR and sustainability goals that extend to 2020. In 2018, the company began to develop and update its materiality analysis, which is presented on the next page. Stakeholder dialogues will continue in 2019 when more in-depth discussions with the company's stakeholder groups will be held. Together, these stakeholder dialogues will form a more comprehensive and profound materiality analysis.

During 2019, Scandic will present a complete materiality analysis, updated goals and a comprehensive sustainability strategy that shows the direction ahead. The new goals and updated strategy will continue to be integrated into the company's overall strategy and business model. Scandic recognizes the importance of doing business sustainably for its own operations, for the company's stakeholders and for society at large.

Scandic's sustainability initiatives need to be in line with the interests of different stakeholders. Stakeholder dialogues are therefore an important part of Scandic's sustainability strategy. Ultimately, Scandic's Board of Directors determines the company's final sustainability strategy. During 2018, Scandic worked to update and further develop its materiality analysis.

UPDATED MATERIALITY ANALYSIS

Scandic has chosen to start internally to select, prioritize and delimit the most important sustainability issues. Surveys, reports and studies concerning external stakeholders' perception of Scandic have also been reviewed, partly from previous materiality analyses. In 2019, Scandic will strengthen its focus on external stakeholders. In addition to the stakeholder groups shown to the right (based on previous dialogues), Scandic will add property owners as a stakeholder group.

Below is an overview of the modified materiality analysis with the areas identified based on dialogues that have been conducted. Within parentheses, it is stated whether Scandic alone has control over an issue or whether other stakeholders also have a major impact.

The starting point has been to select strategically important areas where permanent value can be created and where Scandic's opportunities to influence are considered to be highest. Since sustainability is integrated into Scandic's business model and Scandic wants to demonstrate corporate social responsibility, these issues are of the utmost importance for the environment, for people and for performing well financially. Scandic's employee resources and goals play an important role in sustainability management as do the company's policies, which are presented on page 66.

Sustainability issues are governed by Group management and the Board is continuously kept updated. Scandic's central sustainability unit monitors the ongoing work in the company and reports to the Executive Committee. The effectiveness of the governance of sustainability work is evaluated through KPIs where outcomes are measured against set goals. Scandic is well positioned in relation to its targets for 2020 and consequently has concluded that management of sustainability issues is effective and that progress is being made.

MATERIALITY ANALYSIS

Areas where Scandic drives change

Environmental issues – many of these areas are interconnected and when aggregated help contribute to reducing CO_2 emissions.

Social issues – these are especially important for Scandic as part of the service industry and in its role as a driver of integration in society.

- Diversity and inclusion (Scandic)
- Health (Scandic)
- Waste – reduction and recycling (Scandic and customers)
- Energy – heating/cooling and electricity (Scandic and property owners)
- Food & beverage (Scandic)
- CO_2 (Scandic and customers)
- Water (Scandic and customers)
- Materials & construction (Scandic and property owners)

Areas where Scandic strives for excellence every day

These key areas are integrated in Scandic's daily operations and must be fulfilled to ensure Scandic's success.

- Anti-trafficking (Scandic and customers)
- Fair and decent working conditions (Scandic)
- Health and safety – employees (Scandic and customers)
- Hotel safety (Scandic and customers)
- Equal opportunities (Scandic)
- Financial governance (Scandic)
- Transparency (Scandic)
- Anti-corruption (Scandic and suppliers)
- Customer privacy (Scandic)

Stakeholder group	Main sustainability aspects based on earlier stakeholder dialogues
Employees	• Satisfied customers • Hotel security • Minimizing waste
Owners and investors	• Reducing CO_2 emissions • Minimizing waste • Commitment of Board and Executive Committee to sustainability
NGOs	• Reducing CO_2 emissions • Minimizing waste • Fair working conditions
Future employees	• Fair working conditions • Minimizing waste
Guests	• Minimizing waste • Reducing CO_2 emissions • Occupational health and safety
Corporate customers	• Fair working conditions • Occupational health and safety • Choosing interiors with consideration for environmental impacts
ESG analysts	• Action to prevent trafficking/prostitution • Reducing CO_2 emissions • Commitment of Board and Executive Committee to sustainability
Business partners	• Ensuring all employees have equal rights and opportunities • Action to prevent trafficking/prostitution • Fair working conditions

POLICIES THAT STEER SUSTAINABILITY INITIATIVES

Scandic has an established Code of Conduct that applies to all employees in both the Parent Company and its subsidiaries. It is based on the UN Global Compact principles dealing with the environment, anti-corruption, work environment, employees and human rights. All managers within the company are responsible for providing their team members with information about the content of the code. Thereafter, it is the responsibility of each manager and team to follow the content of the code in their everyday work.

POLICIES & FOLLOW-UP

All of Scandic's policies have been adopted by Scandic's Board of Directors. Within the framework of all policies, team members are encouraged to first contact their managers if they notice irregularities or if there are problems interpreting the content.

UPDATED WHISTLEBLOWING SERVICE

If employees or external parties discover deviations from these policies, they can be reported anonymously through Scandic's Whistleblowing Service, which guarantees anonymity. Scandic also has a whistleblowing function made up of representatives from Scandic's Executive Committee and Board of Directors to handle reported issues.

CODE OF CONDUCT

Owned by the CEO.
Members of the Executive Committee are responsible for implementation within their units.

ANTI-CORRUPTION

Owned by the CFO.
Members of the Executive Committee are responsible for implementation within their units.

DIVERSITY & INCLUSION

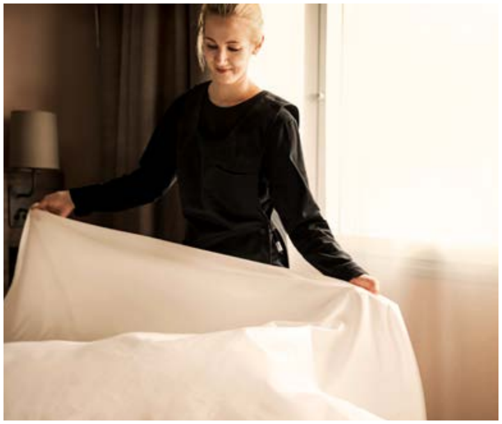
Owned by the SVP HR & Sustainability.
Members of the Executive Committee are responsible for implementation within their units.

SUPPLIER CODE OF CONDUCT

Owned by the CFO.
The Director Group Procurement and Country Heads are responsible for implementation.

ENVIRONMENT

Owned by the SVP HR & Sustainability.
Members of the Executive Committee are responsible for implementation within their units.



GRI INDEX

This is Scandic's fourth Annual Sustainability Report. The report was prepared in accordance with GRI G4, Level Core. The Sustainability Report can be found on pages 1–15 and 42–71 in this report and it fulfills the requirements for sustainability reporting as stipulated by the Accounts Act. It also constitutes Scandic's Communication on Progress (COP) to the Global Compact on the Signatory level. The sustainability information provided has been assured by Ethos International in accordance with AA1000AS. The report includes all of Scandic's hotels operated under lease agreements in all countries of operation, as well as the Group's support offices. Scandic's partner hotels and franchises are excluded as they act under their own governance systems. When calculating environmentally-certified hotels, however, all hotels are included.

The report refers to the period from January 1 to December 31, 2018. The previous report was published on March 26, 2018 and the base year for environmental data is 2015. Emissions data is calculated based on the GHG protocol, supplier information and third-party reports on emission factors for district heating and cooling. Waste data is based on a compilation provided by Scandic's waste management suppliers. Employee data is compiled using Scandic's HR system and supplier data is compiled based on Scandic's risk assessment tool. Customer satisfaction data is compiled from monthly customer surveys.

CONTACT DETAILS

For questions regarding Scandic's operational sustainability work, please contact Scandic's Director Sustainable Business. Questions regarding Scandic's Annual Report and Sustainability Report should be directed to the Investor Relations department at ir@scandichotels.com. Both units are located at Scandic's head office in Stockholm, Sweden

GENERAL DISCLOSURES

Disclosure		Page	Comments/UNGC
GRI 102: GENERAL DISCLOSURES 2016			
Organizational profile			
102-1	Name of the organization	72	
102-2	Activities, brands, products and services	II, III, 27	
102-3	Location of headquarters	72	
102-4	Location of operations	27, 77	
102-5	Ownership and legal form	72	
102-6	Markets served	27, 77	
102-7	Scale of the organization	27, 47, 77, 94–95	
102-8	Information on employees and other workers	62–63	GC principle 6
102-9	Supply chain	61	
102-10	Significant changes to the organization and its supply chain	72, 83	
102-11	Precautionary Principle or approach	61	GC principle 7
102-12	External initiatives	50–55	
102-13	Membership of associations	56	
Strategy & analysis			
102-14	Statement from senior decision-maker	3–5	
Ethics & integrity			
102-16	Values, principles, standards and norms of behavior	42–43, 61, 66	GC principle 10
Governance			
102-18	Governance structure	82, 86–87	

Disclosure		Page	Comments/UNGC
Stakeholder engagement			
102-40	List of stakeholder groups	65	
102-41	Collective bargaining agreements	44	GC principle 3
102-42	Identifying and selecting stakeholders	64–65	
102-43	Approach to stakeholder engagement	64–65	
102-44	Key topics and concerns raised	64–65	
Reporting practice			
102-45	Entities included in the consolidated financial statements	68, 72	
102-46	Defining report content and topic Boundaries	64–65	
102-47	List of material topics	65	
102-48	Restatements of information	68	
102-49	Changes in reporting	60, 68	
102-50	Reporting period	68	
102-51	Date of most recent report	68	March 26, 2018
102-52	Reporting cycle	68	
102-53	Contact point for questions regarding the report	68	
102-54	Claims of reporting in accordance with the GRI Standards	68	
102-55	GRI content index	68–70	
102-56	External assurance	68, 71	

SPECIFIC DISCLOSURES

GRI standard	Disclosure		Page	Comments/UNGC
ECONOMIC				
Financial results				
GRI 103: Management Approach 2016	*103-1 / -2 / -3*		59, 64–66, 68	
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	59	
ENVIRONMENT				
Energy				
GRI 103: Management Approach 2016	*103-1 / -2 / -3*		60, 64–66, 68	
GRI 302: Energy 2016	302-1	Energy consumption within the organization	60	GC principle 7, 8
Emissions				
GRI 103: Management Approach 2016	*103-1 / -2 / -3*		60, 64–66, 68	
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	60	GC principle 7, 8
	305-2	Energy indirect (Scope 2) GHG emissions	60	GC principle 7, 8
	305-3	Other indirect (Scope 3) GHG emissions	60	GC principle 7, 8
	305-4	GHG emissions intensity	60	GC principle 8
Waste				
GRI 103: Management Approach 2016	*103-1 / -2 / -3*		53, 64–66, 68	
GRI 306: Effluents and Waste 2016	306-2	Waste by type and disposal method	53	GC principle 8
Supplier environmental assessment				
GRI 103: Management Approach 2016	*103-1 / -2 / -3*		61, 64–66, 68	
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	61	GC principle 8

103-1 *Explanation of the material topic and its Boundary*
103-2 *The management approach and its components*
103-3 *Evaluation of the management approach*

GRI standard	Disclosure		Page	Comments/UNGC
SOCIAL ISSUES				
Employment				
GRI 103: Management Approach 2016	*103-1 / -2 / -3*		46–47, 64–66, 68	
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	46–47, 62–63	GC principle 6
Work environment, health and safety				
GRI 103: Management Approach 2016	*103-1 / -2 / -3*		44, 46–47, 64–66, 68	
GRI 403: Occupational Health and Safety 2016	403-4	Worker participation, consultation and communication on occupational health and safety	44, 46–47, 52	
Training and education				
GRI 103: Management Approach 2016	*103-1 / -2 / -3*		44, 46–47, 64–66, 68	
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	44, 63	GC principle 6
Diversity and equal opportunity				
GRI 103: Management Approach 2016	*103-1 / -2 / -3*		44, 46–47, 51, 64–66, 68	
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	62–63	GC principle 6
Human rights assessment				
GRI 103: Management Approach 2016	*103-1 / -2 / -3*		52, 64–66, 68	
GRI 412: Human Rights Assessment 2016	412-2	Employee training on human rights policies or procedures	52	Since 2015, all team members have been trained to detect trafficking, prostitution and other human rights violations at all of Scandic's hotels. GC principle 1
Supplier social assessment				
GRI 103: Management Approach 2016	*103-1 / -2 / -3*		61, 64–66, 68	
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	61	GC principle 2

103-1 Explanation of the material topic and its Boundary
103-2 The management approach and its components
103-3 Evaluation of the management approach

AUDITOR’S REPORT ON THE STATUTORY SUSTAINABILITY REPORT

To the general meeting of the shareholders in Scandic Hotels Group AB (publ), corporate identity number 556703-1702

ENGAGEMENT AND RESPONSIBILITY

It is board of directors who is responsible for the statutory sustainability report for the year 2018 on pages 1–15 and 42–70 and that it has been prepared in accordance with the Annual Accounts Act.

THE SCOPE OF THE AUDIT

Our examination has been conducted in accordance with FARs auditing standard RevR 12 The auditors opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standars in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

OPINION

A statutory sustainability report has been prepared.

Stockholm April 4, 2019
PricewaterhouseCoopers AB

Sofia Götmar-Blomstedt
Authorized public accountant
Auditor in charge

ADMINISTRATION REPORT

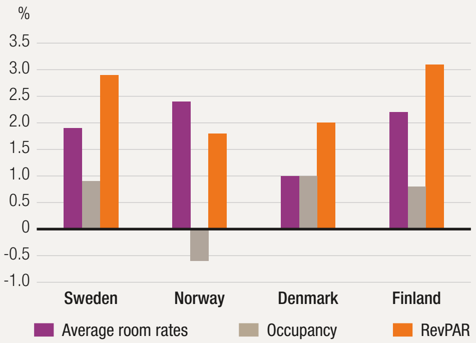
OPERATIONS

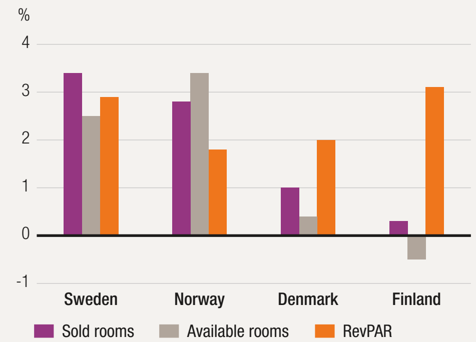
2018 in summary

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

Group key ratios, MSEK	2018	2017	Change, %
Financial key ratios			
Net sales	18,007	14,582	23.5
Adjusted EBITDA	1,957	1,573	24.4
Adjusted EBITDA margin, %	10.9	10.8	
EBITDA	1,853	1,477	25.5
EBIT (Operating profit/loss)	983	925	6.3
Profit/loss before taxes	810	800	1.3
Net profit/loss for the year	678	711	-4.6
Earnings per share, SEK	6.54	6.86	-4.7
Hotel-related key ratios			
RevPAR (Revenue Per Available Room), SEK	683	680	0.4%
ARR (Average Room Rate), SEK	1,045	1,012	3.2%
OCC (Occupancy), %	65.3	67.1	
Total number of rooms at year-end	51,693	42,659	21.2%

HOTEL MARKET DEVELOPMENT IN THE NORDIC COUNTRIES 2018[1)]





1) Source: Benchmarking Alliance.

Scandic Hotels Group AB (publ) Corp. Id. 556703-1702

The Board of Directors and the CEO of Scandic Hotels Group AB (publ), with its registered office in Stockholm, hereby submit the Annual Report and consolidated financial statements for the 2018 financial year.

Operations

The company owns 100 percent of the Scandic Group through its wholly-owned subsidiary, Scandic Hotels Holding AB. Over the year, Scandic conducted hotel operations in six countries: Sweden, Norway, Finland, Denmark, Germany and Poland. On the reporting date, Scandic had 51,693 rooms in operation at 268 hotels, of which 242 had lease agreements.

Nordic hotel market development

Demand for hotel nights in the Nordic markets was good during the year. In Sweden, the number of sold rooms increased by 3.4 percent and RevPAR went up 2.9 percent with a slight increase in both occupancy and average room prices. In Stockholm, the rate of increase in the number of available rooms went down gradually during the year, which resulted in a good balance in supply and demand during the latter part of the year.

In the Norwegian market, the number of sold rooms increased by 2.8 percent and RevPAR grew 1.8 percent with an increase in average room prices and slightly lower occupancy.

In the Danish market, the number of sold rooms went up by 1.0 percent while RevPAR climbed 2.0 percent driven by strong development in Copenhagen. Average room prices and occupancy went up slightly in Denmark.

In Finland, the number of sold rooms increased by 0.3 percent during the year and RevPAR went up by 3.1 percent driven by higher average room prices and higher occupancy.

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. The Easter holiday may fall in both the first and second quarters, so this should be taken into account when making comparisons between years. Approximately 70 percent of Scandic's revenue comes from business travel and conferences while the remaining 30 percent comes from leisure travel.

Sales and profit/loss

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

Currency effects impacted net sales positively by 2.8 percent. Organic growth, revenue growth exclusive of currency effects and acquisitions, was 6.0 percent or 861 MSEK.

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

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

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

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

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

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

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

EBITDA was 1,853 MSEK (1,477). EBIT amounted to 983 MSEK (925). The EBIT margin was 5.5 percent (6.3) and depreciation and amortization totaled -870 MSEK (-553). The increase in depreciation and amortization is largely due to the depreciation and amortization of assets from the Restel acquisition. Finance leases affected EBIT positively by 40 MSEK during the year.

The Group's net financial expense amounted to 173 MSEK (-124). The interest expense, excluding the effect of finance leases, was -116 MSEK (-110). The loan agreement concluded on June 22, 2017 and the establishment of a commercial paper program as of March 2018 reduced the average interest on loans, counteracting the effect of higher interest expenses due to the higher loan volume after the Restel acquisition. The result of exchange rate fluctuations from the revaluation of loans and investments amounted to 3 MSEK (-23).

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

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

Net profit dropped to 678 MSEK (711). Earnings per share after dilution totaled 6.54 SEK per share (6.86). Excluding currency effects related to the revaluation of loans and the effect of finance leases, earnings per share after dilution amounted to 6.74 SEK (7.04). Integration costs attributable to Restel had a negative impact on earnings per share. Underlying earnings per share adjusted for items affecting comparability increased to 7.81 (7.27).

Adjusted EBITDA

MSEK	2018	2017
EBITDA	1,853	1,477
Effect of finance leases, fixed and guaranteed rental costs	-129	0
Pre-opening costs	92	67
Items affecting comparability	141	30
Adjusted EBITDA	**1,957**	**1,573**

Growth in RevPAR and net sales compared with 2017

Jan–Dec 2018	RevPAR, SEK	RevPAR, %	Net sales, MSEK	Net sales, %
Currency effects	19	2.8%	416	2.8%
Acquisitions	-23	-3.4%	2,148	14.7%
Organic growth	7	1.0%	861	6.0%
- New hotels	*0*	*0.0%*	*897*	*6.2%*
- Divested hotels	*-1*	*-0.1%*	*-205*	*-1.4%*
- LFL	*8*	*1.1%*	*169*	*1.2%*
Reported growth	3	0.4%	3,425	23.5%

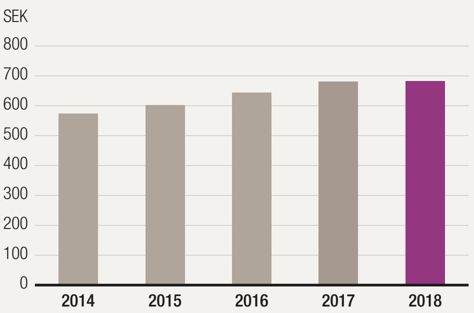
LFL contribution to growth = LFL portfolio change in RevPAR and net sales in relation to the total portfolio.

Financial targets

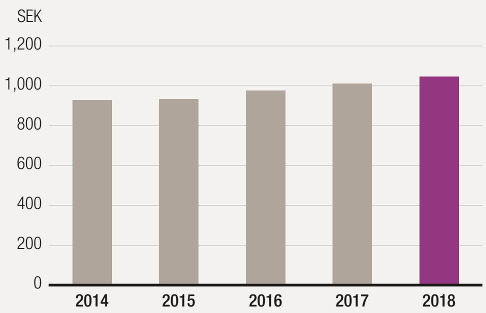
At the beginning of 2016, Scandic adopted the following financial targets:

- 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 to 3x.
- The dividend shall amount to 50 percent of the year's results. For 2018, the Board of Directors proposes that the Annual General Meeting resolve on a dividend of 3.50 SEK (3.40) per share. The dividend will be paid out in two equal amounts on two occasions during the year.

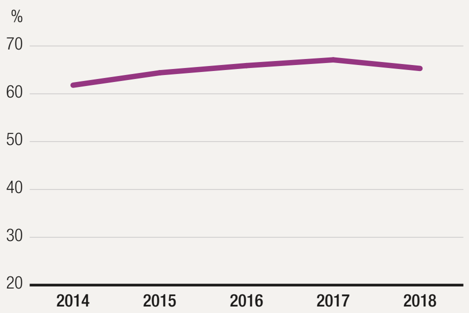
RevPAR, SCANDIC



AVERAGE ROOM RATES, SCANDIC



OCCUPANCY, SCANDIC



Five-year summary

MSEK	2018	2017	2016	2015	2014
Financial key ratios – income statement					
Net sales	18,007	14,582	13,082	12,192	10,826
Net sales growth, %	23.5	11.5	7.3	12.6	37.4
Net sales growth LFL, %	1.2	4.7	6.6	7.3	4.5
Adjusted EBITDA	1,957	1,573	1,513	1,246	1,019
EBITDA	1,853	1,477	1,462	1,114	686
EBIT (Operating profit/loss)	983	925	925	613	211
Adjusted EBITDA margin, %	10.9	10.8	11.6	10.2	9.4
EBITDA margin, %	10.3	10.1	11.2	9.1	6.3
Operating margin (EBIT), %	5.5	6.3	7.1	5.0	1.9
Profit/loss for the year attributable to the Parent Company	674	707	879	117	-439
Financial key ratios – financial position					
Balance sheet total	17,737	16,964	14,144	12,900	13,456
Equity	7,806	7,356	7,103	6,205	3,614
Working capital	-1,575	-1,501	-1,161	-1,132	-909
Interest-bearing net liabilities	3,837	3,629	2,709	3,355	6,073
Interest-bearing net liabilities/adjusted EBITDA	2.0	2.3	1.8	2.7	6.0
Cash flow from operating activities	1,723	1,544	1,609	1,186	790
Operating cash flow	469	-549	890	401	-1,596
Operating cash flow, excluding effects from finance leases	340	-549	890	401	-1,596
Key ratios per share					
Average number of shares after dilution	103,075,976	103,003,004	102,457,837	81,826,211	81,826,211
Earnings per share, SEK	6.54	6.86	8.58	1.43	-5.36
Equity/share, SEK	75.4	71.4	69.3	75.8	44.2
Hotel-related key ratios					
RevPAR (Average Revenue Per Available Room), SEK	683	680	643	601	574
ARR (Average Room Rate), SEK	1,045	1,012	976	934	927
OCC (Occupancy), %	65.3	67.1	65.9	64.4	61.8

SEGMENT

Sweden

MSEK	Jan–Dec 2018	Jan–Dec 2017	Change, %
Net sales	6,275	5,977	5.0
Net sales growth, %	5.0	6.0	
Organic growth, %	5.0	6.0	
Net sales growth LFL, %	0.6	1.7	
Adjusted EBITDA	910	878	3.6
Adjusted EBITDA margin, %	14.5	14.7	
RevPAR, SEK	719	710	1.3
ARR, SEK	1,054	1,029	2.4
OCC, %	68.2	68.9	

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

Organic growth was 5.0 percent or 298 MSEK. 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 1.3 percent compared with the same period the previous year. For comparable units, RevPAR fell by 0.3 percent.

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

Norway

MSEK	Jan–Dec 2018	Jan–Dec 2017	Change, %
Net sales	5,116	4,586	11.6
Net sales growth, %	11.6	22.5	
Organic growth	8.1	22.5	
Net sales growth LFL, %	0.9	9.4	
Adjusted EBITDA	502	490	2.4
Adjusted EBITDA margin, %	9.8	10.7	
RevPAR, SEK	646	617	4.8
ARR, SEK	1,044	988	5.6
OCC, %	61.9	62.4	

Net sales rose by 11.6 percent to 5,116 MSEK (4,586). Net sales for comparable units grew by 0.9 percent.

Organic growth was 8.1 percent or 371 MSEK. The greatest contributors were Scandic Lillestrøm, which 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) grew by 1.2 percent in local currency compared with the previous year. For comparable units, RevPAR grew by 1.6 percent.

Adjusted EBITDA rose to 502 MSEK (490). The increase is chiefly due to positive currency effects.

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

Finland

MSEK	Jan–Dec 2018	Jan–Dec 2017	Change, %
Net sales	4,168	1,915	117.7
Net sales growth, %	117.7	9.4	
Organic growth	-1.1	9.4	
Net sales growth LFL, %	4.1	7.1	
Adjusted EBITDA	590	339	74.0
Adjusted EBITDA margin, %	14.2	17.7	
RevPAR, SEK	612	663	-7.7
ARR, SEK	1,001	1,000	0.1
OCC, %	61.1	66.3	

The Restel acquisition is included in the income statement as of January 1, 2018. 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 positive effect. In the fourth quarter, all elements of the integration of Restel were completed. Integration costs for Restel amounted to 127 MSEK and are recognized in items affecting comparability, while investments in connection with the rebranding of hotels to the Scandic brand and system integrations were 31 MSEK. The acquired hotels contributed 2,148 MSEK to net sales over the year and made a positive contribution of 196 MSEK to adjusted EBITDA.

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

Organic growth was -1.1 percent or -19 MSEK. Scandic Helsinki Airport, which opened at the end of the first quarter, has contributed positively while Scandic Marski was closed for renovations in 2018.

Average Revenue Per Available Room (RevPAR) dropped by 14.2 percent in local currency compared with the corresponding period in the previous year. For comparable units, RevPAR grew by 4.6 percent.

Adjusted EBITDA rose to 590 MSEK (339).

Other Europe

MSEK	Jan–Dec 2018	Jan–Dec 2017	Change, %
Net sales	2,448	2,104	16.4
Net sales growth, %	16.4	7.9	
Organic growth	10.0	7.9	
Net sales growth LFL, %	0.6	2.3	
Adjusted EBITDA	304	267	13.9
Adjusted EBITDA margin, %	12.4	12.7	
RevPAR, SEK	811	753	7.7
ARR, SEK	1,100	1,023	7.5
OCC, %	73.7	73.6	

Net sales rose by 16.4 percent to 2,448 MSEK (2,104). Net sales for comparable units grew by 0.6 percent.

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

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

Adjusted EBITDA rose to 304 MSEK (267).

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

Central functions

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

Financial position

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

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

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

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

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

Cash flow and liquidity

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

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

Scandic and its tax advisors are of the opinion that the company has complied with applicable legislation and, accordingly, that the decision is incorrect. The company has appealed the decision and requested that the tax decision be rejected in its entirety. The company does therefore not include any cost for the taxes in the accounts.

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

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

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

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

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

Total rental costs

MSEK	2018	2017
Fixed and guaranteed rental costs according to the income statement	-2,968	-2,323
Fixed and guaranteed rental costs, reversed effect of finance leases	-129	0
Total fixed and guaranteed rental costs	**-3,097**	**-2,323**
Variable rental costs	-1,667	-1,442
Total rental costs	**-4,764**	**-3,765**
Fixed and guaranteed rental costs of net sales	17.2%	15.9%
Variable rental costs of net sales	9.3%	9.9%
Total rental costs of net sales	**26.5%**	**25.8%**

Effect of finance leases

The following items in Profit/loss have been affected by finance lease accounting:

MSEK	2018	2017
Fixed and guaranteed rental costs	129	0
Depreciations	-89	0
Effect of finance lease accounting on EBIT	**40**	**0**
Financial expenses	-68	0
Effect of finance lease accounting on EBT	**-28**	**0**
Taxes	6	0
Total effect of finance lease accounting on Profit/loss	**-22**	**0**

Acquisitions and divestments

On June 21, 2017, the Scandic Group entered into an agreement to acquire 100 percent of the shares in Restel Hotellit Oy. On December 29, 2017, the Scandic Group completed the acquisition for a preliminary purchase price of 1,160 MSEK. In 2018, the purchase price was adjusted to 1,177 MSEK after a complete reconciliation of cash and cash equivalents, working capital and investments compared with the targets for each item as stated in the acquisition agreement. Restel's operations comprised 43 hotels in Finland, of which seven were operated through franchise agreements with InterContinental Hotels Group. Most hotels were operated under the Cumulus brand, and these were rebranded as Scandic hotels during 2018.

Transaction costs of -2 MSEK and integration costs of 133 MSEK were included in items affecting comparability in the Group's income statement as at December 31, 2018. For more information, see Note 7.

The Finnish Competition and Consumer Authority's approval of Scandic's acquisition of Restel was subject to the condition that Scandic must divest three hotels: one in Lahti, one in Pori and one in Kuopio. On June 20, 2018, the sale of Cumulus Pori was announced and on August 30, 2018, an agreement to sell the hotel operations of Cumulus Kuopio was concluded. The sale of both hotels was made with no capital gain or loss. Scandic has initiated the process of divesting Scandic Lahti.

Portfolio development

At year-end, Scandic had 51,693 rooms in operation at 268 hotels, of which 242 had lease agreements. During the year, the number of hotels increased by a net of 39 and the number of rooms by 1,710. New hotels in operation during the year were Scandic Helsinki Airport, Finland (150 rooms), Scandic the Mayor, Denmark (162 rooms), Scandic Lillestrøm, Norway (220 rooms), Scandic Museumsufer, Germany (293 rooms), Holiday Inn West Ruoholahti, Finland (256 rooms), Scandic Hönefoss, Norway (83 rooms), Scandic Kødbyen, Denmark (370 rooms), Hotel Norge by Scandic, Norway (303 rooms) and Scandic Brennemoen, Norway (100 rooms).

Research and development

No R&D work was carried out during the year since the operations of the company are not of the type requiring R&D.

Share and ownership structure

Scandic's share has been listed on Nasdaq Stockholm's Mid Cap list since December 2, 2015. According to the company's share register kept by Euroclear Sweden AB, Scandic had 14,427 shareholders at the end of 2018. All shares have equal voting rights, the same share of assets and profit and a right to the same dividend. Of the total share capital, Stena Sessan AB is the largest shareholder with 17.4 percent of the votes and capital. Rolf Lundström, through Novobis AB and private holdings, is the second largest shareholder with 16.3 percent of the votes and capital. Scandic has entered into a share swap agreement with a third party to ensure the delivery of shares that may be allotted according to the long-term incentive program, LTIP. If the full number of matching shares and performance shares is allotted, the total number of shares allotted according to the LTIP will be 579,546, which corresponds to approximately 0.6 percent of Scandic's share capital and votes.

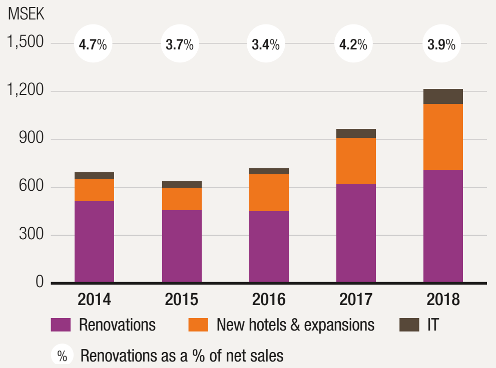
Risks and risk management

A description of Scandic's significant risks and uncertainties is provided in the Risks and risk management section on pages 78–81.

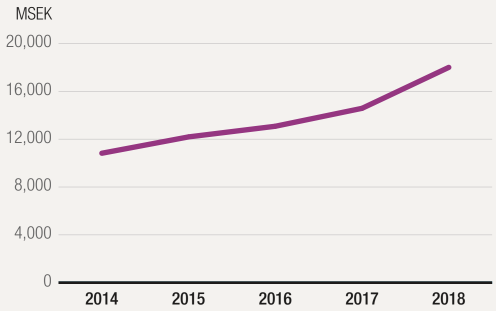
Employees

The average number of employees was 11,560 on December 31, 2018 compared with 9,929 on December 31, 2017. Scandic aims to be an equal opportunity employer and to provide a safe work environment, which among other things is governed by the Group's Code of Conduct. During the year, the annual employee survey again showed good results and improvements within leadership, motivation and commitment to the company. According to the research company TNS Sifo, Scandic is ranked as an "excellent" company from an employee perspective.

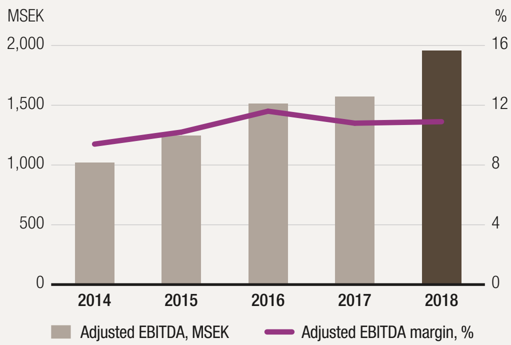
INVESTMENTS, 5 YEARS



NET SALES



ADJUSTED EBITDA & MARGIN



Sustainability report

Scandic has prepared a Sustainability Report in accordance with the Swedish Annual Accounts Act, which has been submitted by the Board of Directors. The Sustainability Report is available on pages 1–15 and 42–70. The Sustainability Report covers the Parent Company and the Swedish subsidiaries.

Executive Committee and Board of Directors

Scandic's Executive Committee is diversified and has solid experience from the hotel sector and consumer-oriented operations in various markets. The Executive Committee comprises the CEO and 11 senior managers: The Chief Financial Officer (CFO), SVP HR & Sustainability, VP Business Development, Chief Customer Officer, Chief Information Officer, Chief Commercial Optimization Officer and the Group's five country heads. Five nationalities are represented in the Executive Committee, which consists of nine men and two women.

At the Annual General Meeting held on April 26, 2018, Ingalill Berglund, Per G. Braathen, Grant Hearn, Lottie Knutson, Christoffer Lundström, Eva Moen Adolfsson, Fredrik Wirdenius and Martin Svalstedt were re-elected, and Frank Fiskers was appointed as a member of the Board for the period up to the end of the next Annual General Meeting. Per G. Braathen was appointed Chairman of the Board. Frank Fiskers resigned prematurely as a member of the Board at the end of November 2018.

Guidelines for remuneration to senior executives

Guidelines for remuneration and other terms and conditions for the CEO and other senior managers were adopted at the Annual General Meeting held on April 26, 2018. See the Corporate Governance Report on page 82 for more information.

Long-Term Incentive Program

Scandic has a share-based long-term incentive program. The expected financial exposure to shares that may be allotted under the LTIP and the delivery of shares to the participants of the LTIP has been hedged through Scandic's entering into a share swap agreement with a third party on market terms.

See Note 6 and the Corporate Governance Report on page 82 for further details.

Events after the reporting date

In January, Scandic paid approximately 180 MSEK related to a decision by the Adjustment Board regarding supplementary taxation in Finland for the years 2012 to 2017. Scandic and its tax advisors are of the opinion that the company has complied with applicable legislation and, accordingly, that the decision is incorrect. The company has appealed the decision and requested that the tax decision be rejected in its entirety. The company therefore does not include any cost for the taxes in the accounts.

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

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

Outlook

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

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

Parent Company

The operations of the Parent Company, Scandic Hotels Group AB, include management services for the rest of the Group. Revenues for the period amounted to 34 MSEK (54). Operating profit was 1 MSEK (-17). The net financial expense for the period was 143 MSEK (9). The Parent Company's loss before taxes was -1 MSEK (325).

Appropriation of profits

In accordance with the Board's dividend policy adopted on September 14, 2015, Scandic aims to distribute at least 50 percent of its net profit from the financial year 2016 onwards.

Decisions regarding appropriation of profits are made with consideration for the company's future profits, financial position, capital requirements and macro-economic conditions.

The Board of Directors proposes that the profits be distributed as follows:

	SEK
Dividend to shareholders, 3.50 SEK per share	360,477,763
To be carried forward	5,858,439,804
Total	**6,218,884,567**

The Board of Directors proposes that the dividend be paid in two equal amounts of 1.75 SEK per share on two occasions. The proposed record date for the first payment is May 9, 2019 and for the second payment, October 28, 2019.

For more information, please see the following financial statements and notes.

HOTELS & ROOMS IN OPERATION AND UNDER DEVELOPMENT

	Operational										Under development	
	Lease agreements		Management agreements		Franchise and partner agreements		Owned		Total		Total	
Dec 31, 2018	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
Sweden	79	16,655	1	145	5	646			85	17,446	3	1,092
Norway	67	13,450			17	2,117	1	135	85	15,702	3	1,052
Denmark	25	4,411	1	210					26	4,621	3	1,325
Finland	65	12,139			1	67			66	12,206	4	1,446
Other Europe	6	1,718							6	1,718	2	740
Total	**242**	**48,373**	**2**	**355**	**23**	**2,830**	**1**	**135**	**268**	**51,693**	**15**	**5,655**

RISKS & RISK MANAGEMENT

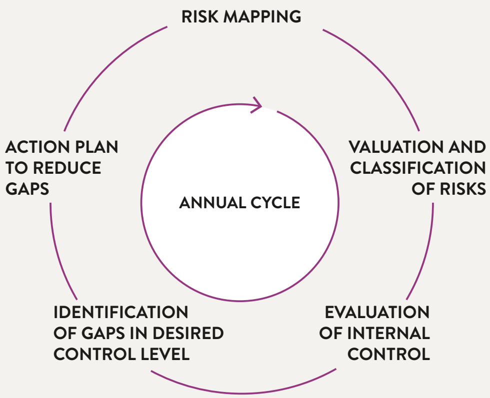
All business activities are associated with risks. Scandic has developed processes to handle different types of risks.

The ability to identify, assess, manage and monitor risks is an important part of the management and control of Scandic's business operations. The aim is that the Group's objectives will be achieved through well-considered risk-taking within established limits.

The risk management process includes strategic, operational and financial risks.

Scandic has good underlying risk diversification in the form of a geographically diverse and balanced customer base. The company operates primarily in the Nordic market through its hotels. Of the Group's revenues, corporate travel accounts for approximately 70 percent and leisure travel for about 30 percent. Scandic is not dependent on a specific industry or a few customers.

For a detailed description of internal controls designed to manage risks relating to financial reporting, see pages 82–93 in Scandic's Corporate Governance Report.



Risk management process

Scandic has established a risk management process designed to identify and reduce risks that can have an adverse effect on the Group's earnings, cash flow, brand and reputation or long-term competitiveness. The process that provides a framework for the Group's risk management follows an annual cycle:

- The Executive Committee carries out risk mapping where risks are identified and measured based on the probability that they will occur as well as the consequences of their occurrence on the Group's operations and financial position. This results in a risk map where each risk is classified as low, medium or high. The internal controls and the control environment are then evaluated to ensure that relevant controls are in place that can reduce risks both in terms of probability and consequences.
- Based on the Group's risk profile and risk strategy, any gaps in relation to the desired level of control are identified. Thereafter, an action plan is developed to reduce gaps where the value of reducing the risk is measured against the cost of establishing and maintaining internal controls.
- The structure and frequency of monitoring risk status and action plans is determined. Strategic risks are reported to the Board and monitored in connection with strategy meetings, establishing business plans and regular Board meetings. Financial risks are reported and monitored both in financial reporting to the Board and at Audit Committee meetings according to the agenda adopted at the Annual General Meeting. Operational risks are managed by the Executive Committee, but more significant risks are reported regularly to the Board.

Responsibility and monitoring

The Board of Directors has overall responsibility for ensuring that the Group has appropriate risk management structures in place. The Board is also responsible for following up on strategic risks. The Audit Committee is responsible for evaluating the efficacy of the structure and risk management processes. The Audit Committee is also responsible for monitoring financial risks in accordance with the committee's instructions.

The President & CEO is responsible for managing risks in accordance with the guidelines adopted by the Board. The risk management process and work within specially identified risk areas are driven centrally by the Group's Chief Financial Officer, who has overall responsibility. Operational risks are managed by the Executive Committee where each significant risk identified is assigned to a designated manager who is responsible for proposing measures to fill any gaps and ensure the execution of action plans. Financial risks are managed by Group Finance in accordance with Board-approved policies and instructions and are reported by the Chief Financial Officer to the Audit Committee.

Sustainability risks

During the year, an evaluation of sustainability risks was carried out. The evaluation considered all four areas of the UN Global Compact: environment, human rights, labor and anti-corruption. The results were included in Scandic's work to develop its sustainability strategy. The company's business development and its operational and strategic decisions include sustainability as a parameter that is evaluated based on opportunities and risks. The management of sustainability risks is an integrated element of the Group's risk management process.

Strategic and operational risks

The following pages provide a description of the most significant risks to which Scandic's operations are exposed. These are not the only risks and there may be other risks that are currently considered immaterial that may have a negative effect on the Group's business, financial performance or position. The order in which risks are presented should not be considered an indication of the probability of the occurrence of the risk or the seriousness of the consequences.

Strategic risks include external factors that may affect Scandic's business and long-term competitiveness as well as internal factors that could lower the prospects of achieving Scandic's strategic business objectives. Operational risks are risks over which Scandic has control and primarily include processes, assets and people.

Business risk

A change in RevPAR due to variable rental costs and variable costs will have an impact of approximately 45 to 65 percent 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 percent in RevPAR will have an impact of approximately 60 to 80 MSEK on EBITDA on an annual basis, where the higher value relates to a change driven entirely by the average room rate and the lower value refers to a change driven solely by occupancy.

MARKET RISKS

Scandic operates in a sector where demand for hotel nights and conferences is influenced by the underlying domestic development and purchasing power in the geographic markets in which Scandic does business, as well as development in countries from which there is a significant amount of travel to Scandic's domestic markets.

Additionally, profitability in the sector is impacted by changes in room capacity. When new hotels are established, occupancy can decrease in the short term. In the long term, however, greater availability of rooms can help generate interest in particular destinations for business and leisure travel, thereby increasing the number of hotel rooms sold.

Increased growth in apartment hotels and concepts such as Airbnb as well as the rising use of video conferencing may impact demand for traditional hotel and conference services.

Competition from digital distribution channels and search engine companies may reduce traffic to Scandic's own distribution channels, which could have a negative impact on Scandic's operations and profitability.

Risk management

Scandic operates in the mid-market hotel segment, which historically has demonstrated greater resilience in economic downturns.

Scandic's business model is based on lease agreements where approximately 84 percent of the agreements have variable, revenue-based rents. This results in lower profit risks since revenue losses are partly offset by reduced rental costs. Scandic's other expenses 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. All together, this means that by having a flexible cost structure, Scandic can lessen the effects of seasonal and economic fluctuations.

Scandic sells products to a wide range of customers and industries. The company has achieved a high percentage of satisfied and returning customers and guests.

A significant share of distribution, just over 60 percent, is achieved through Scandic's own channels, and a high level of revenues from members of Scandic's loyalty program contributes to revenue stability. Scandic invests regularly in achieving an optimal and customer-focused buying process and maintaining a leading digital dialogue with customers. To increase the inflow of international leisure travelers, distribution through digital channels with international reach is essential.

POLITICAL RISK, TAXES & DECISIONS OF AUTHORITIES

Changes in VAT or other taxes may affect demand for hotel stays, conference facilities and restaurants. Changes in taxes, social security fees and other fees that increase Scandic's costs may have a negative effect on the Group's results.

Scandic is also impacted by regulations and legislation on the EU and national levels. The EU introduced the General Data Protection Regulation (GDPR) on May 25, 2018, which has led to stricter requirements on handling personal data.

Risk management

Scandic operates only in countries that are politically mature and stable, which leads to a low political risk. Through geographic spread, the risk that changes to legislation and regulations in a single country may impact Scandic's earnings negatively is reduced.

During 2018, Scandic worked to implement routines and procedures to meet the new demands resulting from the introduction of GDPR.

LEASE AGREEMENTS – FINANCIAL COMMITMENTS

Scandic's business model is based on lease agreements. These agreements are signed for a period of typically 15 to 20 years, with the option to extend in many cases. According to these agreements, the property owner and the tenant (Scandic) share responsibility for investments in and maintenance of the property. Scandic's commitment relates in general to maintenance and replacement of finishes, furniture, fixtures and equipment. Historically, these investments have accounted for 3 to 4 percent of Scandic's net sales.

Risk management

The risk involved in long-term financial commitments is reduced through a high proportion of agreements with variable rent. Of Scandic's total lease agreements (based on the number of rooms), approximately 84 percent have fully variable rent or variable rent with a minimum guaranteed rent. The latter is the most common contract model in the Nordic countries.

Revenue-based rent and joint investment responsibility mean that the property owner and tenant have a common interest in developing and maintaining the property in order to increase guest satisfaction and generate revenue. Scandic prepares rolling plans for renovating and maintaining hotels to ensure their standard, attractiveness and ability to continue to generate good revenue.

According to Scandic's portfolio strategy, the company only enters into lease agreements for hotels in markets that have good, stable demand, that are in attractive locations and that have the scale and configuration that allow for good profitability and thereby low commercial risk. Where these criteria are not met and the risk of entering into a lease agreement is deemed too high, a franchise agreement may be considered if the geographic location of the property has a strategic value or may contribute to increasing the value of Scandic's loyalty program by improving geographic reach.

BRAND & REPUTATION

The hotel market is constantly evolving in terms of preferences and customer behavior. For this reason, it is extremely important for a hotel company to ensure that its brand and content as well as its perceived position remain relevant and appreciated at all times. Maintaining the strength and relevance of the Scandic brand and customer perception of Scandic's offering and concept is therefore critical to ensure long-term competitiveness.

Risk management

Scandic is the leading brand in the Nordic countries and the Scandic brand is one of the Group's most valuable assets. Scandic's loyalty program, Scandic Friends, is the largest in the Nordic hotel industry. In 2018, Scandic Friends generated about 35 percent of the Group's revenues from accommodations. By owning its brand, Scandic can guarantee the consistency and quality of its offerings and service and also ensure that the content and offering are constantly adapted to the demands and preferences of both existing and new customers.

Scandic's Code of Conduct is based on social and environmental sustainability as well as ethical business conduct in all areas of its operations. The Code applies to all employees and also places demands on Scandic's suppliers and partners.

HUMAN RESOURCES & TALENT MANAGEMENT

Scandic operates in the service industry where each customer and guest experience has a great impact on how the Group's offering, quality and service are perceived. Employee engagement is a key driver in terms of customer satisfaction and it is therefore also central to the Group's long-term results. The ability to attract, develop and retain talents and build a good service and corporate culture is therefore critical.

Risk management

Scandic has a strong corporate culture and to strengthen it further, the company's cultural platform has been implemented fully in the Group. Each year, Scandic conducts an employee survey that has a very high response rate and high scores when it comes to job satisfaction. The insight obtained through this survey is an important tool for continued improvement throughout the entire organization.

Scandic develops leadership through regular evaluation and development programs at all levels of the organization, including the Scandic Business School. Talent@Scandic is the Group's program for training leaders and developing talents.

SUSTAINABILITY

Hotel security

The risk of incidents associated with hotel security, such as fire, accidents involving staff or guests or terror incidents.

Risk management: Scandic has a security program that includes crisis management in the event of fire, accidents or terror incidents. The security program includes having AEDs (automated external defibrillators) in all hotels. All employees receive regular training and self-inspections are carried out twice per year. In 2018, an evaluation was carried out and measures were implemented to ensure that internal routines for security are optimal in all countries.

Supply chains

Scandic requires all suppliers to comply with the UN Global Compact criteria. In addition, Scandic has detailed requirements, including environmental aspects. There is a risk that suppliers do not comply with these high requirements.

Risk management: Scandic has a process where all suppliers are reviewed on the basis of different risk criteria during a procurement. If Scandic identifies a possible risk, careful checks are carried out covering all areas of sustainability.

Working conditions

There is a risk that working conditions do not reach the level where the health and safety of employees can be guaranteed.

Risk management: Scandic carries out regular safety audits in all hotels to ensure employee safety. These are followed up with annual self-inspections and evaluations by the employees of their physical and psychosocial work environment as part of the annual employee survey. In addition, Scandic has an anonymous whistleblowing system that enables employees and external parties to report gross deviations/incidents anonymously.

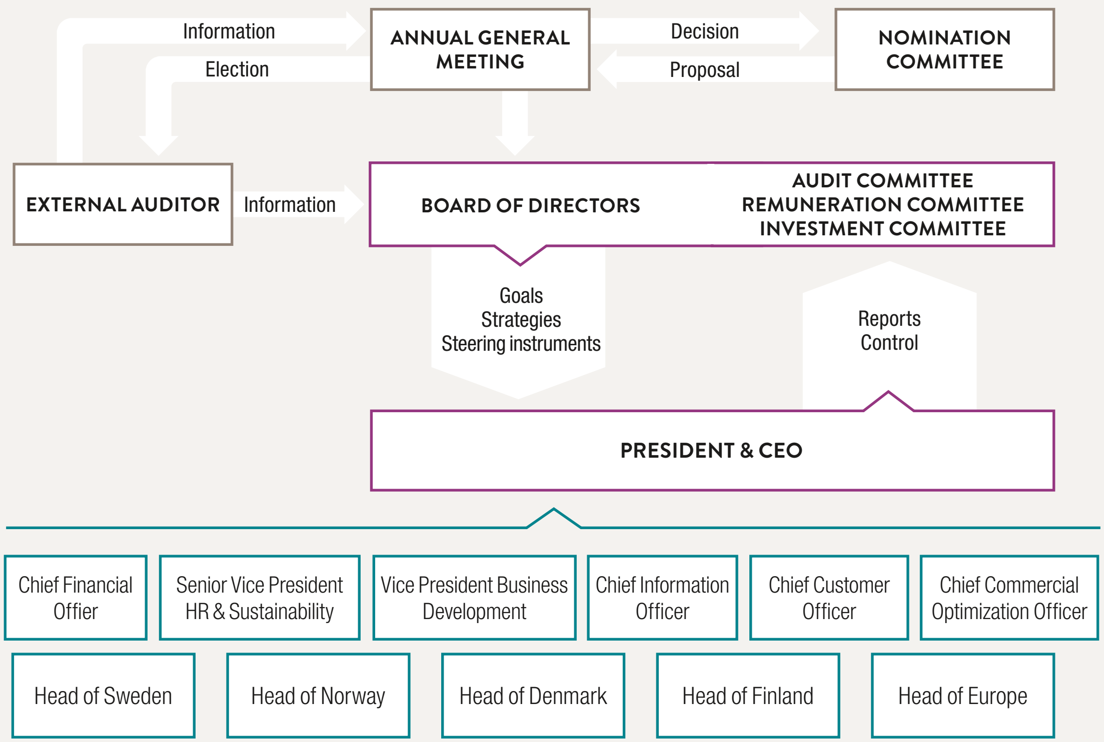
SUSTAINABILITY cont.	Risk management
Property ownership structure Scandic does not own any hotel properties. This means that Scandic is dependent on the property owners implementing measures to reduce their environmental impact, such as systems for ventilation and heating. There is a risk that property owners may not want to make these types of investments, making it more difficult for Scandic to meet its CO_2 emission targets.	Scandic is engaged in continuous dialogue with its property owners, encouraging them to implement measures to reduce their environmental impact.
Corruption and fraud There is a risk that Scandic's routines are not secure enough to prevent corruption and/or fraud in various forms.	Scandic has internal rules and procedures in place that are intended to prevent corruption and fraud. Managers and leaders also receive training in these areas.
Trafficking and prostitution Hotels are locations where prostitution and trafficking may occur. This is a risk, as this type of activity attracts other forms of crime and poses a direct danger to victims.	In cooperation with the police, the employer organization, the unions and the authorities, Scandic has developed a training program aimed at helping hotel employees detect if trafficking or prostitution is occurring at a hotel. This training is carried out regularly.

FINANCIAL RISKS	Risk management
The Group's activities expose it to a variety of financial risks: market risk (including exchange rate risk and interest rate risk), credit risk and liquidity risk. The Group's overall financial policy focuses on the unpredictability of the financial markets and seeks to minimize potential adverse effects on the Group's financial result.	Risk management is handled by Group Finance in accordance with policies established by the Board of Directors. These include overall risk management as well as risk management for specific areas such as exchange rate risk, interest rate risk, credit risk, the use of derivatives and non-derivative financial instruments and investment of excess liquidity. Group Finance identifies, evaluates and hedges financial risks in close collaboration with the Group's operating units. For a description of financial risks and their management, see Notes 22b and 22c.

CORPORATE GOVERNANCE

Scandic is a Swedish public limited liability company, with its registered office in Stockholm, whose shares are listed on Nasdaq Stockholm's Nordic Mid Cap list. Scandic applies the Swedish Corporate Governance Code and hereby submits its Corporate Governance Report for the 2018 financial year.

CORPORATE GOVERNANCE AT SCANDIC



EXTERNAL STEERING INSTRUMENTS

- Swedish Companies Act
- Annual Accounts Act
- Other applicable legislation
- Nasdaq Stockholm's Rulebook for Issuers
- The Swedish Corporate Governance Code

INTERNAL STEERING INSTRUMENTS

- Articles of Association
- Rules of Procedure and Instructions for the CEO and the Board
- Values
- Code of Conduct
- Policies and guidelines

THE BASIS OF SCANDIC'S CORPORATE GOVERNANCE

Scandic's corporate governance aims to support the Board of Directors and the Executive Committee so that all operations create long-term value for shareholders and other stakeholders.
Governance includes upholding:

- an efficient organizational structure;
- systems for risk management and internal control; and
- transparent internal and external reporting.

GOVERNANCE STRUCTURE

Responsibility for the governance and control of Scandic is distributed between the shareholders, the Board of Directors, its appointed committees and the CEO. The governance of Scandic is based on external and internal governance instruments. The external governance framework includes the Swedish Companies Act, Nasdaq Stockholm's Rule Book for Issuers, the Swedish Corporate Governance Code (the "Code") and other applicable Swedish and foreign legislation and regulations.

The internal binding governance instruments include the Articles of Association, the Rules of Procedure for the Board of Directors, instructions for the Board's committees and the CEO, Scandic's Code of Conduct, the authorization and delegation procedure, the Finance Policy, the Information Policy and the Insider Policy.

DEVIATIONS FROM THE CODE

Scandic complies with the Swedish Corporate Governance Code with the following exception:

- Rule 9.7: Incentive programs – To adapt the vesting period for potential future share-related incentive programs, the vesting period in the Long-Term

GRI: 102-18

Incentive Program implemented in December 2015 is approximately 2.4 years and accordingly, it does not meet the requirement that the vesting period to the date for the acquisition of shares be no less than three years. The vesting period for the incentive program implemented in December 2015 ended on April 26, 2018. The incentive programs that were launched in 2016–2018 are compliant with the Code.

SIGNIFICANT EVENTS IN 2018

At the Annual General Meeting 2018, Per G. Braathen was elected as Chairman of the Board due to the fact that Vagn Sørensen had announced that he would stand down as Chairman and member of the Board. Frank Fiskers was elected as a Board member at the Annual General Meeting 2018 and left the Board on November 30, 2018 due to having accepted a non-executive position at another company that was deemed incompatible with his directorship at Scandic Hotels.

During the year, Scandic announced changes to its Executive Committee where the responsibilities of the previous Chief Commercial Officer were divided into two functions: a Chief Customer Officer responsible for brand strategy, marketing and the loyalty program among other things, and a Chief Commercial Optimization Officer responsible for distribution, revenue optimization and sales. In addition, the position of Chief Information Officer was established with responsibility for IT operations and development, among other things. An Investment Committee was also established to follow up on the Company's investments and to provide input on investment criteria. In accordance with the proposal of the Board, the Annual General Meeting resolved unanimously to adopt a long-term incentive program targeting a maximum of 80 senior executives and key employees in the Group.

SHARE AND SHAREHOLDERS

The Scandic share has been listed on Nasdaq Stockholm's Nordic Mid Cap list since December 2, 2015. At year-end 2018, the share capital of Scandic was 25.7 MSEK divided into 102,985,075 shares with all shares conferring equal voting rights, an equal share of assets and earnings and an equal share of any dividends. Of the total share capital, 64.1 percent was held by Swedish investors and 35.9 percent by foreign investors. The ten largest shareholders represented 61.1 percent of the share capital and votes in the Company. At year-end, Stena Sessan was the largest shareholder with holdings corresponding to 17.4 percent of the Company's share capital and votes. Rolf Lundström's holdings through Novobis and privately totaled 16.3 percent of the share capital and votes at year-end.

SHAREHOLDERS' INFLUENCE THROUGH THE GENERAL MEETING

The shareholders exercise influence at the general meeting, which is Scandic's highest decision-making body. The general meeting adopts the Articles of Association and at the Annual General Meeting, which is the regular general meeting held annually, the shareholders elect the Board members, the Chairman of the Board and the auditor and determine their fees. The Annual General Meeting further adopts the income statement and the balance sheet and decides on the appropriation of profits and whether to discharge the Board members and the CEO from liability to the Company. The Annual General Meeting also appoints the Nomination Committee, determines its work and adopts principles of remuneration and terms of employment for the CEO and other senior executives. Scandic's Annual General Meeting is held annually in Stockholm before the end of June. Extraordinary general meetings may be held as and when needed.

ANNUAL GENERAL MEETING 2018

At the Annual General Meeting held on April 26, 2018 in Stockholm, resolutions were passed on the following:

- Adoption of the income statement and balance sheet for 2017.
- Decision in accordance with the Board of Directors' proposal that a dividend of 3.40 SEK per share for the 2017 financial year be paid out in two separate payments and that the rest of the free equity be carried forward.
- Discharge of the Board of Directors and the CEO from liability to the Company.
- Per G. Braathen, Grant Hearn, Lottie Knutson, Eva Moen Adolfsson, Fredrik Wirdenius, Ingalill Berglund, Martin Svalstedt and Christoffer Lundström were re-elected as Board members. Frank Fiskers was elected as a new member. Per G. Braathen was elected as Chairman of the Board.
- PricewaterhouseCoopers was reappointed as auditor, with Sofia Götmar-Blomstedt as auditor-in-charge for the period until the end of the Annual General Meeting 2019.
- Remuneration to the Board of Directors and the auditor.
- Guidelines for remuneration to senior executives in accordance with the proposal of the Board.
- Adoption of the Long-Term Incentive Program and hedging measures for the program in accordance with the proposal of the Board.

ANNUAL GENERAL MEETING 2019

Scandic's Annual General Meeting 2019 will be held on May 7, 2019 in Stockholm. For more information, see page 137.

NOMINATION COMMITTEE

The Nomination Committee represents the Company's shareholders and is tasked with preparing proposals for the Annual General Meeting regarding the election of the Chairman of the Annual General Meeting, Board members, the Chairman of the Board and the auditor, as well as proposals for fees to the Board of Directors, fees to the auditors and, to the extent it is considered required, proposed changes to the instructions to the Nomination Committee. The Nomination Committee has adopted the guidelines stipulated in section 4.1 of the Code as the diversity policy as regards the composition of the Board of Directors. Proposals should be justified to reflect the requirement that the Board have a composition that is appropriate based on the Company's needs, characterized by versatility and breadth. The Nomination Committee strives to meet the Code's requirements for an even gender distribution and diversity mainly with regard to age, nationality and skills.

The Company shall have a Nomination Committee consisting of the Chairman of the Board and a representative of each of the three largest shareholders based on shareholder statistics from Euroclear Sweden AB as at the last banking day in August each year. The Nomination Committee's term of office shall run until a new Nomination Committee has been appointed.

Unless otherwise agreed by the members of the Nomination Committee, the Chairman of the Nomination Committee shall be the member who represents the largest shareholders based on the number of votes. If a shareholder should cease to be one of the three largest shareholders by number of votes during the Nomination Committee's term of office, the representative appointed by the shareholder in question shall resign, and the shareholder that has become one of the three largest shareholders by number of votes shall appoint a representative. Such a change is not necessary if the change in votes is marginal or if it occurs later than three months prior to the Annual General Meeting, unless there are special reasons for such.

The names of the three shareholder representatives and the names of the shareholders represented by them shall be announced no later than six months prior to the Annual General Meeting.

The Nomination Committee for the Annual General Meeting 2019

The Nomination Committee for the Annual General Meeting 2019 consists of four members and in addition to the Chairman of the Board of Directors includes representatives from the three largest shareholders as at August 31, 2018. The work of the Nomination Committee was led by Joel Lindeman of Novobis AB. The composition of the Nomination Committee was published in a press release on November 6, 2018.

Nomination Committee	Representing	% of the number of votes as at December 31, 2018
Per G. Braathen		
Joel Lindeman	Novobis AB	16.3
Johan Wester	Stena Sessan AB	17.4
Trygve Hegnar	Periscopus	5.0

In the work on nominations for the Annual General Meeting 2019, the Nomination Committee has assessed the size and composition of the current Board of Directors as well as Scandic's operations. Special consideration was given to industry-specific and financial expertise and an even gender distribution. The Nomination Committee complies with the guidelines in the Code regarding Board member independence. Scandic's Diversity Policy was considered chiefly as regards equal gender distribution. The 2019 Nomination Committee held three meetings and maintained communication in between. The Nomination Committee based its work on the Chairman of the Board's report on the work of the Board of Directors and discussions with the CEO about the operations of the Company.

The proposals of the Nomination Committee will be presented at the Annual General Meeting 2019 and on Scandic's website at scandichotelsgroup.com

The reasoning behind the proposals, a report on the committee's work and a full presentation of the proposed members will also be published on the site.

The Nomination Committee can be reached at nominationcommittee@scandichotels.com. For the Nomination Committee to consider suggestions, shareholders who wish to submit proposals may do so at any time before December 31. More information is available at scandichotelsgroup.com

JAN	FEB	MAR	APR	MAY	JUN
1	2	3	4 5		6
JUL	**AUG**	**SEP**	**OCT**	**NOV**	**DEC**
7		8	9		10

1 Profit warning

2 Q4 Report, investment decision, follow-up on the Restel acquisition, organizational changes, outcome from employee survey

3 Approval of documents for annual general meeting, investment decisions

4 Q1 Report, review of Swedish operations, investment decisions, follow-up on investments, renumeration to the Executive Committee, succession plan

5 Statutory Board meeting, approval of working procedure, CEO instruction and instructions to the committees (per capsulam)

6 Strategy review, Investment Committee established investment decisions, risk analysis, review of Finnish operations, follow-up on the Restel acquisition

7 Q2 Report

8 Approval of policies, investment decisions, review of financial targets, review of Danish operations, follow-up on organizational changes

9 Q3 Report, investment decisions, review of loyalty program, review of overall recruitment plan, talent and succession planning

10 Investment decision, budget for 2019, review of Norwegian operations

BOARD OF DIRECTORS

The Board of Directors is responsible for Scandic's organization and the management of the Company's affairs. According to the Articles of Association, the Board of Directors shall consist of no fewer than three and no more than eleven Board members, with no more than two alternates. In addition, trade unions are entitled to appoint two regular Board members and two alternates. Board members are elected annually at the Annual General Meeting for the period up until the end of the subsequent Annual General Meeting.

Composition of the Board of Directors 2018

The Annual General Meeting 2018 elected nine Board members and appointed one employee representative. Since Frank Fiskers left the Board on November 30, 2018, the Board comprises eight members and one employee representative elected for the period up until the end of the Annual General Meeting 2019. This means that there is one vacant Board position prior to the Annual General Meeting 2019. Two of the eight Board members are foreign nationals. The CEO and the Group's Chief Financial Officer participate in Board meetings as well as the Board's secretary. Other employees of the Group participate in Board meetings to report on special matters as and when necessary.

Independence

None of the Board members are employed by the Scandic Group. Frank Fiskers was deemed not independent in relation to the Company and the senior executives. All other Board members are considered to be independent in relation to the Company and the senior executives. Six of the eight Board members, who are independent in relation to the Company and the senior executives, are also independent in relation to the Company's major shareholders. Scandic thereby complies with the requirements in the Code regarding the Board of Directors' independence in relation to the Company, the senior executives and the Company's major shareholders.

Composition of the Board of Directors, independence, attendance, committees and remuneration

Name	Position	Elected, year	Independent in relation to the company and senior executives	Independent in relation to the largest shareholders	Attendance and number of meetings[1]	Committees, attendance and number of meetings[1]	Remuneration 2018
Vagn Sørensen	Former Chairman	2007	Yes	Yes	4 (10)	3 (6) Remuneration Committee	320,833
Per G Braathen	Chairman	2007	Yes	Yes	10 (10)	3 (3) Investment Committee 6 (6) Remuneration Committee	762,500
Ingalill Berglund	Member	2016	Yes	Yes	9 (10)	8 (8) Audit Committee	526,667
Frank Fiskers[1]	Member, resigned	2018	No	Yes	5 (10)		0
Grant Hearn	Member	2014	Yes	Yes	9 (10)	3 (3) Investment Committee 5 (6) Remuneration Committee	451,667
Lottie Knutson	Member	2015	Yes	Yes	9 (10)		364,167
Christoffer Lundström	Member	2016	Yes	No	10 (10)	8 (8) Audit Committee	418,334
Eva Moen Adolfsson	Member	2014	Yes	Yes	10 (10)	6 (6) Remuneration Committee	439,167
Martin Svalstedt	Member	2017	Yes	No	10 (10)	7 (8) Audit Committee 3 (3)Investment Committee	418,334
Fredrik Wirdenius	Member	2015	Yes	Yes	10 (10)	8 (8) Audit Committee 3 (3) Investment Committee	418,334
Marianne Sundelius	Employee rep.	2017	No	Yes	10 (10)		40,000
Total							**4,160,003**

[1] Total number of meetings during the year. Frank Fiskers joined the Board on April 26, 2018 and left the Board on November 30, 2018.
Vagn Sørensen stood down as Chairman and member of the Board at the Annual General Meeting held on April 26, 2018.

Work of the Board of Directors

The duties of the Board of Directors are regulated in the Swedish Companies Act, the Company's Articles of Association and the Code. The work and procedures of the Board of Directors are established annually in written Rules of Procedure. These rules govern the distribution of work and responsibilities among the Board members, the Chairman of the Board and the CEO, and the routines for financial reporting. The Board of Directors also adopts instructions for the committees of the Board of Directors.

The duties of the Board of Directors include appointing the CEO, adopting strategies, business plans, budgets, interim reports, year-end accounts and annual reports as well as adopting instructions, policies and guidelines. The Board of Directors also monitors the financial performance of the Company, ensures the quality of financial reporting and internal control and evaluates the operations in relation to the objectives and guidelines adopted by the Board of Directors. The Board of Directors also resolves whether to enter into or extend leases, franchise agreements and management agreements and whether significant investments or changes in the Group's organization and operations should be made.

The Chairman of the Board is responsible for the work of the Board of Directors, including ensuring that the work of the Board of Directors is conducted efficiently and that it fulfils its obligations in accordance with applicable laws and regulations. The Chairman of the Board shall, in close cooperation with the CEO, monitor the Company's performance and prepare and lead Board meetings. The Chairman of the Board is also responsible for ensuring that Board members evaluate their work annually and regularly receive the information required to conduct their work efficiently. The Chairman of the Board represents the Company vis-à-vis the shareholders.

Work during the year

During the year, nine regular Board meetings were held, of which one per capsulam, and one extraordinary meeting. The Board dealt with issues related to investment decisions and the work of the Investment Committee, property development, policies, remuneration to senior executives, the integration of Restel, market analysis and organizational changes.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors has established three committees: the Audit Committee, the Remuneration Committee and the Investment Committee. None of the committees are authorized to make decisions, but they prepare matters and present them to the Board of Directors for decisions. The work of the committees is conducted in accordance with the written procedures for each committee, as adopted by the Board of Directors and the Rules of Procedure for the Board.

Remuneration Committee

The Remuneration Committee prepares resolutions in matters involving remuneration principles, salaries, benefits and remuneration to the CEO and senior executives who are subordinate to the CEO. The Remuneration Committee shall also supervise and evaluate the outcome of programs for variable remuneration and the Company's compliance with the guidelines for remuneration adopted at a general meeting.

The Remuneration Committee shall consist of at least three Board members elected at a general meeting. The Chairman of the Board may also be the Chairman of the Remuneration Committee. The other members of the committee shall be independent in relation to the Company and its senior executives.

The Remuneration Committee consists of Grant Hearn (Chairman), Per G. Braathen and Eva Moen Adolfsson.

The Remuneration Committee held six meetings during the year. The committee conducted a review of the basic remuneration for senior executives, the bonus program, other remuneration and the Long-Term Incentive Program.

Audit Committee

The Audit Committee prepares the Board of Directors' work on matters involving risk assessments, internal control, internal audit, accounting, financial reporting and audits. The work of the committee aims to ensure compliance with the adopted principles for financial reporting and internal control and that the Company's relationship with its auditors is appropriate for the purpose.

The Audit Committee shall also evaluate the audit and provide a report to the Nomination Committee. It shall also propose auditors to the Nomination Committee.

The Audit Committee also follows up and comments on non-auditing related services that Scandic procures from the Company's auditor.

The Audit Committee shall consist of at least three members. The majority of the members shall be independent in relation to the Company and the senior executives, and at least one member shall be independent in relation to the Company, the Company's senior executives and the Company's major shareholders. He or she shall also have experience in auditing or accounting.

The Audit Committee consists of Ingalill Berglund (Chairman), Christoffer Lundström, Martin Svalstedt and Fredrik Wirdenius. The requirements of the Swedish Companies Act regarding independence and accounting or auditing expertise are thus met.

The Audit Committee held eight meetings during the year, six of which were attended by the Company's auditor.

The following matters were addressed at the Audit Committee meetings:

- Interim reports – review prior to approval by the Board of Directors.
- Status of internal control and risk analysis, and evaluation of the structures and efficiency of internal control.
- Auditors' reports on the review of the annual accounts, the interim report for the third quarter, "early warning" and internal control.
- Audit plan and auditors' fees as well as evaluation of the work and independence of the auditors.
- Evaluation of the requirement for an internal audit function for recommendation to the Board of Directors.
- IT Security Policy – review prior to approval by the Board of Directors.
- Status of ongoing disputes and legal matters – standing item at all meetings.
- The effects of upcoming changes in accounting principles related to finance leasing.

Investment Committee

The Investment Committee was established in 2018 and prepares decisions on issues related to investment proposals such as new investments and extensions as well as extensions of lease agreements. The Investment Committee shall also continually evaluate hotel investments and regularly review the development of the hotel portfolio, investment criteria and the process for managing the Group's investments.

The Investment Committee shall consist of at least three members of the Board elected at the annual general meeting. The Investment Committee consists of Grant Hearn (Chairman), Per G. Braathen, Martin Svalstedt and Fredrik Wirdenius. During 2018, the Investment Committee held three meetings.

EVALUATION OF THE WORK OF THE BOARD OF DIRECTORS

The Chairman of the Board is responsible for evaluating the work of the Board of Directors. The Board of Directors evaluates its work annually. This evaluation concerns the procedure and main direction for the work of the Board of Directors. The evaluation also focuses on access to and the need for special expertise on the Board of Directors. The evaluation in 2018 was done through an extended process in which all Board members answered questions and took part in interviews with an external party. The results were presented and discussed by the Board of Directors and the Nomination Committee. The evaluation was used as a tool to develop the work of the Board of Directors and also constitutes support for the work of the Nomination Committee.

Auditors

PricewaterhouseCoopers has been the Company's auditor since 2012. At the Annual General Meeting held on April 26, 2018, PricewaterhouseCoopers was reappointed as auditor, with Sofia Götmar-Blomstedt as the Auditor-in-charge, for the time until the end of the Annual General Meeting 2019. Sofia Götmar-Blomstedt is an authorized public accountant and a member of FAR. During 2018, the auditor reported observations on one occasion to the Board of Directors. No members of the Executive Committee were present. Thereafter, the auditor participated in six meetings with the Audit Committee.

The Audit Committee evaluates the auditors' work and independence annually.

The auditor receives a fee for its work, according to a resolution of the Annual General Meeting. Information on auditors' fees is provided in Note 4 on page 106.

EXECUTIVE COMMITTEE

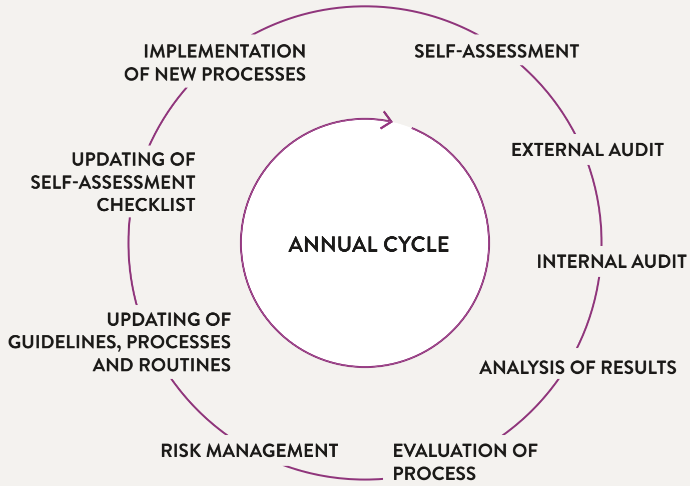
Scandic's Executive Committee has solid experience from the hotel sector and consumer-oriented operations in various markets. During the year, Scandic announced changes to its Executive Committee where the responsibilities of the previous Chief Commercial Officer were divided into two functions: a Chief Customer Officer responsible for brand strategy, marketing and the loyalty program among other things and a Chief Commercial Optimization Officer responsible for distribution, revenue optimization and sales. In addition, the position of Chief Information Officer was created with responsibility for IT operations and development, among other things.

The Executive Committee consists of the CEO and 11 senior executives: the Chief Financial Officer (CFO), the Senior Vice President Human Resources & Sustainability (SVP HR & Sustainability), the Vice President Business Development (VP Business Development), the Chief Customer Officer, the Chief Commercial Optimization Officer, the Chief Information Officer and the Group's five Country Heads. Five nationalities are represented in the Executive Committee, which is composed of ten men and two women. During the year, three new members joined the Executive Committee. See pages 92–93 for more information about the Executive Committee.

The CEO's areas of responsibility and powers are governed by the Rules of Procedure for the Board of Directors and instructions for the CEO. The CEO is responsible for communicating and implementing Scandic's strategy, business plans and other decisions in the organization. The CEO is also ultimately responsible for ensuring that the governance, organization, risk management, internal processes and IT infrastructure are satisfactory.

To achieve economies of scale and ensure a consistent offering, Scandic has gathered a number of support functions centrally including accounting and finance, HR, purchasing, IT, marketing, product development, revenue management, and restaurant and conference operations. Personnel in charge of the various Group functions are also responsible for developing Group-wide policies, guidelines and working methods and for following up on and ensuring that the Group's operations are conducted in compliance with adopted policies and standards.

ANNUAL CYCLE OF THE EXECUTIVE COMMITTEE



Sustainability

Sustainability is an integrated part of Scandic's governance and reporting. The understanding of and commitment to challenges such as climate change, creating ethical and safe workplaces and being a responsible purchasing party are of major importance to the Group. In all of the countries where Scandic conducts business, the Company strives to employ people who reflect the society in which the hotels operate and discrimination and harassment are prohibited. In this context, Scandic's governance documents are the Code of Conduct, the Code of Conduct for Suppliers, the Anti-Corruption Policy, the Environmental Policy and the Diversity & Inclusion Policy. Scandic's Diversity & Inclusion Policy is an underlying policy for Scandic's Code of Conduct. The policy sets out that diversity contributes to business success and clearly stipulates that no form of discrimination is accepted.

When appointing Board members, the Nomination Committee strives for diversity mainly with respect to gender, age, nationality and skills. The Board of Directors has joint responsibility for sustainability. Within the Executive Committee, sustainability is delegated to the heads of each function: the CFO is responsible for anti-corruption and supplier control and the SVP HR & Sustainability is responsible for reporting and ESG information, employment law, diversity and equality as well as for sustainability as a whole within Scandic.

SIGNIFICANT EVENTS HANDLED BY THE CEO AND THE EXECUTIVE COMMITTEE IN 2018

During the year, Scandic announced changes to its Executive Committee. In addition, the Executive Committee addressed issues related to the Company's approval of new lease agreements, extensions of existing lease agreements and the integration of Restel's Finnish hotel operations, organizational changes and commercial initiatives such as the new loyalty program.

Guidelines for remuneration to the CEO and senior executives

At the Annual General Meeting held on April 26, 2018, guidelines for remuneration and other terms of employment for senior executives, including the CEO, were adopted. These guidelines are only applicable to new employment agreements entered into between the Company and the respective senior executives, which is why there are employment agreements that were entered into before the guidelines were introduced that do not fully conform to the currently applicable guidelines. Scandic's senior executives are the members of the Executive Committee. Following a resolution passed at the Annual General Meeting held on April 26, 2018, the following guidelines apply:

Scandic shall offer terms that are in line with market conditions and that enable the Company to recruit and retain the managers required to meet its short- and long-term targets. Remuneration to senior executives may consist of a fixed salary, variable salary, pension and other benefits. The fixed salary of the CEO and the senior executives shall be commensurate with market conditions and reflect the demands and responsibility that the position entails as well as individual performance. The fixed salary of the CEO and the senior executives shall be reviewed annually. The variable salary of the CEO and the senior executives shall be based on the Company's fulfillment of criteria set out in advance. The variable salary shall amount to no more than 60 percent of the fixed annual salary of the CEO and 35 to 50 percent of the fixed annual salary of other senior executives. Long-term incentive programs may be offered as a supplement to the above to create long-term commitment.

The pension benefits to the CEO and other senior executives shall mainly consist of defined contribution pension schemes, but they may also be defined benefit schemes if required by a collective bargaining agreement. Fixed salary during notice periods and severance pay, including compensation for anti-competition restrictions, shall in aggregate not exceed an amount corresponding to the fixed salary for 18 months. The total severance pay for all members of the Executive Committee shall not exceed the fixed monthly salary for the remaining years until the employee reaches the age of 65. Other remuneration may consist of customary benefits, such as health insurance, which shall not constitute a significant part of the total remuneration. Additional remuneration may be paid in extraordinary circumstances, provided such remuneration is intended to recruit or retain senior executives, and is then to be agreed upon on a case-by-case basis. Such extraordinary arrangements may include a lump sum cash payment or a benefit package in the form of a relocation allowance, income tax support or similar.

The Board of Directors has the right to deviate from the above-mentioned guidelines in individual cases if it is of the opinion that there are special reasons to do so. For more information, see Note 6 on pages 108–110.

Remuneration

For information on remuneration to the CEO and senior executives, see Note 6 on pages108–110.

Long-Term Incentive Program

Since the Company was listed in 2015, a performance-based long-term incentive program has been launched on an annual basis. The most recent program, which was adopted at the Annual General Meeting held on April 26, 2018, is described in Note 6 on pages 108–110. The program that was launched in December 2015 expired on the date on which Scandic's Interim Report for the first quarter 2018 was published. The goals and degree to which the conditions for performance shares were met can be found in Scandic's Interim Report for the first quarter 2018. Results and the allotment of shares are described in Note 6 on pages 108–110. Terms and conditions for the program can be found in Note 6 on pages 108–110.

Guidelines for remuneration to senior executives before the Annual General Meeting 2019

The Board of Directors has proposed that the Annual General Meeting 2019 adopt guidelines that in all material aspects correspond to the guidelines adopted at the Annual General Meeting 2018.

THE BOARD OF DIRECTORS' REPORT ON INTERNAL CONTROL

This description has been prepared in compliance with the Swedish Annual Accounts Act and the Swedish Corporate Governance Code (the "Code") and is therefore limited to internal control related to financial reporting. The report has not been reviewed by the Company's auditor.

According to the Swedish Companies Act and the Code, the Board of Directors is responsible for ensuring that internal control mechanisms are developed, communicated to and understood by the employees of Scandic who carry out individual control measures, and for ensuring that such control measures are carried out, monitored, updated and maintained.

Executives at all levels are responsible for ensuring that internal control mechanisms are established in their respective areas and that these controls achieve the desired results. Scandic's CFO is ultimately responsible for ensuring that the monitoring of and the work on Scandic's internal control is conducted in the format determined by the Board of Directors.

Scandic's structure for internal control is based on the COSO model, the framework of which is applied to Scandic's operations and conditions. According to the COSO model, a review and assessment is carried out within the areas of control environment, risk assessment, control activities, information and communication and monitoring activities. Based on this review, certain areas of development are identified and prioritized in the ongoing work to maintain internal control.

The procedures for internal control, risk assessment, control activities and monitoring of financial reporting have been devised to ensure reliable and relevant reporting and external financial reporting in accordance with the IFRS, applicable laws and regulations and other requirements of companies listed on Nasdaq Stockholm. This work involves the Board of Directors, the senior executives and other employees.

The manner in which the Board of Directors monitors and ensures the quality of internal control is documented in the adopted Rules of Procedure for the Board of Directors and the instructions for the Audit Committee. The Audit Committee's duties include evaluating the Company's structure and guidelines for internal control.

Financial reporting to the Board of Directors is carried out on a monthly basis according to a format described in the CEO's instructions for financial reporting. The Company's CFO also conducts a review of the financial performance and latest forecast for the current year at each regular Board meeting. Drafts of interim reports are first presented to the Audit Committee for discussion and consideration at a committee meeting before they are presented to the Board of Directors for approval.

The internal financial reporting complies with a standardized format where a common set of definitions and key ratios is used for all subsidiaries and hotels. Reporting is carried out through a Group-wide reporting system that allows a high level of transparency and comparability of financial data. Financial performance is monitored through monthly reports from the subsidiaries and quarterly reviews where members of the Executive Committee, the central accounting department and the relevant country management team participate. Detailed follow-up of key ratios for different parts of Scandic's hotel operations enables benchmarking between hotels and also provides information quickly on deviations in operating margins and operating profit/loss compared to the expected outcome. This detailed follow-up procedure is an important tool for ensuring internal control.

Scandic uses BINC (Best in Class) which involves benchmarking key ratios for revenues, operational efficiency and customer satisfaction where key ratios per hotel are compared with other comparable hotels in a "BINC group." The purpose is to create a tool to identify good examples and to stimulate learning and continual improvement of best practices.

Control environment

The control environment forms the basis of internal control of financial reporting. An important element of the control environment is that channels for decision-making, authority and responsibility are clearly defined and communicated between different levels of the organization and that governance documents in the form of internal policies and guidelines are available. A good control environment is created through communication and training to ensure understanding of and compliance with policies and regulatory frameworks. The control environment is strengthened by a positive corporate culture and the transparent and relevant monitoring of financial performance and key ratios at all levels in the Group.

Risk assessment

Internal control is based on a risk analysis. The risk analysis related to internal control and the risk of errors in the financial reporting form a part of the risk analysis that the Executive Committee performs and presents to the Audit Committee and Board of Directors annually. This analysis identifies and evaluates risks based on their likelihood of occurring and the potential impact of their occurance on the operations and financial position of the Group. Thereafter, the Group's internal controls and control environment are evaluated and any gaps compared with the desired level of control are identified. An action plan aimed at reducing gaps is established where the value of and possibility to reduce the risk is weighed against the cost of establishing and maintaining internal controls. Based on the risk analysis, control activities are designed to reduce risk at a reasonable cost. The activities shall also contribute to improved internal procedures and operational efficiency.

Control activities

Scandic's internal control is based on the Company's established channels for decisions and the delegation and authorization procedures documented in governing policies and guidelines.

Control activities may be IT based or manual. To the fullest extent possible, they shall be an integrated part of defined and documented processes and procedures.

A number of control activities that are common to all companies within the Group have been established. Some of these are implemented on the hotel level while others are implemented in the centralized accounting departments in each country. Control activities are described in Group-wide instructions.

Information and communication

The part of Scandic's governance documents in the form of policies, guidelines and manuals that involve financial reporting is chiefly communicated via monthly meetings at which all financial managers participate and via the Group's finance handbook. The finance handbook is published on the Group's intranet and is updated regularly based on changes in external requirements and in Scandic's operations.

Communication with internal and external parties is governed by a Communication Policy that provides guidelines on how such communication should be conducted. The purpose of the policy is to ensure compliance with all disclosure requirements in a correct and complete manner. Internal communication aims to ensure that each employee understands Scandic's values and business operations. To achieve the aim of informed employees, work is carried out internally and information is communicated regularly via the Group's intranet.

Monitoring

Scandic's accounting functions are integrated through a common finance and accounting system and common accounting instructions. The Board of Directors and the Executive Committee regularly receive information on the Group's performance and financial position and the development of its operations. The efficiency of the internal control is evaluated annually by the Company and the Audit Committee. It is also reviewed by the external auditors. The result of the evaluation forms the basis for improvements to processes and controls for subsequent years. Internal control on the hotel and country levels is monitored through self-assessments and onsite audits.

- All hotels conduct self-assessments at least once a year based on a Group-wide checklist with mandatory and recommended controls.
- Internal audit visits are carried out by employees at the Company's central accounting department for a number of hotels per year. These involves a control checklist, spot checks within relevant areas and a general discussion with the general manager and department heads to ensure the understanding of and compliance with internal control.

The results of the self-assessments and onsite audits are reported by the local heads of finance to the management team of the country in question. The results are reported by the Group's CFO to the Audit Committee, together with a report of measures undertaken to improve internal control if the results indicate that there is a need to do so either at the hotel level or in general.

As part of their review, external auditors make additional hotel visits during which they test controls according to the internal checklist. The aim is that these onsite audits by both Scandic's accounting department and external auditors shall cover approximately one-third of all hotels every year.

Internal audit

Based on the Audit Committee's evaluation, the Board of Directors has decided not to establish a separate internal audit function. The decision is based on the assessment that the existing process for internal control is well established, efficient and supported by a good control environment, a clear governance model and well-functioning regular financial monitoring. The Board of Directors evaluates the need for a special internal audit function annually.

Measures in 2018

Scandic works continously with risk mitigation to face a changed environment. Scandic continued to focus its risk analysis to gain a better understanding of financial reporting and analysis. Special focus was put on IT security and the new GDPR regulations. The work of the Board of Directors and its committees focused chiefly on market analysis and business intelligence. Self-assessment for internal control was discussed regularly by the Audit Committee.

BOARD OF DIRECTORS

PER G. BRAATHEN
Chairman of the Board since 2018. Member of the Board since 2007. Member of Remuneration Committee. Member of Investment Committee.

Born: 1960.
Norwegian citizen.

Education:
MBA from Schiller University London, UK.

Other current assignments:
Chairman of the Board of Braathens Regional Airlines (BRA), Bramora Ltd. Chairman of the Board and CEO of Braganza AB. Board member of Wayday Travel AS.

Previous positions:
Chairman/CEO Tjæreborg, Always and Saga Tours. Chairman of Escape Travel A/S SunHotels AG. Board member at Arken Zoo Holding AB and Kristiansand Dyrepark AS, Ticket Leisure Travel AB and Ticket Biz AB.

Shareholding: 456,781 (through companies)

Independent in relation to major shareholders: Yes

Independent in relation to the company and management: Yes

EVA MOEN ADOLFSSON
Member of the Board since 2014. Member of Remuneration Committee.

Born: 1960.
Swedish and American citizen.

Education:
Bachelor of Business Administration from University of Gothenburg, Sweden.

Other current assignments:
President & CEO of Resia Travel Group AB and Board assignments in companies within the Resia Group. Board member of Svenska Resebyråföreningens Service AB.

Previous assignments:
Board member of Västsvenska Handelskammaren Service AB; General Manager, Scandic Rubinen; General Manager, Scandinavian Service Partner; CFO, Radisson SAS Park Avenue Hotel and CFO, AVAB Elektronik.

Shareholding: 3,134

Independent in relation to major shareholders: Yes

Independent in relation to the company and management: Yes

INGALILL BERGLUND
Member of the Board since 2016. Chairman of Audit Committee.

Born: 1964.
Swedish citizen.

Education:
Special advanced course in economics, Frans Schartau Business Institute.

Other current assignments:
Board member of Veidekke ASA, AxFast AB, Handelsbanken Regionbank Stockholm, Kungsleden AB (publ), Bonnier Fastigheter AB and Stiftelsen Danvikshem. Member of Balco Group AB, Juni Strategi and Analys AB.

Previous assignments:
Interim Managing Director AxFast AB. President & CFO at Atrium Ljungberg AB. Twenty years of experience from the real estate sector.

Shareholding: 3,000

Independent in relation to major shareholders: Yes

Independent in relation to the company and management: Yes

GRANT HEARN
Member of the Board since 2014. Chairman of Remuneration Committee. Chairman of Investment Committee.

Born: 1958.
British citizen.

Education:
Diploma in Hotel and Tourism Management, Shannon College of Hotel Management, Ireland.

Other current assignments:
Chairman of the Board of Amaris Hospitality and Shearings Holidays Ltd.

Previous assignments:
Chairman of the Board of The Hotel Collection; Board member of London & Partners Ltd, Thame and London Ltd, TLLC Group Holdings Ltd and Travelodge Hotels Ltd.

Shareholding: 3,000

Independent in relation to major shareholders: Yes

Independent in relation to the company and management: Yes

LOTTIE KNUTSON
Member of the Board since 2015.

Born: 1964.
Swedish citizen.

Education:
Bachelor from the Department of Media Studies, Stockholm University, Sweden. Diplôme de l'Université Paris IV.

Other current assignments:
Board member of Cloetta AB, Stena Line BV, STS Alpresor AB, Swedavia AB and Talently Online Group AB.

Previous assignments:
Board member of H&M Hennes & Mauritz AB, Actic AB, Wise Group AB and TUI Nordic Holding AB.

Shareholding: 3,134

Independent in relation to major shareholders: Yes

Independent in relation to the company and management: Yes

Number of shares as per December 31, 2018.

CHRISTOFFER LUNDSTRÖM
Member of the Board since 2016. Member of Audit Committee.

Born: 1973.
Swedish citizen.

Education:
Bachelor of Arts, Webster University and Hotel Management Diploma, HOSTA.

Other current assignments:
Owner & President of investment company RCL Holding AB. Board member of Collector AB, Feelgood Svenska AB, Rasta Group AB (until 2018), Provobis Invest AB, Harrys Pubar AB, RCL Holding AB, KL Capital AB, Future Pawnbroker AB and Tableflip Entertainment AB. Chairman of the Board of AM Brands AB.

Shareholdings: 230,000

Independent in relation to major shareholders: No (Rolf Lundström/Novobis)

Independent in relation to the company and management: Yes

MARTIN SVALSTEDT
Member of the Board since 2017. Member of Audit Committee. Member of Investment Committee.

Born: 1963.
Swedish citizen.

Education:
Bachelor of Science in Business Administration and Law from the University of Karlstad, Sweden.

Other current assignments:
CEO Stena Adactum AB and Stena Sessan AB, Chairman of the Board of Ballingslöv International, Gunnebo and Stena Renewable. Vice chairman of the Board of Envac. Board member of Svedbergs, Stena Sessan and Stena Adactum. Member of the Stena Sphere Coordination Group.

Previous assignments:
Chairman of the board of Meda, Envac, Mediatec Group and Blomsterlandet. Experience from operational roles such as CFO at Capio and other senior financial positions.

Shareholdings: 60,000 (In addition, Stena Sessan Rederi AB held 17,947,735 shares)

Independency in relation to major shareholders: No (Stena)

Independency in relation to the company and management: Yes

FREDRIK WIRDENIUS
Member of the Board since 2015. Member of Audit Committee. Member of Investment Committee.

Born: 1961.
Swedish citizen.

Education:
Master of Science in Engineering, KTH Royal Institute of Technology, Stockholm, Sweden.

Other current assignments:
CEO of Vasakronan AB. Board member of RICS Sweden.

Previous assignments:
Board member of Vasakronan AB.

Shareholding: 3,134

Independent in relation to major shareholders: Yes

Independent in relation to the company and management: Yes

MARIANNE SUNDELIUS
Member of the Board since 2017. Employee representative.

Born: 1967.
Swedish citizen.

Education:
University courses in leadership and psychology. Studies in economics.

Other current assignments: –

Previous assignments:
Employee representative at Sara Hotels AB and Reso Hotels AB.

Shareholdings in Scandic: –

Independent in relation to major shareholders: Yes

Independent in relation to the company and management: No (employee representative).

Number of shares as per December 31, 2018.

EXECUTIVE COMMITTEE

JENS MATHIESEN
President & CEO

Born: 1969. Employed by the Group since 2008. Member of Scandic's Executive Committee since 2016.

Danish citizen.

Other assignments: Chairman of the Board of Dansk Erhverv (Danish Chamber of Commerce) and board member of Wonderful Copenhagen.

Education: Shipping Broker, Transocean Shipping, Denmark.

Previous experience: Director of Sales & Marketing, Choice Hotels Scandinavia; CEO Fountain Scandinavia A/S and Head of Sales & Marketing, Avis Rent a Car.

Number of shares: 22,235

NIKLAS ANGERGÅRD
Chief Customer Officer

Born: 1971. Employed since 2018. Member of Scandic's Executive Committee since 2018.

Swedish citizen.

Other assignments: –

Education: Master of Science in Business Administration from Stockholm School of Economics.

Previous experience: CMO at Tieto, VP Brand and Marketing at Klarna, Marketing Director at Telia, VP Brand and Global Marketing at SAS, founder Storåkers McCann, management consultant at Arthur D. Little.

Number of shares: 0

LENA BJURNER
Senior Vice President HR & Sustainability

Born: 1968. Employed and member of Scandic's Executive Committee since 2015.

Swedish citizen.

Other assignments: –

Education: Bachelor in Business Administration, Borlänge University, Sweden.

Previous experience: Head of Commercial Card & Business Travel Account Management Nordic, Head of Human Resources, Director HR Business Partner Customer Service Organisation in Latin America and Canada, VP HR, Head of Market HR for Nordics, Central Eastern Europe, Benelux and France and HR VP Flexible Markets and France within American Express.

Number of shares: 10,538

JESPER ENGMAN
Vice President Business Development

Born: 1974. Employed since 2006. Member of Scandic's Executive Committee since 2014.

Swedish citizen.

Other assignments: –

Education: Masters of Science in Engineering, KTH Royal Institute of Technology, Sweden.

Previous experience: Business Area Director, Analyst at Pandox. Analyst at Hotellus.

Number of shares: 8,781

SØREN FAERBER
Head of Denmark

Born: 1970. Employed by the Group since 2006. Member of Scandic's Executive Committee since 2019.

Danish citizen.

Other assignments: –

Education: Currently pursuing MBA at Edinburgh Business School. Business diploma in Finance from Copenhagen Business School.

Previous experience: District director Copenhagen & Denmark East, Scandic. Director of Food & Beverage Denmark and Southern Europe, Scandic. Regional director, Hard Rock International.

Number of shares: 5,821

ANN HELLENIUS
Chief Information Officer

Born: 1974. Employed since 2018. Member of Scandic's Executive Committee since 2018.

Swedish citizen.

Other assignments: Member of the board Volvo Finans Bank.

Education: Master of Science in Business Administration from Linköping University, Master School of Management, University of Bath, UK.

Previous experience: CIO Bankgirot, CIO City of Stockholm, CEO Solvitur, management consultant at Ernst & Young Management consulting, strategy consultant at Cambridge Strategic Management Group.

Number of shares: 0

Number of shares as per December 31, 2018.

PETER JANGBRATT
Head of Sweden

Born: 1967. Employed by the Group 1995–2008 and since 2015. Member of Scandic's Executive Committee since 2016.

Swedish citizen.

Other assignments: Member of the board of Visita; Member of the board of Svenskt Näringsliv.

Education: Education through Scandic Business School and Hilton.

Previous experience: Several senior positions at Scandic, such as President Marketing & Communications and Director of Operations Sweden, and CEO of Rica Hotels Sweden.

Number of shares: 16,058

JAN JOHANSSON
Chief Financial Officer

Born: 1962. Employed and member of Scandic's Executive Committee since 2016.

Swedish citizen.

Other positions: –

Education: Bachelor of Science in Economics from Uppsala University, Sweden.

Previous experience: CFO Apoteket; CFO Nobia AB; CFO Eniro.

Number of shares: 5,872

AKI KÄYHKÖ
Head of Finland

Born: 1968. Employed by the Group since 2012. Member of Scandic's Executive Committee since 2016.

Finnish citizen.

Other assignments: Member of the Board of the Finnish Hospitality Industry Association.

Education: Bachelor of Business Administration in International Business and Management, Schiller International University, London.

Previous experience: Several senior positions with Procter & Gamble and Reckitt Benckiser; Commercial Director at Oy Hartwall and CEO at Palace Kämp Group.

Number of shares: 20,174

JAN LUNDBORG
Chief Commercial Optimization Officer

Born: 1962. Employed by the Group since 2009. Member of Scandic's Executive Committee since 2018.

Swedish citizen.

Other current assignments:

Education: Bachelor in Business Administration from Uppsala University, Sweden.

Previous assignments: Several senior management positions with Scandinavian Airlines, COO of AirBaltic & AMADEUS General Manager Southeast Asia & Pacific.

Number of shares: 7,067

MICHEL SCHUTZBACH
Head of Europe

Born: 1961. Employed by the Group since 2009. Member of Scandic's Executive Committee since 2016.

German and Swiss citizen.

Other assignments: –

Education: Diploma from Hotels Management School, Glion, Switzerland.

Previous experience: Several senior positions within Rezidor, including Vice President HR and Regional Director Poland and Ireland.

Number of shares: 11,194

SVEIN ARILD STEEN-MEVOLD
Head of Norway

Born: 1967. Employed by the Group since 2011. Member of Scandic's Executive Committee since 2016.

Norwegian citizen.

Other assignments: Board member of Forum for Reiseliv, Guma Sport Ltd and Grand Hotel Driftesselskap AS.

Education: Bachelor in Service Management, Norwegian School of Hotel Management.

Previous experience: Several senior positions within Scandic, General Manager Radisson SAS and Senior Vice President Clarion Collection, Nordic Choice.

Number of shares: 12,002

Number of shares as per December 31, 2018.

CONSOLIDATED INCOME STATEMENT

GROUP

MSEK	Notes	2018	2017
INCOME	2, 3		
Room revenue		11,721	9,464
Restaurant and conference revenue		5,862	4,853
Franchise and management fees		29	26
Other hotel-related revenue		395	239
Net sales		***18,007***	***14,582***
Other income		0	1
TOTAL OPERATING INCOME		**18,007**	**14,583**
OPERATING COSTS			
Raw materials and consumables		-1,605	-1,295
Other external costs	4, 5	-4,062	-3,211
Personnel costs	6	-5,620	-4,738
Fixed and guaranteed rental charges	5	-2,968	-2,323
Variable rental charges	5	-1,667	-1,442
Pre-opening costs		-92	-67
Non-recurring items	7	-141	-30
EBITDA		**1,853**	**1,476**
Depreciation	12,13	-870	-553
TOTAL OPERATING COSTS		**-17,025**	**-13,659**
EBIT (Operating profit/loss)		**983**	**925**
Financial items			
Financial income	8	12	9
Financial expenses	9	-185	-133
Net financial items		**-173**	**-124**
EBT (Profit/loss before tax)		**810**	**800**
Tax	10	-131	-90
PROFIT/LOSS FOR THE YEAR		**678**	**711**
Attributable to: Parent Company shareholders		674	707
Non-controlling interests		4	4
Profit/loss per share before dilution, attributable to: Parent Company shareholders (SEK per share)	11	6.54	6.87
Profit/loss per share after dilution, attributable to: Parent Company shareholders (SEK per share)	11	6.54	6.86

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

GROUP

MSEK	Notes	2018	2017
Profit/loss for the year		**678**	**711**
Other comprehensive income			
Items that may be reclassified to profit and loss:			
Translation differences for the year		171	-56
Changes in the value of electricity hedges, net of tax		5	-
Items that will not be reclassified to profit and loss:			
Actuarial gains/losses for the year		-40	-79
Total other comprehensive income, net of tax		**136**	**-135**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**814**	**576**

CONSOLIDATED BALANCE SHEET

GROUP

	Notes	Dec 31, 2018	Dec 31, 2017
ASSETS			
Fixed assets			
Goodwill	12	6,560	6,303
Trademarks	12	3,156	3,153
Other intangible assets	12	184	213
Land & buildings	13	1,676	1,764
Equipment, fixtures and fittings	13	4,359	3,835
Shares in associated companies	14	22	21
Financial investments	15	9	9
Other long-term receivables		261	106
Deferred tax assets	25	41	34
Total fixed assets		**16,267**	**15,438**
Current assets			
Inventory	16	133	128
Accounts receivable – trade	17	689	626
Derivative instruments		46	-
Other current receivables		76	161
Assets held for sale	18	2	101
Prepaid expenses and accrued income	19	422	370
Cash and cash equivalents	20	103	140
Total current assets		**1,470**	**1,526**
TOTAL ASSETS		**17,737**	**16,964**

	Notes	Dec 31, 2018	Dec 31, 2017
EQUITY AND LIABILITIES			
Equity			
Share capital	21	26	26
Other contributions		7,865	7,865
Translation reserve		85	-86
Retained earnings		-208	-482
Equity attributable to the Parent Company shareholders		**7,767**	**7,323**
Non-controlling interests		38	33
Total equity		**7,805**	**7,356**
Non-current liabilities			
Liabilities to credit institutions	22	2,940	3,769
Provisions for pensions and similar commitments	23	627	542
Other provisions	24	138	128
Other liabilities		58	-
Finance lease liabilities	22	1,543	1,607
Deferred tax liabilities	25	666	642
Total non-current liabilities		**5,972**	**6,688**
Current liabilities			
Advance payments from customers		206	164
Accounts payable – trade		791	786
Derivative instruments		-	5
Current liabilities, commercial papers	22	1,000	-
Current tax liabilities		30	9
Current liabilities for finance leases	22	63	58
Liabilities held for sale	18	1	70
Other liabilities		330	367
Accrued expenses and prepaid income	26	1,538	1,461
Total current liabilities		**3,959**	**2,920**
Total liabilities		**9,931**	**9,608**
TOTAL EQUITY AND LIABILITIES		**17,737**	**16,964**

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CONSOLIDATED CASH FLOW STATEMENT

GROUP

MSEK	Notes	2018	2017
Operating activities			
Operating profit/loss		983	925
Adjustment for items not included in cash flow, etc.	27	869	548
Income tax paid		-174	-125
Cash flow before changes in working capital		**1,678**	**1,348**
Changes in working capital			
Inventory		-2	-19
Accounts receivable – trade		-50	-64
Other current receivables		39	-159
Accounts payable – trade		28	231
Other current liabilities		30	207
Cash flow from operating activities		**1,723**	**1,544**
Investing activities			
Acquisition of fixed tangible assets	13	-1,216	-964
Sale of associated companies		16	17
Acquisition of subsidiaries		-54	-1,146
Cash flow from investing activities		**-1,254**	**-2,093**
Operating cash flow		**469**	**-549**
Financing activities			
Dividend, share swap agreement		-41	30
Borrowings, credit institutions	22	878	4,683
Amortization, credit institutions	22	-1,755	-4,674
Amortization, finance lease	22	-61	-
Issue of commercial papers	22	1,000	-
Refinancing costs	22	-6	-6
Paid interest, credit institutions		-77	-80
Paid interest, finance leases		-68	-
Dividends		-352	-325
Cash flow from financing activities		**-482**	**-372**
CASH FLOW FOR THE YEAR		**-13**	**-921**
Cash and cash equivalents at the beginning of the year		140	1,068
Translation differences in cash and cash equivalents		-24	-7
Cash flow for the year		-13	-921
Cash and cash equivalents at the end of the year		**103**	**140**

CHANGES IN EQUITY

GROUP

MSEK	Share capital	Other contributions	Translation reserves	Retained earnings	Total	Non-controlling interests	Total equity
	Equity attributable to the Parent Company shareholders						
OPENING BALANCE Jan 1, 2017	**26**	**7,865**	**-29**	**-790**	**7,072**	**31**	**7,103**
Profit/loss for the year	**-**	**-**	**-**	**707**	**707**	**4**	**711**
Other comprehensive income:							
Items that may be reclassified to profit and loss:							
Currency fluctuations from translation of foreign operations	-	-	-57	-	-57	1	-56
Hedge of net investment in a foreign operation, net after tax	-	-	0	-	0	-	0
Items that will not be reclassified to profit and loss:							
Actuarial gains/losses for the year, net after tax	-	-	-	-79	-79	-	-79
Total other comprehensive income	**0**	**0**	**-57**	**-79**	**-136**	**1**	**-135**
Total comprehensive income	**0**	**0**	**-57**	**628**	**571**	**5**	**576**
Transactions with shareholders:							
Dividend	-	-	-	-322	-322	-3	-325
Share-based payments	-	-	-	12	12	-	12
Share swap agreement to repurchase own shares	-	-	-	-10	-10	-	-10
Total transactions with shareholders	**0**	**0**	**0**	**-320**	**-320**	**-3**	**-323**
CLOSING BALANCE Dec 31, 2017	**26**	**7,865**	**-86**	**-482**	**7,323**	**33**	**7,356**
Profit/loss for the year	**-**	**-**	**-**	**674**	**674**	**4**	**678**
Other comprehensive income:							
Items that may be reclassified to profit and loss:							
Currency fluctuations from translation of foreign operations	-	-	166	-	166	5	171
Changes in the value of electricity hedges, net of tax			5	-	5	-	5
Items that will not be reclassified to profit and loss:							
Actuarial gains/losses for the year, net after tax	-	-	-	-40	-40	-	-40
Total other comprehensive income	**-**	**-**	**171**	**-40**	**131**	**5**	**136**
Total comprehensive income	**-**	**-**	**171**	**634**	**805**	**9**	**814**
Transactions with shareholders:							
Dividend	-	-	-	-347	-347	-4	-351
Share-based payments	-	-	-	7	7	-	7
Share swap agreement to repurchase own shares	-	-	-	-20	-20	-	-20
Total transactions with shareholders	**0**	**0**	**0**	**-360**	**-360**	**-4**	**-364**
CLOSING BALANCE Dec 31, 2018	**26**	**7,865**	**85**	**-208**	**7,768**	**38**	**7,805**
Change of accounting principles	-	-	-	-1,466	-1,466	-	-1,466
OPENING BALANCE Jan 1, 2019	**26**	**7,865**	**85**	**-1,674**	**6,302**	**38**	**6,340**

INCOME STATEMENT

PARENT COMPANY

MSEK	Notes	2018	2017
Net sales		**34**	**54**
Operating expenses			
Other external expenses	4, 5	-2	-11
Personnel expenses	6	-31	-60
Total operating expenses		**-33**	**-71**
Operating profit/loss		**1**	**-17**
Financial items			
Interest income and similar items	8	247	113
Interest expenses and similar items	9	-104	-104
Net financial items		**142**	**9**
Appropriations		**-144**	**334**
Profit/loss before tax		**-1**	**325**
Income tax	10	0	-71
PROFIT/LOSS FOR THE YEAR		**-1**	**254**

STATEMENT OF COMPREHENSIVE INCOME

PARENT COMPANY

MSEK	Notes	2018	2017
Profit/loss for the year		**-1**	**254**
Other comprehensive income:			
Other comprehensive income that may be reclassified to profit and loss		-	-
Other comprehensive income that will not be reclassified to profit and loss		-	-
Total other comprehensive income, net of tax		**0**	**0**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**-1**	**254**

BALANCE SHEET

PARENT COMPANY

MSEK	Notes	Dec 31, 2018	Dec 31, 2017
ASSETS			
Financial assets			
Participations in Group companies	30	5,039	5,039
Receivables from Group companies	32	5,377	5,174
Other receivables		27	0
Total fixed assets		**10,443**	**10,213**
Current assets			
Receivables from Group companies	32	3	333
Current receivables		0	27
Prepaid expenses and accrued income		0	1
Cash and cash equivalents	20	1	0
Total current assets		**4**	**361**
TOTAL ASSETS		**10,447**	**10,574**

MSEK	Notes	Dec 31, 2018	Dec 31, 2017
EQUITY AND LIABILITIES			
Equity			
Share capital	21	26	26
Total restricted equity		**26**	**26**
Non-restricted reserves		6,220	6,326
Net profit/loss for the year		-1	254
Total non-restricted equity		**6,219**	**6,580**
Total equity		**6,245**	**6,606**
Liabilities			
Non-current liabilities			
Liabilities to credit institutions	22	2,940	3,813
Other liabilities		27	-
Total non-current liabilities		**2,967**	**3,813**
Current liabilities			
Liabilities to credit institutions	22	1,000	-
Liabilities to Group companies	32	144	-
Other liabilities		73	118
Accrued expenses and prepaid income	26	18	37
Total current liabilities		**1,234**	**155**
Total liabilities		**4,201**	**3,968**
TOTAL EQUITY AND LIABILITIES		**10,447**	**10,574**

CASH FLOW STATEMENT

PARENT COMPANY

MSEK	Notes	2018	2017
Operating activities			
Operating profit/loss		1	-17
Adjustments for items not included in cash flow, etc.	27	-	-
Income tax paid		-	-
Cash flow before changes in working capital		**1**	**-17**
Changes in working capital			
Other current receivables		1	-1
Other current liabilities		-29	3
Cash flow from operating activities		**-27**	**-15**
Investing activities			
Shareholders' contribution to subsidiaries		-	-448
Cash flow from investing activities		**-**	**-448**
Operating cash flow		**-27**	**-463**
Financing activities			
Borrowings, credit institutions	22	879	4,683
Amortizations, credit institutions	22	-1,755	-4,674
Issue of commercial papers	22	1,000	-
Dividend		-347	-322
Refinancing costs	22	-6	-6
Interest paid, credit institutions		-77	-80
Loans to subsidiaries		359	69
Cash flow from financing activities		**52**	**-330**
CASH FLOW FOR THE YEAR		**25**	**-793**
Cash and cash equivalents at the beginning of the year		0	790
Translation differences in cash and cash equivalents		-24	3
Cash flow for the year		25	-793
Cash and cash equivalents at the end of the year		**1**	**0**

CHANGES IN EQUITY

PARENT COMPANY

MSEK	Restricted equity Share capital	Non-restricted equity Share premium reserve	Retained earnings	Total equity
OPENING BALANCE Jan 1, 2017	**26**	**1,534**	**5,112**	**6,672**
Net profit/loss for the year	**-**	**-**	**254**	**254**
Other comprehensive income	**-**	**-**	**-**	**0**
Total comprehensive income	**0**	**0**	**254**	**254**
Transactions with shareholders:				
Dividend	-	-	-322	-322
Share-based payments	-	-	12	12
Share swap agreement to repurchase own shares	-	-	-10	-10
Total transactions with shareholders	**0**	**0**	**-320**	**-320**
CLOSING BALANCE Dec 31, 2017	**26**	**1,534**	**5,046**	**6,606**
Net profit/loss for the year	**-**	**-**	**-1**	**-1**
Other comprehensive income	**-**	**-**	**-**	**-**
Total comprehensive income	**0**	**0**	**-1**	**-1**
Transactions with shareholders:				
Dividend	-	-	-347	-347
Share-based payments	-	-	7	7
Share swap agreement to repurchase own shares	-	-	-20	-20
Total transactions with shareholders	**0**	**0**	**-360**	**-360**
CLOSING BALANCE Dec 31, 2018	**26**	**1,534**	**4,685**	**6,245**

NOTES

Notes common to the Group and the Parent Company. Amounts in MSEK unless otherwise stated.

NOTE 01 Accounting principles

Basis for presentation

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the EU and in accordance with RFR 1 Supplementary accounting principles for groups of companies and the Swedish Annual Accounts Act. The annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and RFR 2 Accounting for legal entities.

The consolidated accounts have been drawn up in accordance with the acquisition value method, except in respect to certain financial assets and liabilities that are valued at fair value in the income statement.

Drawing up annual accounts in accordance with the IFRS requires certain important accounting estimations. The Board of Directors and Executive Committee are also required to make assessments when implementing the company's accounting principles. The areas that include a large degree of complex assessments, or areas where assumptions and estimations are of significant importance for the consolidated accounts, are detailed in each note.

Consolidated accounts

The consolidated accounts cover the companies, including branches, in which the Group's ownership is equivalent to at least one half of the votes or where the Group in another way exercises a controlling influence over the business, these are fully consolidated into the Group. Subsidiaries are entities over which the Group has a controlling interest. The Group controls a company when it is exposed to or has the right to the variable returns from its stake in the company and has the opportunity to influence the return through its influence in the company. In subsidiaries that are not wholly owned, non-controlling interest is presented as minority owner's portion of equity. This is included as part of the Group's equity. The income statement includes the portion attributable to the non-controlling interest and information is provided in connection to the income statement.

The acquisition of companies or businesses is accounted for using the acquisition method. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition are recognized at the fair value on the acquisition date. Goodwill and other intangible assets arising from an acquisition are recognized as an asset that is the excess of the cost of the business combination over the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If the acquisition value is less than the fair value of the purchased operation's assets, liabilities and contingent liabilities, the difference is reported directly in the income statement. Acquisition-related costs are expensed as incurred.

Associated companies are incorporated in the Group's financial statement using the equity method. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost, adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments.

Internal Group transactions, undertakings and unrealized earnings from transactions between Group companies are eliminated.

Sales between Group companies are priced according to market terms. Internal profits arising in conjunction with sales within the Group are eliminated in their entirety. Pre-opening costs relate to costs associated with opening new hotels. Items affecting comparability consist of for example integration costs for acquisitions and expenses in connection with restructuring or capital gains/losses connected to the sale of businesses. Normally, there are no items affecting comparability.

Translation of foreign currency

The consolidated financial statements are presented in Swedish kronor (SEK), which is the functional and reporting currency of the Parent Company.

The results and financial position of all Group companies using a functional currency other than the reporting currency are translated into the Group's reporting currency as follows:

a) Assets and liabilities for each of the balance sheets are translated at the daily closing rate;
b) Income and expenditure for each of the income statements are translated at the average exchange rate;
c) All exchange rate differences that arise are reported in Other comprehensive income and accumulated in the translation reserve in equity.

Goodwill and fair value adjustments arising in the acquisition of foreign operations are treated as assets and liabilities of the entity and translated at the daily closing rate.

Transactions in foreign currencies are translated into the functional currency according to the exchange rates that apply on the transaction date or the date on which the items were translated. Exchange rate gains and losses that arise when paying such transactions and in the translation of monetary assets and liabilities in foreign currency at the daily closing rate are reported in the income statement. The Group applied hedge accounting for net investments in foreign subsidiaries until May 2017. Thereafter, any exchange gains and losses have been recognized in the income statement.

The below exchange rates are used in the consolidation

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

New and amended International Financial Reporting Standards (IFRS)

New and amended standards adopted by the Group

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts and the related SIC and IFRIC. The standard regulates the recognition of revenue. The principles that IFRS 15 is based on shall provide users of financial statements with more useful information on the company's revenues. The increased disclosure requirement means that information shall be provided on the nature of the revenue, the time of settlement, any uncertainties connected with revenue recognition and cash flow linked to the company's contracts with customers. According to IFRS 15, revenue shall be recognized when the customer assumes control of the sold goods or services and is able to use and derive benefit from the goods or services – a principle that replaces the previous principle that revenue is recognized when the risks and rewards have been transferred to the buyer. The Group has applied this standard as of January 1, 2018, with prospective application during the transition. The introduction of IFRS 15 has had a limited effect on Scandic since only accounting related to Scandic's loyalty program is subject to calculations according to the new standard. The new standard states that revenue from customers will be allocated to earned points and goods on the basis of relative independent sales prices rather than using the residual value method. This can affect the amounts allocated to the goods sold and the date of presentation of a certain portion of the revenues. Approximately 1 percent of the Group's revenue was affected by the new accounting standard. The effect of the introduction of IFRS 15 in the Group was 1 MSEK as at December 31, 2018.

IFRS 9 Financial Instruments

This standard entails changes to the classification and measurement of financial assets, introduces an impairment model for expected credit losses and changes hedge accounting principles. IFRS 9 introduces a new model for estimating credit loss allowances based on expected credit losses. Scandic is not affected by the new impairment model, as Scandic does not have any material amounts for writing off doubtful receivables, but also because only a very small portion of Scandic's sales are subject to invoicing. The majority of sales are paid by credit card. The effect of the introduction of IFRS 9 in the Group was 0 MSEK. The Parent Company's receivables only comprise receivables from Group companies, so the effect here was 0 MSEK as well.

New standards and interpretations yet to be applied by the Group

The following amendments to IFRS will not enter into force until the 2019 financial year or thereafter and have not been applied in the preparation of these financial statements.

IFRS 16 Leases

On January 1, 2019, IFRS 16 Leases replaced IAS 17 Leases, providing a single accounting model for all lessees. The standard means that nearly all of the Group's leases will be recognized in the balance sheet, as no distinction will be made between operating and finance leases. According to the new standard, a right-of-use asset (the right to use the leased asset) and a financial obligation to pay leasing fees will be recognized. Contracts of short duration, i.e. with a term of less than 12 months, and contracts of lesser value, i.e. below SEK 50,000, will be excluded. Scandic will apply the simplified approach using a retroactive calculation of right-of-use assets, which means that the part of the depreciation that is attributable to the time before the start date of the lease and the standard's entry into force will affect the accumulated profit or loss in the opening balance as at January 1, 2019 without restatement of comparative figures. The effect of the introduction of IFRS 16 only affects Scandic at the Group level and not as a legal entity, which means that the introduction of IFRS 16 does not affect the Parent Company's ability to pay dividends.

Reporting under the new standard will first be applied in the first quarter 2019. Initially, it is estimated that the effect will increase tangible fixed assets by 24.8 billion SEK, finance lease liabilities by 26.6 billion SEK and reduce equity by 1.4 billion SEK, including the effect of deferred tax. Based on the current lease portfolio, the net profit after tax for 2019 will be negatively affected by approximately 200 MSEK. Further details regarding the changed accounting principle are presented in Note 5, Leasing agreements.

No other IFRS or IFRIC interpretations yet to be applied are expected to have a material impact on the Group's financial statements.

The Parent Company's accounting principles

Unless otherwise stated, the Parent Company applies the same accounting principles as the Group.

The Parent Company has prepared its annual accounts in accordance with the Swedish Annual Accounts Act and RFR 2 Accounting for legal entities.

Differences between the accounting principles of the Group and the Parent Company

The Parent Company applies the alternative rule for Group contributions and reports both received and paid Group contributions as appropriations. In this respect, the Parent Company does not comply with IAS 27.

Financial instruments in the Parent Company are not reported according to IFRS 9 in view of the connection between reporting and taxation. Instead, IFRS 7 is applied when applicable and disclosure requirements are applied according to chapter 5 of The Annual Accounts Act.

Remuneration to employees in the Parent Company is not reported according to IAS 19, as the Parent Company, in accordance with RFR 2, applies reporting according to the Pension Obligations Vesting Act.

NOTE 02 Revenue by type of agreement

MSEK	Group 2018	Group 2017
Lease agreements	17,933	14,507
Management agreements	12	11
Franchise and partner agreements	17	22
Owned	45	43
Total	**18,007**	**14,583**
Other	34	54
Group eliminations	-34	-54
Group	**18,007**	**14,583**

§ Accounting principles

Revenue recognition

The Group has applied IFRS 15 Revenue from Contracts with Customers from January 1, 2018. The changed accounting standard has only had an effect on accounting for the customer loyalty program, which is described below.

Revenue consists of the value of goods and services generated in hotels under lease agreements, management and franchise fees and other income generated in the Group's operations. Revenue is reported at the actual value of what has been received or will be received and corresponds to the amount to claim for delivered goods and services, less any discounts given and sales-related taxes. Below is a description of the composition of the Group's revenue:

Lease agreements – revenues from hotel operations, including all income from sold rooms, conferences, food and beverage sales and other services. Revenue is reported when the goods or services have been consumed, i.e. when checkout or invoicing of the services takes place.

Management fees – fees from hotels managed by the Group through long-term agreements with hotel owners. Management fees usually consist of a proportion of the revenue from the hotel and/or profits and are recognized in the income statement at the end of the month in question and are realizable according to the terms of the agreement. Invoicing occurs monthly in arrears.

Franchise fees – fees that are received in conjunction with licence fees for the Group's trademarks, through long-term agreements with hotel owners. Franchise fees consist of a proportion of the revenue from the hotel and are reported in the income statement based on the underlying terms of the agreement. The fee is recognized in the income statement at the end of the month and invoicing occurs monthly in arrears.

Customer loyalty program – The Group has a customer loyalty program where the customers are rewarded points for nights spent. Rewarded points give the customer future discounts. Revenue from bonus points is reported when they are redeemed or when they expire, which is 36 months after the points are rewarded. A liability is reported until the points are used or expire. Also see Note 24.

In accordance with IFRS 15, the total remuneration has been allocated on the bonus points based on relative stand-alone sales prices. The new method means that the amount that is allocated to the bonus points is higher than the amounts that were previously allocated based on the residual value method. The liability was 0 MSEK lower on January 1, 2018 as an effect of the new accounting standard, and as of December 31, 2018, the liability was decreased by 1 MSEK.

NOTE 03 Segment reporting

Scandic's main markets in which the Group operates are:

Sweden – Swedish hotels that are operated under the Scandic brand.

Norway – Norwegian hotels that are operated under the Scandic brand.

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

Other Europe – Hotel operations under the Scandic brand in Denmark, Poland and Germany. The different countries have been aggregated to one segment based on the fact that the countries involved have similar economic situations, they operate their business in similar ways and have similar types of customers. They also have the same currency, EUR, or a currency pegged to EUR.

Central functions – Costs for financial control, business development, investor relations, communications, technical development, human resources, branding, marketing, sales, IT and purchasing. These central functions support all of the hotels in the Group, including those under lease agreements as well as management and franchise agreements.

The split of net sales between segments is based on the location of the business activities and segment reporting is carried out after the elimination of inter-Group transactions. Net sales come from a large number of customers in all segments.

The segments are reviewed and analyzed based on adjusted EBITDA. Adjusted EBITDA is earnings before interest, taxes, depreciation and amortization and excludes effect of finance leases as well as items affecting comparability that are not directly related to the normal operations of the company, for example, costs for transactions and restructuring. Adjusted EBITDA also excludes pre-opening costs that refer to expenses for contracted and new hotels before opening day.

2018 MSEK	Sweden	Norway	Finland	Other Europe	Central functions	Group
Room revenue	4,253	3,071	2,695	1,702	-	11,721
Restaurant and conference revenue	1,941	1,892	1,310	719	-	5,862
Franchise and management fees	11	11	0	7	-	29
Other hotel-related revenue	70	142	163	20	-	395
Net sales	**6,275**	**5,116**	**4,168**	**2,448**	**0**	**18,007**
Other income	-	-	-	-	-	0
Internal transactions	-	-	-	-	34	34
Group eliminations	-	-	-	-	-34	-34
Total operating income	**6,275**	**5,116**	**4,168**	**2,448**	**0**	**18,007**
Expenses	-5,365	-4,614	-3,578	-2,144	-349	-16,050
Adjusted EBITDA	**910**	**502**	**590**	**304**	**-349**	**1,957**
Adjusted EBITDA margin, %	14.5	9.8	14.2	12.4	-	10.9
EBITDA	**-**	**-**	**-**	**-**	**-**	**1,853**
EBITDA margin, %	-	-	-	-	-	10.3
Depreciation	-	-	-	-	-	-870
EBIT (Operating profit/loss)	**-**	**-**	**-**	**-**	**-**	**983**
Net financial income/expense	-	-	-	-	-	-173
EBT (Profit/loss before tax)	**-**	**-**	**-**	**-**	-	**810**

2017 MSEK	Sweden	Norway	Finland	Other Europe	Central functions	Group
Room revenue	4,026	2,757	1,238	1,443	-	9,464
Restaurant and conference revenue	1,877	1,692	646	638	-	4,853
Franchise and management fees	12	7	1	6	-	26
Other hotel-related revenue	62	130	30	17	-	239
Net sales	**5,977**	**4,586**	**1,915**	**2,104**	**0**	**14,582**
Other income	1	-	-	-	-	1
Internal transactions	-	-	-	-	54	54
Group eliminations	-	-	-	-	-54	-54
Total operating income	**5,978**	**4,586**	**1,915**	**2,104**	**0**	**14,583**
Expenses	-5,100	-4,096	-1,576	1,837	-401	-13,010
Adjusted EBITDA	**878**	**490**	**339**	**267**	**-401**	**1,573**
Adjusted EBITDA margin, %	14.7	10.7	17.7	12.7	-	10.8
EBITDA	**-**	**-**	**-**	**-**	**-**	**1,473**
EBITDA margin, %	-	-	-	-	-	10.1
Depreciation	-	-	-	-	-	-548
EBIT (Operating profit/loss)	**-**	**-**	**-**	**-**	**-**	**925**
Net financial income/expense	-	-	-	-	-	-124
EBT (Profit/loss before tax)	**-**	**-**	**-**	**-**	-	**800**

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

For definitions of key ratios, see page 136.

§ Accounting principles

Segment disclosures

Segments are reported in accordance with IFRS 8 Operating segments. Scandic operates similar businesses with the same type of customers in a number of countries in Europe. After acquiring Restel, Finland became a new segment from January 1, 2018 compared with 2017 when Finland was included in the segment Other Nordic countries & Europe. The remaining part of this former segment has been renamed Other Europe. When moving Finland into a separate segment, comparable numbers for the two segments have been recalculated for 2017. The largest markets for Scandic after the acquistion are Sweden, Norway and Finland. The segments have therefore been identified based on a geographic base and economic importance on each segment.

Management follows the segments Sweden, Norway, Finland, Other Europe and Central functions. Segment information is reported according to the same model and is followed by the executive decision makers: the CEO, the Executive Committee and the Board of Directors.

Revenue and fixed assets per country	Revenue from external customers		Fixed assets	
MSEK	2018	2017	Dec 31, 2018	Dec 31, 2017
Sweden	6,275	5,978	5,761	5,582
Belgium	-	23	-	-
Denmark	1,736	1,535	873	694
Finland	4,168	1,915	5,584	5,423
Norway	5,116	4,585	3,766	3,577
Poland	79	73	17	16
Germany	633	473	92	60
Group assets	-	-	174	86
Total for the Group	**18,007**	**14,583**	**16,267**	**15,438**

The allocation of income and assets is based on where the Group is domiciled, i.e. where the individual hotels are located. Scandic does not have any large customers where the revenue from the customer exceeds 10 percent of the total revenue of the Group.

NOTE 04 Audit fees

Fees to audit companies	Group		Parent Company	
MSEK	2018	2017	2018	2017
Audit assignments				
PwC	5	5	-	1
Others	0	1	-	-
Other statutory assignments				
PwC	0	-	-	-
Others	-	-	-	-
Tax consultancy services				
PwC	1	1	-	-
Others	1	0	-	-
Other				
PwC	3	3	-	-
Others	-	0	-	-
Total fees to audit companies	**10**	**10**	**0**	**1**

The auditing assignment includes auditing the Annual Report and accounts as well as the administration of the company by the Board of Directors and CEO, other duties the company auditor must perform as well as advice and other assistance arising from the audit or in carrying out these duties.

The Parent Company's audit fee has been charged to the subsidiary Scandic Hotels AB. Of the fees for audit assignments, MSEK 2 relates to PwC Sweden, for other statutory assignments MSEK 0 refers to PwC Sweden, for tax consultancy services 0 MSEK refers to PwC Sweden and for other services MSEK 2 refers to PwC Sweden.

Other services mainly refers to services related to the Group's GDPR project as well as a certificate for variable rent. Tax consultancy services mainly refers to services related to compliance.

NOTE 05 Leasing

Operating leases

Leasing fees according to operating lease agreements MSEK	2018 Lease of premises	2018 Other leasing agree-ments	2018 Total	2017 Lease of premises	2017 Other leasing agree-ments	2017 Total
Leasing fees paid during the year	4,764	427	5,191	3,765	101	3,866
– of which minimum fees	3,097	66	3,163	2,323	57	2,380
– of which contingent rents	1,667	361	2,028	1,442	45	1,487
Future leasing undertakings due						
– within 1 year	2,974	71	3,045	2,806	80	2,886
– in 1 to 5 years	11,584	150	11,734	11,236	176	11,412
– in more than 5 years	18,311	3	18,314	18,318	3	18,321
Total future leasing undertakings	**32,870**	**223**	**33,093**	**32,360**	**258**	**32,618**

Finance lease

In connection with the acquisition of Restel Hotellit Oy, 10 lease contracts were identified for hotel properties as finance leases. Lease payments consist of both minimum lease payments and partly variable fees. Leases have a remaining maturity of up to 30 years and depreciation is calculated over the same term. Accounting is carried out in accordance with IAS 17.

Finance lease

Future minimum leasing fees, nominal and discounted amounts for finance lease agreements at closing date	Future minimum leasing fees	Present value of future minimum leasing fees
Due for payment:		
– within 1 year	129	121
– between 1 and 5 years	514	438
– later than 5 years	1,889	1,047
Total	**2, 531**	**1,606**

§ Accounting principles

Operating leases

As of December 31, 2018, most of the Group's leases were classified as operating leases. In these hotel leases, Scandic is only responsible for the risks associated with the operation of the hotel. The cost of operating leases is reported on a straight-line basis unless another systematic method better reflects how the financial resources of the leased assets are recognized.

Finance lease agreements

At the acquisition of Restel Hotellit Oy, 10 of the lease contracts were identified to be classified as finance leases. This is due to the fact that the economic advantages and risks that are connected with owning the properties in all material respects are transferred from the lessor to the lessee, and that the leasing period covers the major part of the economic life of the properties of 50 years. The effect for Scandic is the change in EBITDA, depreciations and interest costs as well as a finance lease liability, but with a limited effect on cash flow, equity and earnings per share.

Leases according to IFRS 16 from January 1, 2019

From January 1, 2019, the Group will apply IFRS 16 for lease agreements. All lease agreements which includes a fixed or minimum rent agreement will then be recognized as a right-of-use asset and a finance lease liability. Scandic has chosen to apply the simplified method with a retrospective approach to right-of-use assets. This means that future rental payments are discounted to the present value and accounted for as a finance lease liability from the point in time when the right-of-use asset is available for use by the Group. The right-of-use assets have been accounted for since the start date of the contracts, whereof the depreciation amounts from the start date to January 1, 2019 have effected equity. The accumulated effect of the transition to IFRS 16 is reported as an adjustment of the opening balance of the retained earnings.

The same marginal interest has been used for portfolios of contracts that are in the same country. Leasing contracts of lower value, less than 50 000 SEK, are not included in the finance lease liability, but will be expensed on a straight-line basis over the leasing period. Leasing contracts with a term of less than 12 months are not considered to be material within the Group. Direct acquisition expenses at valuation of right-of-use have also been excluded. Also see Notes 13 and 22.

Bridge between operating and finance leases according to IFRS 16

Operating lease commitments disclosed as at December 31, 2018	33,093
Discounted using the Group's incremental borrowing rate	-16,090
Add: finance lease liabilities recognized as at December 31, 2018	1,606
Less: low-value assets recognized on a straight-line basis as an expense	-331
Add: adjustments relating to changes in the indexes	8,312
Lease liability recognized as at January 1, 2019	**26,590**

! Important estimations and assumptions

Lease commitments relating to premises refer in all significant respects to the premises on which Scandic's hotel operations are carried out. The amounts relating to future lease commitments refer to minimum leasing fees, i.e. fixed rental fees. In most lease agreements, the majority of the rental cost is dependent upon revenue from the leased premises. Revenue-related leasing costs are not included in the amounts. The table, therefore, does not provide a full view of Scandic's future leasing costs. Lease agreements have a duration of between 15 and 20 years and are generally not cancellable during the time of duration. Leasing terms, index clauses and the presence of conditions to extend agreements vary. Most agreements are extended when the lease term has ended, after renegotiation with the lessors. Options to extend agreements are often regulated in the lease agreement.

Scandic's business model is based on lease agreements where the property owner and Scandic share responsibility for investing in and maintaining the properties. Scandic's commitment generally relates to the maintenance and replacement of finishes, furniture, fixtures and equipment. The extent of the commitments is regulated by the demarcation list of the lease agreement.

NOTE 06 Employees, personnel expenses and remuneration to the Board of Directors

Personnel expenses MSEK	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Salaries and other remuneration	4,468	3,804	21	35
Payroll overhead excluding pension expenses	675	532	3	13
Pension costs	476	402	7	12
Total personnel expenses	**5,620**	**4,738**	**31**	**60**

The management of the Group is employed by the Parent Company and the subsidiaries Scandic Hotels Holding AB, Scandic Hotels AB, Scandic Hotel A/S, Scandic Hotels AS and Scandic Hotels Deutschland GmbH.

For the Group's CEO, a mutual notice period of 9 months applies. In addition, he is entitled to severance pay corresponding to 9 months' salary at the end of his employment in the case where the company gives notice of termination, or if his duties are substantially changed after a change of control in the company, resulting in his resignation within one year after the change of control.

When other senior executives are terminated by the company, entitlement to severance pay of 6 to12 months applies and upon termination at their own request, a notice period of 6 months applies.

Remuneration and other compensation

Remuneration and other compensation to the Board of Directors, SEK	2018 Board fees	Compensation for committee work	Other compensation	Total
Per G. Braathen, Chairman of the Board	708,333	54,167	-	762,500
Ingalill Berglund	364,167	162,500	-	526,667
Frank Fiskers 2)	-	-	-	0
Grant Hearn	364,167	87,500	-	451,667
Lottie Knutson	364,167	-	-	364,167
Christoffer Lundström	364,167	54,167	-	418,334
Eva Moen Adolfsson	364,167	75,000	-	439,167
Martin Svalstedt	364,167	54,167	-	418,334
Fredrik Wirdenius	364,167	54,167	-	418,334
Vagn Sörensen 1)	300,000	20,833	-	320,833
Marianne Sundelius, employee representative	40,000	-	-	40,000
Total remuneration and other compensation	**3,597,502**	**562,501**	**0**	**4,160,003**

1) Vagn Sörensen resigned from the Board at the AGM on April 26, 2018.
2) Frank Fiskers was elected to the Board at the AGM on April 26, 2018. He resigned from the Board at the end of November 2018.

Remuneration and other compensation to the Board of Directors, SEK	2017 Board fees	Compensation for committee work	Other compensation	Total
Vagn Sörensen, Chairman of the Board	711,667	50,000	-	761,667
Ingalill Berglund	325,833	150,000	-	475,833
Per G. Braathen	425,000	29,167	-	454,167
Albert Gustafsson 1)	133,333	20,833	-	154,166
Grant Hearn	325,833	50,000	-	375,833
Lottie Knutson	325,833	-	-	325,833
Stephan Leithner 2)	133,334	20,833	-	154,167
Christoffer Lundström	325,833	29,167	-	355,000
Eva Moen Adolfsson	325,833	100,000	-	425,833
Niklas Sloutski 3)	133,334	20,833	-	154,167
Martin Svalstedt 4)	192,500	29,167	-	221,667
Fredrik Wirdenius	325,833	29,167	-	355,000
Marianne Sundelius, employee representative 5)	24,000	-	-	24,000
Jan Wallmark, employee representative 5)	26,667	-	-	26,667
Total remuneration and other compensation	**3,734,833**	**529,167**	**0**	**4,264,000**

1) Albert Gustafsson resigned from the Board at the AGM on May 10, 2017.
2) Stephan Leithner resigned from the Board at the AGM on May 10, 2017.
3) Niklas Sloutski resigned from the Board at the AGM on May 10, 2017.
4) Martin Svalstedt was elected to the Board at the AGM on May 10, 2017.
5) Jan Wallmark was replaced by Marianne Sundelius as employee representative after the AGM on May 10, 2017.

Remuneration to senior managers, SEK	2018 Base remuneration	Variable remuneration 1)	Other compensation	Pension costs	Total
Even Frydenberg, President & CEO	5,800,000	866,340	374,381	1,917,930	8,958,651
Other members of Executive Committee (11 people)	19,034,015	9,620,665	3,177,715	4,044,443	35,876,838
Total remuneration and other compensation	**24,834,015**	**10,487,005**	**3,552,096**	**5,962,373**	**44,835,489**

1) Variable renumeration includes share-based payments of 866,340 SEK for the CEO and 3,215,555 SEK for other members of the Executive Committee.

The number of other senior management above is the total over the year. At year-end, other senior management included 11 people.

Remuneration to senior managers, SEK	2017 Base remuneration	Variable remuneration 1)	Other compensation 2)	Pension costs	Total
Frank Fiskers, President & CEO	4,403,002	3,396,770	9,316,469	1,519,273	18,635,514
Even Frydenberg, President & CEO	2,416,667	1,414,567	54,549	797,500	4,683,283
Other members of Executive Committee (9 people)	19,505,301	10,784,553	7,602,081	4,558,936	42,450,871
Total remuneration and other compensation	**26,324,970**	**15,595,890**	**16,973,099**	**6,875,709**	**65,769,668**

1) Variable renumeration includes share-based payments of 173,367 SEK for the current CEO, 973,861 SEK for the former CEO and 4,539,581 SEK for other members of the Executive Committee.
2) Remuneration for the former CEO and other members of the Executive Committee, 1 person, includes severance pay of 2,501,856 SEK as well as base and variable remuneration during the notice period.

Remuneration to the CEO and other senior managers can consist of fixed salary, variable salary, pension and other compensation. Terms and conditions for remuneration to senior management are described in the Corporate Governance Report on page 82.

Pensions

The CEO is covered by a defined contribution pension plan until he reaches the age of 65. The pension premium for the Group's CEO amounts to 33 percent of the fixed salary. The CEO has no part in the pension liability.

Other members of the senior management are covered by defined contribution pension plans, and to a lesser extent defined benefit pension plans. The retirement age is in accordance with applicable local laws and collective agreements. Other members of the senior managements' part of the pension liability was 1 (1) MSEK.

Long-Term Incentive Program

In December 2015, at the IPO, Scandic implemented a share-based Long-Term Incentive Program (LTIP). Since the IPO, the Annual General Meeting has passed resolutions on an annual basis regarding the implementation of the share-based long-term incentive program (LTIP). The share-based Long-Term Incentive Program that was implemented at the IPO (LTIP 2015) expired the same day that Scandic published its quarterly report for the first quarter 2018. The allotment according to the program was 255,634 shares and the total cost was 25 MSEK.

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 such savings share, the participants in LTIP 2016, LTIP 2017 and LTIP 2018 may, free of charge, be assigned matching shares, where 50 percent are subject to the meeting of a requirement related to the total return on the shares (TSR) and 50 percent are free of charge. In addition, the participants may receive a number of performance shares, free of consideration, depending on the extent to which certain performance criteria adopted by the Board of Directors are met, Directors, for which criteria are related to EBITDA, cash flow and RGI (Revenue Generation Index = RevPAR in relation to the RevPAR of the competition group) for the financial years 2016–2018 (LTIP 2016) and 2017–2019 (LTIP 2017). For LTIP 2018, the performance conditions are connected to EBITDA and cash flow.

Matching shares and performance shares will be allotted after the end of a vesting period which runs 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.

The expected financial exposure to shares that may be allotted under LTIP 2016, LTIP 2017 and LTIP 2018 and the delivery of shares to the participants has been hedged by Scandic's entering into a share swap agreement with a third party on market terms.

Granted rights outstanding:

	2018	2017	2016	2015
As of January 1	615,602	516,610	286,945	-
Granted	236,626	188,510	295,047	286,945
Allotted	-246,820	-	-	-
Forfeited	-25,862	-89,518	-65,382	-
Total at December 31	579,546	615,602	516,610	286,945
– of which currently exercisable	-	-	-	-

The rights have no exercise price.

		Number of rights			
Grant date	**Due date**	**Dec 31, 2018**	**Dec 31, 2017**	**Dec 31, 2016**	**Dec 31, 2015**
December 2, 2015	May 8, 2018	0	251,952	251,952	286,945
June 10, 2016	April/May 2019[1)]	170,162	183,890	264,658	-
September 25, 2017	April/May 2020[1)]	176,685	179,760	-	-
May 31, 2018	April/May 2021[1)]	232,699	-	-	-
Total		**579,546**	**615,602**	**516,610**	**286,945**

[1)] The due date is after the publishing of Scandic's interim report for the first quarter, which is still to be confirmed.

Fair value calculations

The fair value is measured through the use of a combination of the Black-Scholes model and Monte Carlo simulation. The following input factors have been used:

	LTIP 2018	LTIP 2017	LTIP 2016	LTIP 2015
Share price at grant date, SEK	85,95	109,75	62	67
Life	2.91 years	2.62 years	2.92 years	2.45 years
Deduction of expected dividends	4%	3%	4%	3%
Risk-free interest	not applicable	not applicable	not applicable	not applicable
Expected volatility	not applicable	not applicable	not applicable	not applicable
Fair value, SEK	102	190	121	N/A

As the exercise price (zero) is significantly lower than the share price on the grant date, the value has limited sensitivity to expected volatility and risk-free interest.

Cost of share-based payments that are regulated by equity instruments

	LTIP 2018		LTIP 2017		LTIP 2016	
MSEK	Group	Parent Company	Group	Parent Company	Group	Parent Company
Expected cost of the entire program	11	3	12	3	8	0
Maximum cost of the entire program	36	8	35	10	18	1
Cost in 2018	2	0	4	1	2	0
Cost in 2017	-	-	1	0	2	0
Cost in 2016	-	-	-	-	2	1

The cost of the programs, which is included in the income statement for the Group, is calculated in accordance with IFRS 2 and distributed over the vesting period. The calculation is based on the following assumptions: (i) an annual dividend yield of 4 percent for LTIP 2016, 3 percent for LTIP 2017 and 4 percent for LTIP 2018; (ii) an estimated annual turnover of personnel of 10 percent; (iii) an average fulfillment of each performance condition of 50–100 percent; and (iv) a maximum of 579,546 matching shares and performance shares that may be awarded. In total, the costs for the programs are estimated to a total of 31 MSEK including social security fees. The estimation is also based on the assumption of an annual share price increase of 10 percent during the program.

Assuming that the cap is reached and that participants are entitled to allotment of the maximum number of matching and performance shares and remain in the program until the end of the vesting period, the maximum cost for the programs will amount to 89 MSEK, including social security fees.

The expected financial exposure to shares that may be allotted under LTIP and the delivery of shares to the participants of LTIP has been hedged through Scandic's entering into a swap agreement with a third party on market terms, whereby the third party undertakes to, in its own name, acquire and transfer shares to the participants.

Average number of employees per country	2018 Average number of employees	2018 of which men	2017 Average number of employees	2017 of which men
Parent Company				
Sweden	10	4	4	2
Subsidiaries				
Sweden	5,027	1,809	4,876	1,708
Belgium	-	-	14	6
Denmark	1,180	484	1,106	453
Finland	1,722	483	692	236
Norway	3,158	1,292	2,822	1,125
Poland	105	36	114	39
Germany	358	169	301	132
Total for the Group	**11,560**	**4,277**	**9,929**	**3,701**

Gender division of the Board and Executive Committee on the balance sheet date	2018 Total	2018 of which men	2017 Total	2017 of which men
Board of Directors	8	5	9	6
Executive Committee	11	9	9	8
Total for the Group	**19**	**14**	**18**	**14**

§ Accounting principles

Severance payments

Employees receive severance payments on termination before normal retirement age or when they voluntarily accept termination in exchange for such compensation. The Group recognizes severance payments where it is under a manifest obligation either to give notice to employees following a detailed, formal plan without right to rescission or to provide compensation in the event of termination as a result of an offer made as an incentive for voluntary resignation. Benefits that come due more than 12 months after the balance sheet date are discounted to the present value.

Share-based payments

The Group has a share-based incentive plan where the settlement is carried out in shares and the Group is provided with services from the employees as payment for the shares. The cost of the program amounts to the fair value of the share on the grant date multiplied by the number of vested shares and the cost is distributed over the vesting period.

At the end of each reporting period, the Group reviews its assessment of the number of shares that are expected to be earned based on the non-market vesting conditions and terms of employment.

Any deviations from the original assessment that the review raises are recognized in the income statement and the corresponding adjustments are made in equity.

It can sometimes happen that the employees render services before the grant date, in which case an estimate of the fair value is made in order to recognize a cost to be distributed for a fee reported to be spread over the period between the time the employee begins performing services and the grant date.

The social security costs that arise with the granting of equity rights are seen as an integrated part of the allotment and are treated as a cash-settled program.

Pensions

The Group has defined contribution pension plans as well as defined benefit pension plans. For the defined contribution plans, the Group makes payments to public or privately administered pension insurance plans. These payments can either be mandatory, according to an agreement or voluntary. The Group has no further obligations after these payments are made. The fees are accounted for as personnel costs in the period they refer to. See Note 23 for further information regarding pension plans for the Group.

Swap agreement for repurchase of own shares

Scandic has a swap agreement with Nordea for purchasing its own shares. This swap agreement is reported as a financial liability for the agreed amount payable on the maturity date and as a deduction from equity. Interest costs related to the swap agreement are accounted for in the income statement in the period they occur. When the agreement has reached the maturity date and the obligation and agreed amounts have been paid, the liability will be derecognized from the balance sheet.

NOTE 07 Items affecting comparability

Items affecting comparability MSEK	Group Dec 31, 2018	Group Dec 31, 2017
Transaction costs	-2	-47
Integration costs	-133	-
Restructuring costs	-6	-
Sales of operations	-	17
Total	**-141**	**-30**

Items affecting comparability refer to items that are not directly related to the Group's normal activities, such as transaction costs when buying or selling a business, integration costs, restructuring costs as well as capital gains/losses from sale of operations.

NOTE 08 Financial income

Division by income type MSEK	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Interest income	3	2	2	0
Interest income from Group companies	-	-	152	112
Revaluation of derivative instruments	5	6	-	-
Results from associated companies	1	1	-	-
Exchange rate gains, net	3	-	93	-
Total	**12**	**9**	**247**	**112**

NOTE 09 Financial expenses

Division by type of cost MSEK	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Interest expenses, bank	-86	-79	-84	-77
Interest expenses, pension plan	-14	-12	-	-
Interest expenses to Group companies	-	-	-3	-2
Interest expenses, finance lease	-68	-	-	-
Exchange rate losses, net	0	-23	-	-24
Share of transaction costs expensed during the year[1]	-17	-19	-17	-1
Total	**-185**	**-133**	**-104**	**-104**

[1] Part of interest expenses was expensed over the duration of the borrowings, see Note 22.

§ Accounting principles

Financial income and expenses

All interest income and interest expenses are accounted for at their amortized cost. Interest derivatives are accounted for at the fair value through profit or loss. Revaluation of electricity derivatives is accounted for as other external costs. Associated companies are accounted for using the equity method.

NOTE 10 Income tax

MSEK	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Tax expenses				
Current tax expenses	-78	-8	0	-
Adjustment of tax for previous year	-29	-5	-	-
Deferred tax relating to temporary differences	-34	28	-	-
Deferred tax relating to untaxed reserves	-7	-3	-	-
Deferred tax relating to loss carried forward	-23	-108	-	-71
Income due to change in tax rate	40	6	0	-
Total tax income/expenses	**-131**	**-90**	**0**	**-71**
Connection between tax expenses for the year and reported profit before tax, MSEK				
Tax in accordance with current rate, 22.0% (22.0%)	-178	-176	0	-71
Adjustment of tax expense from previous year	-29	-5	-	-
Tax effect of non-deductible expenses	-47	-4	0	-
Tax effect of non-taxable income	43	47	-	-
Adjustment for differing tax rates	-1	3	-	-
Tax effect of non-offsettable losses	0	0	-	-
Loss carried forward from previous year for which deferred tax asset has not been reported	41	6	-	-
Loss carried forward from previous year for which deferred tax asset has been reported	0	33	-	-
Tax effect on changed tax rate on deferred taxes	40	6	-	-
Total tax income/expenses	**-131**	**-90**	**0**	**-71**

The current tax rate, 22 percent (22 percent) has been calculated on the basis of the tax rate applicable to the Parent Company.

The tax rate in Sweden was changed from 22 percent in 2018 to 21.4 percent from 2019, and will be changed further to 20.6 percent on January 1, 2020. The tax rate in Norway was changed from 23 percent in 2018 to 22 percent from 2019. All deferred tax relating to Sweden and Norway has subsequently been recalculated depending on when temporary differences will be reversed and/or when losses carryforwards will be utilized.

Deferred tax has been reported in Other comprehensive income relating to actuarial gains of 9 MSEK (22) and deferred tax on hedging of net investments of foreign operations which amounts to -1 MSEK (0) .

NOTE 11 Earnings per share

Before dilution Group	2018	2017
Profit/loss for the year attributable to shareholders of the Parent Company, MSEK	674	707
Average number of shares outstanding, before dilution	102,990,062	102,959,870
Earnings per share, SEK	6.54	6.87

After dilution Group	2018	2017
Profit/loss for the year attributable to shareholders of the Parent Company, MSEK	674	707
Average number of shares outstanding, before dilution	102,990,062	102,959,870
Dilutive effect of stock purchase plans	85,914	43,134
Average number of shares outstanding, after dilution	103,075,976	103,003,004
Earnings per share, diluted, SEK	6.54	6.86

The calculation of earnings per share before dilution is based on the profit/loss for the year attributable to shareholders of the Parent Company divided by the weighted average numbers of shares outstanding during the year. When calculating earnings per share after dilution, the average number of shares is adjusted to take into account the effects of dilutive potential ordinary shares originating during the reported periods from share-based payment programs that have been offered to employees. Dilutions from share-based payment programs affect the number of shares and only occur when the strike price is less than the share price. Potential ordinary shares are not viewed as dilutive if they result in better earnings per share after dilution, which occurs when the net income is negative.

NOTE 12 Intangible fixed assets

Group, MSEK	2018 Acquisition value	2018 Accumulated amortization	2018 Reported residual value	2017 Acquisition value	2017 Accumulated amortization	2017 Reported residual value
Goodwill						
Opening balance	6,303	-	6,303	5,793	-	5,793
Acquisition of businesses	17	-	17	530	-	530
Reclassification	69	-	69	-	-	0
Exchange rate differences	182	-11	171	-20	-	-20
Closing balance	**6,571**	**-11**	**6,560**	**6,303**	0	**6,303**
Trademarks						
Opening balance	3,210	-57	3,153	3,187	-42	3,145
Acquistion of businesses	-	-	0	49	-	49
Amortization for the year	-	-22	-22	-	-15	-15
Exchange rate differences	26	-1	25	-26	-	-26
Closing balance	**3,236**	**-80**	**3,156**	**3,210**	**-57**	**3,153**
Other intangible assets						
Opening balance	422	-209	213	344	-179	165
Acquisition of businesses	-	-	0	85	-6	79
Reclassifications	-9	9	0	-1	1	0
Purchases	3	-	3	1	-	1
Amortization for the year	-	-38	-38	-	-25	-25
Exchange rate differences	7	-2	5	-7	0	-7
Closing balance	**423**	**-240**	**184**	**422**	**-209**	**213**
Total intangible fixed assets						
Opening balance	9,935	-266	9,669	9,324	-221	9,103
Acquisition of businesses	17	-	17	664	-6	658
Reclassifications	60	9	69	-1	1	0
Purchases	3	-	3	1	-	1
Amortization for the year	-	-60	-60	-	-40	-40
Exchange rate differences	215	-14	201	-53	0	-53
Closing balance	**10,230**	**-331**	**9,899**	**9,935**	**-266**	**9,669**

Impairment testing

Impairment testing of goodwill and brands occurs annually and at any given time when indications of impairment are identified. Today, the Group has four cash-generating units: Sweden, Norway, Finland and Other Europe, see also Note 3.

The recoverable amount for cash-generating units is determined based on calculations of value in use. These estimates are based on estimated future cash flows before tax based on a five-year period. Cash flow for 2019 is based on a budget established by the Board and for 2020 to 2021 based on the company's long-term forecast. For the subsequent two years, cash flow is based on assessed market growth and estimated cost increases. Revenue forecasts are based on industry data relating to market development and historical experience regarding the development of new and newly renovated hotels. Cost forecasts are based on industry data regarding inflation and wage development and historical experience.

After 2021, market growth has been estimated to amount to 2 (2.5) percent per year in the period 2022 to 2023. When calculating value in use, a discount rate before tax and a sustained growth rate have been used in accordance with the following table. Cash flow after the five-year period is extrapolated with a growth rate of 2 percent per year.

The impairment test for the year showed that there were no impairment losses for any of the segments, even with reasonable changes in the parameters, such as an individual change +/-1.0 percent on the discount rate before tax and on the EBITDA margin.

At a discount rate before tax of 11.8 percent for Sweden, 11.5 percent for Norway, 11.9 percent for Finland and 11.8 percent for Other Europe, there is a need for impairment at the retained EBITDA margin.

	Sweden	Norway	Finland	Other Europe
Forecast period, years	5 (5)	5 (5)	5(5)	5 (5)
WACC rate, pre tax %	9.7 (9.4)	10.5 (10.5)	9.7 (8.8)	9.3 (9.0)
Terminal growth rate, %	2 (2.5)	2 (2.5)	2 (2.5)	2 (2.5)

Goodwill and trademark, MSEK	Goodwill Dec 31, 2018	Goodwill Dec 31, 2017	Trademark Dec 31, 2018[1)]	Trademark Dec 31, 2017	Total Dec 31, 2018	Total Dec 31, 2017
Sweden	1,866	1,866	2,312	2,312	4,178	4,178
Norway	1,692	1,667	576	578	2,268	2,245
Finland	2,837	2,611	45	49	2,882	2,660
Other Europe	165	159	223	214	388	373
Total goodwill and trademark	**6,560**	**6,303**	**3,156**	**3,153**	**9,716**	**9,456**

1) The Scandic Hotels trademark, which has an indefinite useful life, has a book value as per December 31, 2018 of 3,061 MSEK.

§ Accounting principles

Intangible fixed assets

Goodwill

Goodwill represents the excess of the value of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired operation on the date of acquisition. Goodwill on acquisitions of operations is reported as an intangible asset. Goodwill accounted for is tested annually for impairment and is reported at the acquisition value less the accumulated impairment.

Goodwill is allocated across cash-generating units when an assessment of any impairment requirement is made. The allocation is made to the cash-generating units or groups of cash-generating units that are expected to benefit from the acquisition of an operation giving rise to the goodwill item.

A contingent consideration of 17 MSEK was paid out during the first quarter 2018 for the acquisition of Restel Hotellit Oy and has entirely affected goodwill.

Trademarks

Trademarks acquired are reported at the acquisition value less amortization and any impairment. The Scandic Hotels trademark with an indefinite useful life is not amortized, but instead tested annually for impairment. In the acquired companies in the Scandic Group, the Scandic Hotels trademark has existed in the market since 1984 and today constitutes the basis for the Group's operations. The trademark is used in all markets where the companies are established.

The brands Rica Hotels, which was acquired in April 2014, and Cumulus, which was acquired in December 2017, have a fixed useful life of eight years. During 2018, a reassessment was made regarding the amortization period of the Cumulus brand as the brand was newly established in the market at the time of the acquisition. As a result, the amortization period will be changed to 4 years from 2019. The remaining amortization period at January 1, 2019, is therefore 3 years. Amortization takes place on a straight-line basis over the estimated useful life.Trademarks that are subject to amortization are also covered by the yearly impairment test described above.

Other intangible assets

Other intangible assets include customer relationships, identified in connection with the acquisition of Rica Hotels and the acquisition of Restel Hotellit Oy. Customer relationships have a defined useful life over 10 years, and amortization takes place on a straight-line basis over the estimated useful life.

Development costs that are directly attributable to the development of identifiable systems for the operations are also capitalized as intangible fixed assets when the following criteria are fulfilled:

- it is technically possible to complete the software so that it can be used;
- it is the company's intention to complete the software and to use it;
- there are prerequisites for using the software;
- it can be shown how the software will generate probable future financial benefits;
- adequate technical, financial and other resources exist for completing the development and for using the software; and
- the expenses attributable to the software during its development can be calculated in a reliable way.

During 2012, another major investment was made in a new Group reporting system. The investment was completed in December 2013 and has been amortized. In 2016, the system was upgraded. This internally developed system is capitalized under Other intangible assets and will be written off over 5 years.

! Important estimates and assumptions

The estimates that may have the greatest effect on the future profit and position of the Group are the assumptions made when considering the impairment of intangible assets. Every year, the Group tests goodwill and trademarks for impairment in accordance with the accounting principle described above. Recoverable amounts for cash-generating units have been determined through calculation of the value in use. Assumptions made in this calculation are described in the table in the section Impairment testing, from which it emerges that revenue was expected to rise in the coming years. Should growth be considerably weaker, an impairment requirement that significantly affects the Group's profit and position may arise.

NOTE 13 Tangible fixed assets

Group, MSEK	2018 Acquisition value	2018 Accumulated depreciation and write-down	2018 Reported residual value	2017 Acquisition value	2017 Accumulated depreciation	2017 Reported residual value
Land and buildings[1)]						
Opening balance	1,785	-22	1,764	116	-21	95
Acquisition of businesses	-	-	0	1,675	0	1,675
Sale/disposals	-70	-	-70	-	-	0
Depreciation for the year	-	-91	-91	-	-2	-2
Exchange rate differences	73	1	74	-6	1	-5
Closing balance	**1,788**	**-112**	**1,676**	**1,785**	**-22**	**1,764**
Equipment, fixtures and fittings						
Opening balance	9,371	-5,536	3,835	8,190	-5,308	2,882
Acquisition of businesses	-	-	0	653	-122	531
Purchases	1,216	-	1,216	964	-	964
Sales/disposals	-729	720	-9	-364	349	-15
Depreciation for the year	-	-709	-709	-	-495	-495
Write-down during the year	-	-10	-10	-	-10	-10
Reclassification	-	-69	-69	-	-	0
Exchange rate differences	196	-90	105	-72	50	-22
Closing balance	**10,054**	**-5,695**	**4,359**	**9,371**	**-5,536**	**3,835**
Total tangible fixed assets						
Opening balance	11,156	-5,557	5,599	8,307	-5,329	2,977
Acquisition of businesses	-	-	0	2,328	-122	2,206
Purchases	1,216	-	1,216	964	-	964
Sales/disposals	-799	720	-79	-364	349	-15
Depreciation for the year	-	-800	-800	-	-495	-495
Write-down during the year	-	-10	-10	-	-10	-10
Reclassification	-	-69	-69	-	-	0
Exchange rate differences	269	-89	179	-78	50	-28
Closing balance	**11,842**	**-5,806**	**6,035**	**11,156**	**-5,557**	**5,559**

1) Of buildings and land, 87 (88) MSEK of the reported residual values relates to the property in Gardermoen in Oslo, Norway.

Inventories, installations and equipment include ongoing facilities of 275 (422) MSEK.

In connection with the acquisition of Restel Hotellit Oy, 10 of the acquired lease contracts were identified as finance leases. The lease payments consist of both minimum lease and variable fee payments. The lease contracts have a remaining lease period of up to 30 years and depreciations is calculated over the same term. For future fees, see Note 5. In Land and buildings above, leasing assets that the Group has under finance leases are included in the following amounts:

Finance leased assets	Dec 31, 2018 Acquisition value	Dec 31, 2018 Accumulated depreciation and write-down	Dec 31, 2018 Reported residual value	Dec 31, 2017 Acquisition value	Dec 31, 2017 Accumulated depreciation and write-down	Dec 31, 2017 Reported residual value
Buildings						
Opening balance	1,675	0	1,675	0	0	0
Acquisition of businesses	-	-	0	1,675	-	1,675
Sales/scrapping	-70	-	-70	-	-	0
Depreciation for the year	-	-89	-89	-	-	0
Exchange rate differences	72	0	72	-	-	-
Closing balance financial lease assets	**1,677**	**-89**	**1,588**	**1,675**	**0**	**1,675**

§ Accounting principles

Tangible fixed assets

Land and buildings comprise mainly hotel buildings. Land and buildings are reported at the Group's acquisition value based on an external valuation made in conjunction with the acquisition of the operations less subsequent depreciation of buildings. Buildings are the subject of component depreciation, where different parts of the building are depreciated based on differing useful lives. The depreciation period for buildings is between 25 and 50 years. Land is not subject to depreciation.

Equipment, fixtures and fittings are reported at the acquisition value less depreciation and impairment. The acquisition value includes expenditure that is directly attributable to the acquisition of the asset. Assets are depreciated on a straight-line basis over the calculated useful life, which varies depending on the character of the assets. Assets consist of different types of equipment, fixtures and fittings such as furniture, fixtures and fittings in hotel rooms and public areas, kitchen equipment and IT equipment with varying useful lives. For this reason, a number of depreciation periods are used. In general, IT equipment is depreciated over 3 years, while other fixtures and fittings, installations and equipment are depreciated over 3 to 20 years. Equipment, fixtures and fittings with a useful life shorter than 3 years are reported as expenses in the income statement.

Finance lease agreements

At the time of the acquisition of Restel Hotellit Oy, 10 of the lease contracts were identified as finance leases. This is due to the fact that the financial benefits and risks associated with owning the properties in all material respects are transferred from the lessor to the lessee, and that the lease term covers the major part of the properties' financial life of 50 years. The effect for Scandic is the change of EBITDA, depreciation and interest costs as well as a finance lease liability, however with a limited effect on cash flow, equity and earnings per share.

Finance lease according to IFRS 16 from January 1, 2019

From January 1, 2019 the Group will apply IFRS 16 to lease agreements. All lease agreements which include a fixed or minimum rent agreement will then be recognized as a right-of-use asset and a corresponding liability on the date at which the leased asset is for use by the Group. For more information about lease liabilities, see Note 22. Assets and liabilities arising from a lease are initially measured on a present value basis.

When assessing the right-of-use assets, the retrospective approach has been applied, i.e. depreciation has been accounted for since the contracts' start date and depreciation amounts until January 1, 2019 have been affecting equity. The accumulated effect of the transition to IFRS 16 is reported as an adjustment of the opening balance of retained earnings. The same marginal interest has been used for portfolios of contracts in the same country.

From January 1, 2019, an effect of IFRS 16 right-of-use assets within buildings and land will increase by 24.8 billion SEK, and within equipment, fixture and fittings by 109 MSEK. respectively.

Important estimates and assumptions

Additional expenditure is added to the reported value of the asset only when it is probable that the future financial benefits associated with the asset will benefit the Group and that the acquisition value of the asset can be measured in a reliable way. All other forms of maintenance of a tangible fixed asset are reported as expenses in the income statement.

If there is a need for impairment, tangible fixed assets are impaired to the lowest of the recoverable amount and the reported value.

NOTE 14 Shares in associated companies

Group, MSEK	Share Dec 31, 2018	Share Dec 31, 2017	Reported value Dec 31, 2018	Reported value Dec 31, 2017
Gress-Gruppen AS	33%	33%	11	10
Aulangon Kylpä Oy	25%	25%	9	9
Rukan Kokouskeskus Oy	33%	33%	2	2
Total			**22**	**21**

Changes during the year, MSEK	2018	2017
Accumulated acquisition values, opening balance	21	10
Acquisitions	-	11
Result/dividends	-	-
Sales	-	-
Exchange rate differences	1	0
Accumulated acquisition values, closing balance	**22**	**21**

Gress-Gruppen is one of Norway's largest purchasing companies, in which Scandic and the other owners and paying members combine their purchasing volumes. The purpose of the ownership is efficient purchasing and enjoying the best possible terms and conditions from suppliers.

Aulangon Kylpylä Oy and Rukan Kokouskeskus Oy were included in the Restel acquisition that the Group made at the end of 2017. Both companies are involved in cooperation with the Group related to spa and conference facilities at two hotels in Finland.

§ Accounting principles

Shares in associated companies

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Significant influence is normally present in situations where the company has a shareholding of between 20 and 50 percent of the voting rights.

The share of income represents the company's share in the net income (after tax) from these associates and is directly accounted for in the income statement. Transactions with associated companies were immaterial in 2018 and 2017.

NOTE 15 Financial investments

Changes during the year, MSEK	2018	2017
Accumulated acquisition values, opening balance	9	8
Acquisitions	0	0
Disposals	-	0
Reclassification[1]	-	1
Exchange rate differences	0	0
Accumulated acquisition values, closing balance	**9**	**9**

[1] During 2017, there was a reclassification of other long-term receivables to financial investments of 1 MSEK.

The financial investments on the balance sheet date consist of approximately 70 (70) smaller investments.

NOTE 16 Inventory

The Group's inventory consists in its entirety of raw materials, mainly for restaurant operations.

§ Accounting principles

Inventory

Inventory is reported at the lower of the acquisition value or net selling price. The acquisition value is determined using the first in, first out (FIFO) principle.

NOTE 17 Accounts receivable

Accounts receivable, gross values, MSEK	Dec 31, 2018	Dec 31, 2017
Total accounts receivable	700	638
Deducted provision for doubtful accounts	-11	-12
Accounts receivable, book value	**689**	**626**

Change in deducted provision for doubtful accounts receivable	2018	2017
January 1	-12	-13
Provision for doubtful accounts	-3	-3
Receivables written off during the year as uncollectable	-4	-4
Reversed unutilized amount	8	8
Exchange rate differences	0	0
December 31	**-11**	**-12**

Age analysis, MSEK	Dec 31, 2018	Dec 31, 2017
Receivables not matured	419	430
Receivables matured 1–30 days	205	146
Receivables matured 31–60 days	32	44
Receivables matured 61–90 days	13	9
Receivables matured 91–120 days	20	3
Receivables matured more than 120 days	11	6
Accounts receivable, reported value	**700**	**638**

cont. Note 17

Accounting principles

Loans receivable and accounts receivable

Loans receivable and accounts receivable are financial assets that are not derivatives, that are not listed in an active market and that have fixed or determinable payments. They are part of current assets, with the exception of items with due dates more than 12 months after the balance sheet date, in which case they are classified as fixed assets. Loans receivable and accounts receivable are classified as accounts receivable and other receivables in the balance sheet.

Loans receivable and accounts receivable are reported at the acquisition value less any provision for depreciation. According to IFRS 9, loans receivable and accounts receivable shall be valued at the accrued acquisition value using the effective interest method, but since accounts receivable have very short durations and the interest effects are minimal, the value reported by the Group is not deemed to diverge materially from the fair value. Loans receivable run with a variable rate of interest and therefore the fair value is not deemed to diverge materially from the reported value.

Important estimates and assumptions

A provision for depreciation of accounts receivable is made when there is objective proof that the Group will not be able to recover all of the amounts due in accordance with the original terms and conditions of the accounts receivable. The provision amount constitutes the difference between the asset's reported value and the present value of future cash flows, discounted at the effective interest rate. The provision amount is reported in the income statement.

NOTE 18 Discontinued operations

MSEK	Dec 31, 2018	Dec 31, 2017
Assets classified as held for sale		
Goodwill	0	8
Buildings	-	70
Property, plant and equipment	1	23
Accounts receivable and prepaid expenses	1	0
Total assets of disposal group held for sale	**2**	**101**
Liabilities directly associated with assets classified as held for sale		
Finance leases	-	69
Accounts payable	1	1
Accrued expenses	0	0
Total liabilities of disposal group held for sale	**1**	**70**

Accounting principles

Discontinued operations

Assets classified as held for sale are valued at the lower of the book value and fair value after deducting the cost of sales. Fixed assets are classified as assets or liabilities held for sale if their carrying amount will be recycled at a potential sale rather than through continued usage. This is considered fulfilled when the Executive Committee and the Board have made a decision to divest the business, an active sales process has been initiated, the assets are disposable for an immediate sale in their present condition and it is likely that the disposal will be carried out within the upcoming year.

The approval of the acquisition of Restel Hotellit Oy at the end of 2017 was conditioned by the disposal of three hotels, of which one existing hotel and two acquired hotels, in accordance with the decision of the Finnish Competition Authority. The above refers to identifiable assets and liabilities for these three hotels. Revenue of 35 MSEK and net income of 7 MSEK for Scandic Lahti is included in the Group's financial statements for 2018.

NOTE 19 Prepaid expenses

Division by type of expense	Group		Parent Company	
MSEK	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Prepaid rent	253	193	-	-
Other prepaid expenses	144	129	-	-
Accrued interest	0	1	-	1
Accrued income	25	47	-	-
Total	**422**	**370**	**0**	**1**

NOTE 20 Cash and cash equivalents

	Group		Parent Company	
MSEK	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Cash and bank balances	103	140	1	0
Total	**103**	**140**	**1**	**0**

The Parent Company does not have any balance in the bank since all excess liquidity is used for the amortization of loans. This also explains the decrease in cash for the Group compared with the previous year.

Accounting principles

Cash and cash equivalents

Cash and cash equivalents include cash, bank balances and other current investments with a due date within 3 months from the time of acquisition.

NOTE 21 Share capital

	Ordinary shares	Total number of shares	Change in share capital, SEK	Share capital, SEK	Quota value, SEK
Number of shares on December 31, 2017	**102,985,075**	**102,985,075**	**-**	**25,746,269**	**0.25**
Number of shares on December 31, 2018	**102,985,075**	**102,985,075**	**-**	**25,746,269**	**0.25**

NOTE 22A Borrowings

Changes during the year, MSEK	Liabilities to credit institutions	Commercial papers	Finance leases	Total borrowings
Opening balance Jan 1, 2017	**3,777**	**0**	**0**	**3,777**
Borrowings	4,667	-	-	4,667
Acquisition of businesses	-	-	1,665	1,665
Capitalization of transaction costs[1)]	-6	-	-	-6
Transaction costs expensed during the year[1)]	19	-	-	19
Amortization of loans	-4,674	-	-	-4,674
Change overdraft facilities	16	-	-	16
Exchange rate differences	-29	-	-	-29
Opening balance Jan 1, 2018	**3,769**	**0**	**1,665**	**5,434**
Borrowings	843	999	-	1,842
Capitalization of interest	-	1	-	1
Capitalization of transaction costs[1)]	-6	-	-	-6
Transaction costs expensed during the year[1)]	17	-	-	17
Amortization	-1,755	-	-62	-1,817
Sale	-	-	-71	-71
Change overdraft facilities	36	-	-	36
Exchange rate differences	36	-	74	110
Closing balance Dec 31, 2018	**2,940**	**1,000**	**1,606**	**5,546**

1) Existing loans were renegotiated in June 2018 and resulted in transaction costs of 6 (6) MSEK. These costs have been capitalized and are distributed on a straight-line basis over the borrowing period.

The company's external loans were renegotiated in June 2018 with extended maturity until June 2021. The loan relates to a fixed loan of MSEK 1,500 with a maturity of 3 years, with interest from Stibor +1.00 to 2.00 percentage points, and a revolving lending facility in several currencies of 3,500 MSEK with a maturity of 3 years, with interest at base rate +1.00 to 2.00 percentage points. A temporary short-term credit of 500 MSEK was renegotiated in December 2018 as part of the revolving facility which thereby amounts to 4,000 MSEK. With the unused part of the revolving credit facility as back-up, a program for issuing commercial papers has been established which amounts to 2,000 MSEK. Per December 31, 2018, 1,000 MSEK was utilized. The commercial papers have a term of 1 to 6 months.

The margin within the range is for all loans dependent on the company's indebtedness. The loan terms stipulate that the following covenants should be within certain limits: interest coverage and net debt in relation to adjusted EBITDA. At each measurement period and on the balance sheet date, all loan terms were met. There are no claims for amortization and no collateral has been pledged for the loans. The Board closely monitors the company's financial position with respect to the fulfillment of the loan terms.

The finance lease liability consists of nine lease contracts identified as finance leases when acquiring Restel Hotellit Oy. Leasing fees consist of both miminum lease payments and variable fees. The lease agreements have a remaining term of up to 30 years.

§ Accounting principles

Borrowings

Borrowings are financial liabilities that are initially reported at fair value, net after transaction costs. Borrowings are subsequently reported at the accrued acquisition value and any difference between proceeds (net of transaction costs) and the redemption value is reported in the income statement allocated over the period of the borrowing using the effective interest method. Borrowings are classified as liabilities to credit institutions and as internal loans in the balance sheet. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer the payment of the liability for at least 12 months after the balance sheet date. The finance lease is recognized at fair value since it was first reported on the acquisition date on December 29, 2017.

From January 1, 2019, the Group will apply IFRS 16 for lease agreements which will result in the major part of all lease agreements from year-end being accounted for as lease liabilities. These lease contracts have been recognized at the present value of future mimimum lease payments. When calculating, the implicit interest of the lessee as of January 1, 2019 was used. The Group's marginal loan interest that has been applied for these lease liabilities as of January 1, 2019 was between 3.60 and 6.23 percent.

NOTE 22B Management of financial risks

Market risk – foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

Risk management

Foreign exchange risk arises when future business transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency. The operations of the Scandic Group companies are mainly local, with revenues and expenses denominated in domestic currencies, and the Group's internal sales are low. This means that exchange rate exposure related to transactions is limited. According to the Group's Financial Policy, which requires Group companies to manage their foreign exchange risk against their functional currency, the Group companies hedge their foreign exchange risk in larger future business transactions via Group Finance. To manage the foreign exchange risk arising from future commercial transactions, the Group companies use forward contracts signed with Group Finance.

Exchange rate effects in the Group arise from the translation of foreign subsidiaries' financial statements into SEK. For 2018, 35 (41) percent of the Group's sales were in SEK, 28 (31) percent in NOK and 37 (28) percent in EUR and other currencies. Borrowings in EUR and NOK are matched by the Parent Company's loans to subsidiaries. The currency exposure arising from internal loans to the Group's foreign operations is reduced by borrowing in the corresponding currencies, which is referred to as a natural hedge.

The Group's borrowings broken down by currency are shown in the table below. The Board has decided that other currency risks for assets and liabilities should not be hedged.

	Dec 31, 2018	Dec 31, 2017
Group borrowings by currency		
SEK, %	64	70
EUR, %	21	15
NOK, %	15	15

Sensitivity analysis

Reported value of liabilities to credit institutions is exposed to currency risk for the part where borrowing is in a foreign currency. The sensitivity analysis below presents how changes in relevant foreign currency affect the book value of liabilities to credit institutions as well as net debt.

Sensitivity analysis for currency as at Dec 31, 2018	Change, %	Effect net debt, MSEK
Exposure credit liabilities to credit institutions at a change in:		
NOK/SEK	+/- 1	+/- 8 MSEK
EUR/SEK	+/- 1	+/- 6 MSEK

Market risk – interest rate risk

Interest rate risk arises from changes in market interest rates that can have a negative effect on the Group's revenue, cash flow and interest-bearing assets and liabilities.

Risk management

Since the Group has no significant interest-bearing assets, the Group's revenues and cash flow from operating activities are essentially independent of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings. Loans issued at variable rates expose the Group to interest rate risk in respect to cash flow. Loans issued at fixed rates expose the Group to interest rate risk in respect to fair value. The Group's Financial Policy stipulates that 25 to 75 percent of Scandic's loans must be taken at fixed interest rates. Deviations from this must be approved by the Board. As needed, the Group uses interest rate swaps to manage this. The Group's borrowings on the balance sheet date are shown below.

The Group normally takes long-term loans at variable interest rates and converts them into fixed interest rates using interest rate swaps. In such transactions, the Group agrees with other parties to exchange, at specified intervals, the difference between the agreed fixed and variable interest rates, calculated based on the agreed nominal value.

	Dec 31, 2018	Dec 31, 2017
Group borrowings by fixed and variable interest		
Fixed interest, %	39	39
Variable interest, %	61	61

All external borrowings at fixed interest rates have been carried out using interest rate swaps.

Credit risk

Credit risk refers to the risk that counterparties cannot fulfill their obligations. Credit risk arises from cash and cash equivalents, derivative instruments and deposits with banks and financial institutions as well as credit exposures to customers, including outstanding receivables and agreed transactions.

Risk management

Credit risk is managed on the Group level. Only banks and financial institutions that have received an independent minimum rating of A-1 are accepted. In cases where no independent credit rating exists, a risk assessment of the customer's creditworthiness is carried out considering the customer's financial position, previous experience and other factors. The use of credit limits is monitored regularly. Sales in the company's operations are primarily settled by cash or credit card, although invoicing is also used. Credit losses relating to customers as per December 31, 2018 amounted to 3 (3) MSEK, see Note 17.

Group, MSEK	< 1 year	1–3 years	3–5 years	> 5 years
As at December 31, 2018				
Liabilities to credit institutions 1)	84	3,188	-	-
Commercial papers	1,200	-	-	-
Finance leases 2)	121	228	210	1,047
Derivative instruments 3)	-	8	-	-
Accounts payable and other liabilities	791	-	-	-

Group, MSEK	< 1 year	1–3 years	3–5 years	> 5 years
As at December 31, 2017				
Liabilities to credit institutions 1)	67	3,986	-	-
Finance leases 2)	121	227	210	1,107
Derivative instruments 3)	-	5	-	-
Accounts payable and other liabilities	786	-	-	-

1) Liabilities to credit institutions include future cash flows regarding liabilties such as future interest payments.
2) For future minimum lease payments, see Note 13.
3) Market value on December 31.

Liquidity risk

Liquidity risk is the risk that the Group does not have sufficient liquidity to pay its debts and meet its commitments.

Risk management

Liquidity risk is managed by maintaining within the Group sufficient cash and cash equivalents and short-term investments with a liquid market, available financing through agreed credit facilities and the ability to close market positions. The Group's liquidity in the form of cash and cash equivalents and short-term investments is monitored and forecast on a daily basis by Group Finance. The Group's liquidity reserve on December 31, 2017, consisting of cash and unutilized credit facilities, amounted to 1,625 (1,322) MSEK.

Sensitivity analysis for interest swaps as at Dec 31, 2018	Change %	Result effect MSEK
Interest expense from changed interest rates	+/- 1	+/- 24
Interest expense from the change in the average level of interest rates	+/- 1	+/- 39

If the variable market rate differs from the current fixed rate of derivative instruments, a theoretical over- or undervaluation of the financial instrument will occur. The derivatives are recognized at the fair value in the statement of financial position and the change in value, which does not impact cash flow, is recognized in profit for the year. The sensitivity analysis is based on net debt.

Electricity derivatives

From July 1, 2018, cash flow hedging has been used by the Group to hedge against fluctuations in electricity prices. The electricity derivatives used by the Group have been identified as cash flow hedges. The relationship between the derivatives and the hedged risk is documented when the cash flow hedge is set up. Efficiency controls are performed at the starting point of the hedge and further on a monthly basis during the term of the cash flow hedge. The efficient part of the value change in the derivatives, which meets the requirements for cash flow hedging, is accounted for in Other comprehensive income. The inefficient part of the value change is accounted for in other external expenses. The efficient part of the hedge is accounted for in other external expenses when the hedged item affects the income statement.

For 2018, the inefficient part of the value change for electricity derivatives amounted to 2 MSEK (-).

NOTE 22c Management of capital risk

The Group's goal for capital structure is to safeguard the Group's ability to maintain its operations so that it can continue to generate returns for shareholders and benefits for other stakeholders, as well as to maintain an optimal capital structure to keep capital costs down.

The Group's managed capital is made up of shareholders' equity. To maintain or adjust the capital structure, the Group may change the dividend paid to shareholders return capital to shareholders, issue new shares or sell assets to reduce liabilities.

In the same way as other companies in the industry, the Group assesses capital on the basis of the debt/equity ratio. This key figure is calculated as net debt divided by shareholders' equity. Interest-bearing net debt is calculated as total borrowing from credit institutions excluding finance leases less cash and cash equivalents.

Group, MSEK	Dec 31, 2018	Dec 31, 2017
Total borrowings	5,546	5,434
Excluding finance lease	-1,606	-1,665
Excluding cash and cash equivalents	-103	-140
Interest-bearing net liabilities	3,837	3,630
Total shareholders' equity	7,805	7,356
Debt/equity ratio	0.5 X	0.5 X

	Dec 31, 2018			Dec 31, 2017	
Due dates, MSEK	Liabilities to credit institutions	Commercial papers	Finance leases	Liabilities to credit institutions	Finance leases
Liabilities due for payment					
– within 1 year	-	1,000	121	-	121
– between 1 and 5 years	2,940	-	438	3,769	437
– later than 5 years	-	-	1,047	-	1,107
Total	**2,940**	**1,000**	**1,606**	**3,769**	**1,665**

Revolving credit facility, MSEK	Dec 31, 2018	Dec 31, 2017
Amount utilized	2,478	2,318
Amount not utilized	1,522	1,182
Total revolving credit facility granted	**4,000**	**3,500**

NOTE 23 Provisions for pensions and similar obligations

Provisions for pensions and similar obligations refer in their entirety to defined benefit pension plans in which the employees have the right to benefits after their employment ends, and where the level of benefits is based on final salary and length of service. Provision for such plans has been made for FPG/PRI occupational pensions in Sweden (ITP 2 plan). In other countries, defined contribution pension plans have been adopted. The defined benefit plan in Sweden provides employees with a guaranteed level of pension payouts during their lifetime. The defined benefit plan is adjusted for annual inflation of 2 percent which corresponds to assumptions about inflation from the Swedish Central Bank.

Defined benefit pension plans

Calculation of provision, MSEK	Dec 31, 2018	Dec 31, 2017
Present value of obligations	627	542
Actual value of plan assets	-	-
Total provision for defined benefit pension plans	**627**	**542**

Changes in provision during the year, MSEK	2018	2017
Net liability, opening balance	542	413
Recalculations reported in Other comprehensive income[1]	40	82
Net expense reported in the income statement	37	30
Pensions paid	-5	-5
Change in special employer contribution	13	22
Net liability, closing balance[2]	**628**	**542**

1) Items reported in Other comprehensive income consist of a loss in 2018 due to changes in financial assumptions of -32 (-72) MSEK and a loss from experience-based adjustments of -8 (-9) MSEK.
2) The weighted average duration of pension obligations is 24 years.

! Important estimates and assumptions

Important actuarial assumptions, %	Dec 31, 2018	Dec 31, 2017
Discount rate	2.50	2.75
Future salary increases	3.00	3.00
Future pension increases (inflation)	2.00	2.00
Employee turnover	3.00	3.00

Sensitivity analysis in actuarial assumptions	Change	Increase %	Decrease %
Discount rate	+/- 0.5%	13.1	-11.2
Future salary increases	+/- 0.5%	-3.8	4.8
Future pension increases (inflation)	+/- 0.5%	-8.6	9.8
Life expectancy	+/- 1 year	-3.8	3.8

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The above table shows the percentage effect on the pension liability when such assumption changes occur. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method has been applied as when calculating the defined benefit liability recognized in the balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis were unchanged compared with the previous period.

Pension expenses for defined benefit and defined contribution pension plans

MSEK	2018	2017
Expenses relating to service during the current year, defined benefit pension plans	-23	-18
Expenses relating to service during the current year, defined contribution pension plans	-453	-384
Total pension expenses included in personnel expenses	**-476**	**-402**
Interest expenses for defined benefit pension plans	-14	-12
Total expenses in the income statement	**-490**	**-414**

Payments for 2019 are expected to be at the same level as 2018.

Multi-employer plans

The company has secured the ITP plan through insurance from the insurance company Alecta. Although this plan is classified as a defined benefit plan, it is not possible to get sufficient information from Alecta to be able to report it as a defined benefit plan. Information regarding allocation between employers is missing and instead, all earnings are allocated to the previous employer. A breakdown of Alecta's assets and provisions for individuals is not possible, which means that these plans are accounted for as defined contribution plans. Collective consolidation is the buffer of Alecta's insurance commitments to be able to handle fluctuations in investment returns and insurance risks, and it is calculated as the difference between investments and the insurance commitments. The consolidation level is calculated as Alecta's assets in relation to the insurance commitments. Alecta has a target ratio of 140 percent for the consolidation level and during 2018, the consolidation level was 142 percent (154 percent). For 2019, the contribution to the plan is estimated to be at the same level as 2018, which was 75 MSEK.

§ Accounting principles

Pension commitments

Group companies operate various pension schemes. These are usually financed through payments to insurance companies or managed funds where the payments are determined according to actuarial calculations. The Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate legal entity. The Group has no legal or constructive obligations to pay further contributions if this legal entity does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan where the contribution is not defined, but defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. Within the Group, defined benefit plans exist only in Sweden.

For defined contribution pension plans, the Group pays fees to publicly or privately managed pension insurance schemes on an obligatory, contractual or voluntary basis. The Group has no further payment obligations once the fees are paid. The fees are reported as personnel expenses during the period they relate to.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation on the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The net present value of the defined benefit obligation is determined by discounting the estimated future cash outflows. The calculation uses interest rates of first-class corporate bonds that are denominated in the same currency that the benefits will be paid in and that have terms of maturity approximating the terms in the related pension liability.

Actuarial gains and losses that arise from experience-based adjustments and changes in actuarial assumptions are reported in Other comprehensive income during the period in which they arise.

Past-service costs are recognized immediately in the income statement.

NOTE 24 Other provisions

Changes in other provisions during the year, MSEK	Dec 31, 2018 Provision for loyalty program	Other provisions	Total other provisions	Dec 31, 2017 Provision for loyalty program	Other provisions	Total other provisions
Opening balance	**127**	**1**	**128**	**131**	**2**	**133**
Change through the income statement	11	-1	10	-4	-1	-5
Closing balance	**138**	**0**	**138**	**127**	**1**	**128**

Scandic has a loyalty program, Scandic Friends, in which members earn points for overnight stays that can then be used for free overnight stays. This loyalty program is covered by the rules in IFRS 15. The liability is valued at the market value of the anticipated free-night usage. In measuring the liability for the loyalty program, the first step is to calculate the liability for the number of free nights expected to be used on the basis of the level of utilization and estimated points withdrawal per free night, based on the outstanding balance of points. The anticipated utilization of free nights is then multiplied by the average market price of such free nights. That part of the liability that is expected to be utilized after more than one year is reported under Other provisions above, while that part that is expected to be utilized within one year is recognized as deferred income under Accrued expenses and deferred income (see Note 26). The total liability for the loyalty program and its allocation between current and non-current liabilities is shown in the table below. The provision is expected to be utilized within 5 years.

Total liability for loyalty program	2018 Non-current provision	Current provision	Total liability in respect of loyalty program	2017 Non-current provision	Current provision	Total liability in respect of loyalty program
Opening balance	127	85	212	131	87	218
Change through the income statement	11	7	18	-4	2	-6
Closing balance	**138**	**92**	**230**	**127**	**85**	**212**

The assessed market value of free overnight stays used during 2018 amounted to 115 (115) MSEK. For the current provision, see Note 26.

§ Accounting principles

Provisions

Provisions for environmental restoration measures, restructuring expenses and legal claims are reported when the Group has a legal or informal obligation as a result of earlier events, when it is probable that an outflow of resources will be required to settle the undertaking and when the amount has been calculated in a reliable manner. Provisions are valued based on the best possible estimate of expenditure that will be required to resolve the obligation in question on the balance sheet date. Provisions for restructuring include costs for terminating leasing agreements and severance pay. No provisions are made for future operating losses.

! Important estimations and assumptions

Reporting of provisions for loyalty programs for customers

In accordance with IFRS 15, provisions for loyalty programs for customers are reported as a reduction in revenue in conjunction with the earning of the right to future use. The reserve outstanding at any time is divided into a long-term portion, which is reported under Other provisions, and a short-term portion, which is reported under Accrued expenses and deferred income.

NOTE 25 Deferred tax assets and tax liabilities

Deferred tax assets and liabilities are reported net when there is a legally enforceable right to offset the recognized tax assets and liabilities and when the deferred taxes are expected to be settled at the same time. No such offsetting has been carried out in these annual accounts.

	Dec 31, 2018				
Distribution of deferred tax items on underlying balance sheet items and their changes during the year, MSEK	**Pensions**	**Derivative instruments**	**Elimination of internal goodwill**	**Losses carried forward**	**Total deferred tax assets**
Deferred tax assets					
Opening balance Jan 1, 2018	63	2	5	132	202
Reported in income statement	1	-1	2	-38	-36
Tax attributable to items in Other comprehensive income	11	1	-	-	12
Exchange rate differences	-	-	1	4	5
Closing balance as at Dec 31, 2018	**75**	**2**	**8**	**98**	**183**
– of which receivables to be utilized within 12 months	-	-	-	-	*0*

	Intangible fixed assets	Land & buildings	Untaxed reserves	Accelerated depreciation	Hedge accounting	Total deferred tax liabilities
Deferred tax liabilities						
Opening balance Jan 1, 2018	-767	-11	-4	-28	0	-810
Reported in income statement	33	1	-22	9	-1	20
Reclassification	-	-	-6	6	-	0
Tax attributable to items in Other comprehensive income	-1	-	-	-	-11	-12
Exchange rate differences	-6	0	0	-1	-	-7
Closing balance as at Dec 31, 2018	**-740**	**-10**	**-32**	**-14**	**-12**	**-808**
– of which liabilities to be paid within 12 months	*-54*	*-1*	-	-	-	*-55*

	Deferred tax liabilities, net
Net deferred tax liabilities	
Opening balance Jan 1, 2018	-608
Reported in income statement	-16
Tax attributable to items in Other comprehensive income	0
Exchange rate differences	2
Closing balance as at Dec 31, 2018	**-625**

Distribution of deferred tax items on underlying balance sheet items and their changes during the year, MSEK	Pensions	Derivative instruments	Elimination of internal goodwill	Losses carried forward	Total deferred tax assets
	Dec 31, 2017				
Deferred tax assets					
Opening balance Jan 1, 2017	39	4	5	203	251
Reported in income statement	2	-2	-	-72	-72
Tax attributable to items in Other comprehensive income	22	-	-	-	22
Exchange rate differences	-	-	0	1	1
Closing balance as at Dec 31, 2017	**63**	**2**	**5**	**132**	**202**
– of which receivables to be utilized within 12 months	-	-	-	-	-

	Intangible fixed assets	Land & buildings	Untaxed reserves	Accelerated depreciation	Total deferred tax liabilities
Deferred tax liabilities					
Opening balance Jan 1, 2017	-735	-13	-3	-24	-775
Reported in income statement	-2	1	-1	-3	-5
Acqusition of businesses	-24	-	-	-	-24
Exchange rate differences	-6	1	-	-1	-6
Closing balance as at Dec 31, 2017	**-767**	**-11**	**-4**	**-28**	**-810**
– of which liabilities to be paid within 12 months	*-33*	*-1*	-	-	*-34*

	Deferred tax liabilities, net
Net deferred tax liabilities	
Opening balance Jan 1, 2017	-524
Reported in income statement	-77
Tax attributable to items in Other comprehensive income	22
Acquisition of businesses	-24
Exchange rate differences	-5
Closing balance as at Dec 31, 2017	**-608**

Tax losses carried forward

The Group has reported loss carryforwards amounting to 458 MSEK (599) mainly in Norway, Denmark and Germany. These loss carryforwards can be utilized against future taxable surpluses. Recorded deferred tax assets related to reported loss carryforwards amounted to 98 (132) MSEK, the Group has assessed that it will be possible to offset these carryforwards in the future, based on the forecasts of the Group for coming years. Non-recorded deficiencies amounted to 1,355 (882) MSEK and are mainly related to Finland and Denmark where it still is uncertain to what extent they can be offset towards taxable surpluses. These deficiencies amount to 274 MSEK (178).

Tax on previous, not recognized, loss carryforwards amounted to -38 MSEK (43). None of the deductible deficiencies are limited in time. All deferred tax on deductible deficiencies is valued on taxable deficiencies.

Deferred tax assets, Parent Company	Dec 31, 2018	Dec 31, 2017
Opening balance	**0**	**71**
Reported in income statement	-	-71
Reported in equity	-	-
Closing balance	**0**	**0**

Deferred tax assets in the Parent Company consist solely of unused deductible deficiencies that the Parent Company had on the closing date.

§ Accounting principles

Deferred income tax

Deferred income tax is reported using the liability method on all temporary differences arising between the tax bases of assets and liabilities and their reported amounts in the balance sheet. However, deferred tax is not reported if it arises as a result of a transaction that constitutes the first reporting of an asset or liability that is not an operational acquisition and which, at the time of the transaction, affects neither the reported nor the tax result. Deferred tax is not reported either on the first reporting of goodwill. Deferred income tax is determined using the tax rates (and laws) that have been applied or notified by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are reported to the extent it is probable that future tax surpluses will be available, against which the temporary differences can be utilized. The Group accounts net for deferred tax assets and deferred tax liabilities in the balance sheet where there is a legal right to offset.

The Parent Company and its wholly-owned subsidiaries have applied the tax consolidation legislation, which means that these entities are taxed as a single entity.

NOTE 26 Accrued expenses and deferred income

Division into type of expense, MSEK	Group Dec 31, 2018	Group Dec 31, 2017	Parent Company Dec 31, 2018	Parent Company Dec 31, 2017
Accrued leasing expenses	137	100	-	-
Accrued personnel expenses	894	829	8	17
Accrued interest expenses	3	0	3	0
Deferred income, current portion of loyalty program	92	85	-	-
Deferred income, bonus checks[1)]	37	66	-	-
Other items	375	380	6	20
Total	**1,538**	**1,461**	**18**	**37**

1) The bonus check liability is a payment method permitting discounted stays at all Scandic hotels. Bonus checks have a limited period of validity. When bonus check booklets are sold, a liability is recorded. The liability is liquidated when the checks are utilized or when the customer is deemed to be no longer able to utilize or redeem the bonus check.

NOTE 27 Adjustment for items not included in cash flow

Adjustment for items not included in cash flow, MSEK	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Depreciation	870	553	-	-
Gain/loss on sale of tangible assets	-	-4		
Change in accrued expenses/income and provisions	-1	-1	-	-
Total	**869**	**548**	**0**	**0**

§ Accounting principles

The cash flow analysis has been prepared in accordance with the indirect method. The cash flow reported includes only transactions that involve payments in or out.

In addition to cash and bank balances, short-term financial investments are classified as liquid funds since these are exposed only to an insignificant risk of value fluctuations or have a remaining term of less than 3 months from the acquisition date.

NOTE 28 Statement of cash flow

MSEK	Opening balance Jan 1, 2018	Cash flow from financial activities	Non cash flow: Transaction costs	Non cash flow: Exchange difference	Non cash flow: Sale of operations	Non cash flow: Interest cost	Closing balance Dec 31, 2018
Borrowings	3,769	117	17	37	-	-	3,940
Finance lease	1,665	-129	-	0	-70	-	1,606
Accrued interest	0	-77	-	-36	-	116	3
Subtotal	**5,434**	**-89**	**17**	**1**	**-70**	**116**	**5,549**
Cash and cash equivalents	-140	13	-	24	-	-	103
Total	**5,294**	**-76**	**17**	**25**	**-70**	**116**	**5,446**

MSEK	Opening balance Jan 1, 2017	Cash flow from financial activities	Non cash flow: Transaction costs	Non cash flow: Exchange difference	Non cash flow: Acquisition	Non cash flow: Interest cost	Closing balance Dec 31, 2017
Borrowings	3,777	3	19	-30	-	-	3,769
Finance lease	0	-	-	-	1,665	-	1,665
Accrued interest	7	-80	-	-	-	73	0
Subtotal	**3,784**	**-77**	**19**	**-30**	**1,665**	**73**	**5,434**
Cash and cash equivalents	-1,068	921	-	8	-	-	-140
Total	**2,716**	**844**	**19**	**-23**	**1,665**	**73**	**5,294**

The table above shows the changes in financial liabilities that affect cash flow.

NOTE 29 Participations in Group companies

Changes during the year MSEK	Parent Company 2018	Parent Company 2017
Accumulated acquisition values, opening balance	5,039	4,590
Given shareholders' contribution	-	449
Accumulated acquisition values, closing balance	**5,039**	**5,039**

Holdings on the balance sheet date	Organization number	Registered address	Dec 31, 2018 Shareholding	Dec 31, 2017 Shareholding	Dec 31, 2018 Reported value	Dec 31, 2017 Reported value
Scandic Hotels Holding AB	**556723-5725**	**Stockholm, Sweden**	**100**	**100**	**5,039**	**5,039**
Scandic Hotels AB	556299-1009	Stockholm, Sweden	100	100	-	-
Hotell Hasselbacken AB	559177-6777	Stockholm, Sweden	100	-	-	-
Scandic Hotels AS	953 149 117	Oslo, Norway	100	100	-	-
Rica Hotels AB	556520-9797	Stockholm, Sweden	100	100	-	
Scandic Hotels Gardermoen AS	880 289 772	Gardermoen, Norway	50	50	-	-
Scandic Hotels Holding A/S	30 61 64 56	Copenhagen, Denmark	100	100	-	-
Scandic Hotel A/S	12 59 67 74	Copenhagen, Denmark	100	100	-	-
Scandic Polen Sp.z o. o.	288532	Warsaw, Poland	100	100	-	-
Scandic Hotels Europe AB	556351-7373	Stockholm, Sweden	100	100	-	-
Scandic Hotels Deutschland GmbH	HRB 146065 B	Berlin, Germany	100	100	-	-
Scandic Berlin Kurfürstendamm GmbH	HRB 158329 B	Berlin, Germany	100	100	-	-
Scandic Hotel NV[1)]	462 318 529	Antwerp, Belgium	-	100	-	-
Scandic Hotels Oy	1447914-7	Helsinki, Finland	100	100	-	-
Restel Hotellit Oy[2)]	0753772-4	Helsinki, Finland	-	100	-	-
Total					**5,039**	**5,039**

1) Scandic Hotel NV was liquidated as per December 27, 2018.
2) Restel Hotellit Oy was merged into Scandic Hotels Oy as per August 1, 2018.

NOTE 30 Pledged assets and contingent liabilities

MSEK	Group Dec 31, 2018	Group Dec 31, 2017	Parent Company Dec 31, 2018	Parent Company Dec 31, 2017
Pledged assets				
Floating charges	-	-	-	-
Total pledged assets	**0**	**0**	**0**	**0**
Contingent liabilities				
Guarantee undertakings, FPG/PRI	5	5	-	-
Lease guarantees	122	119	-	-
Tax dispute	369	404	-	-
Travel guarantees	4	6	-	-
Total contingent liabilities	**500**	**534**	**0**	**0**

Lease guarantees relate mainly to guarantees for lease contracts for premises in the Danish and Norwegian subsidiaries. These have remaining periods of contract of up to 13 years. Fixed rental fees for the whole remaining period have been accounted for above. These rental fees are included in future leasing undertakings in Note 5.

No significant liabilities are expected to arise due to the contingent liabilities reported. Scandic is involved in a small number of commercial disputes. None of these disputes is deemed to have any major negative impact on the company's financial position or profit. No contingent assets have been identified within the Group.

! Important estimates and assumptions

On October 19, 2017, Scandic announced that the Finnish Tax Administration had decided to make an additional assessment for the 2008 tax year. The Finnish Tax Administration is of the opinion that Scandic's Finnish operations should be subject to additional taxes, fees and interest totaling 96 MSEK as the deduction of inter-Group loans has been denied.

Scandic and its tax advisors are of the opinion that the company has acted correctly and in compliance with the applicable legislation and, accordingly, believe that the Finnish Tax Administration's decision is incorrect. The company will appeal the decision and request that the tax decision be rejected in its entirety.

The amount for the contingent liability has been increased to 369 MSEK, which is the total exposure in the years 2008–2017 including interest. The majority of the amount has been paid and is accounted for under Other long-term receivables.

NOTE 31 Financial assets and liabilities

Dec 31, 2018, MSEK	Loans receivable and accounts receivable	Financial liabilities at fair value through profit and loss	Borrowings	Other financial receivables/liabilities	Total value reported
Financial investments	-	-	-	9	9
Accounts receivable	689	-	-	-	689
Derivative instruments – electricity derivatives	-	54	-	-	54
Cash equivalents	103	-	-	-	103
Total financial assets	**792**	**54**	**0**	**9**	**855**
Liabilities to credit institutions	-	-	2,940	-	2,940
Commercial papers	-	-	1,000	-	1,000
Finance lease	-	-	1,606	-	1,606
Advance payments from customers	-	-	-	206	206
Accounts payable	-	-	-	791	791
Derivative instruments – interest swaps	-	8	-	-	8
Total financial liabilities	**0**	**8**	**5,546**	**997**	**6,551**
Valuation and classification according to IFRS 9	*Accrued acquisition value*	*Fair value via income statement*	*Accrued acquisition value*	*Financial investments at fair value via OCI. Others at accrued acquisition value*	

Dec 31, 2017, MSEK	Loans receivable and accounts receivable	Financial liabilities at fair value through profit and loss	Borrowings	Other financial receivables/liabilities	Total value reported
Financial investments	-	-	-	9	9
Accounts receivable	626	-	-	-	626
Cash equivalents	140	-	-	-	140
Total financial assets	**766**	**0**	**0**	**9**	**775**
Liabilities to credit institutions	-	-	3,769	-	3,769
Finance lease	-	-	1,665	-	1,665
Advance payments from customers	-	-	-	165	165
Accounts payable	-	-	-	786	786
Derivative instruments – interest swaps	-	5	-	-	5
Total financial liabilities	**0**	**5**	**5,434**	**951**	**6,390**
Valuation and classification according to IFRS 9	*Accrued acquisition value*	*Fair value via income statement*	*Accrued acquisition value*	*Financial investments at fair value via OCI. Others at accrued acquisition value*	

Liabilities to credit institutions have variable interest rates and are reported at the accrued acquisition value. A fixed rate of interest is achieved through interest rate swaps. Variable unit prices for electricity have been swapped to fixed prices for parts of the Group's electricity consumption.

The Group has also entered into a share swap agreement related to the Long-Term Incentive Program, see Note 6. This is accounted for using the fair value through profit and loss and are reported as derivative instruments above. The fair value of other financial assets and liabilities is not assessed as diverging materially from the reported value.

Fair value

The table below shows the Group's financial assets and financial liabilities at the fair value and categorized in the fair value hierarchy. The different levels are defined as follows:
Level 1: Quoted prices on an active market for identical assets or liabilities.
Level 2: Observable data other than quoted prices included in Level 1, either directly or indirectly.
Level 3: Data not based on observable market data.

Liabilities to credit institutions and the shareholder loan are booked at the fair value. There were no financial assets at the fair value during 2018 and 2017.

Dec 31, 2018, MSEK	Level 1	Level 2	Level 3	Total
Derivative instruments used for hedging	-	46	-	46
Total financial assets	**0**	**46**	**0**	**46**
Liabilities to credit institutions	-	2,940	-	2,940
Commercial papers	-	1,000	-	1,000
Total financial liabilities	**0**	**3,940**	**0**	**3,940**

Dec 31, 2017, MSEK	Level 1	Level 2	Level 3	Total
Liabilities to credit institutions	-	3,769	-	3,769
Derivative instruments used for hedging	-	5	-	5
Total financial liabilities	**0**	**3,774**	**0**	**3,774**

In accordance with the Group's Financial Policy, the Group uses derivative instruments and has entered into an interest rate swap in order to hedge the Group against interest rate risk. These interest rate swaps were valued on the reporting date at the market value declared by the issuers, which constitutes a Level 2 valuation under IFRS 7.

§ Accounting principles

Financial assets and liabilities

The Group classifies its significant financial assets and liabilities into the following categories: financial assets valued at fair value through the income statement, loans receivable and accounts receivable, borrowings and accounts payable. The classification depends on the purpose for which the financial asset or liability was acquired. The management determines the classification of the financial assets and liabilities at the first time of reporting and reassesses this decision at each time of reporting.

a) Financial assets/liabilities reported at fair value through the income statement

Financial assets/liabilities valued at fair value through the income statement are financial assets/liabilities held for resale. A financial asset/liability is classified in this category if it is acquired mainly for the purpose of being resold shortly thereafter. Derivatives are classified as if held for resale unless they are identified as hedges. Assets/liabilities in this category are classified as current assets/liabilities. Changes in the value of these financial assets/liabilities are reported as financial income/expenses in the income statement. Scandic applies hedge accounting for net investments.

b) Loans receivable and accounts receivable

Loans receivable and accounts receivable are financial assets that are not derivatives, not listed on an active market and that have fixed or determinable payments. They are part of the current assets, with the exception of items with due dates more than 12 months after the balance sheet date, in which case they are classified as fixed assets. Loans receivable and accounts receivable are classified as accounts receivable and other receivables on the balance sheet.

Loans receivable and accounts receivable are reported at the acquisition value less any provision for depreciation. According to IFRS 9, loans receivable and accounts receivable shall be valued at the accrued acquisition value using the effective interest method, but as accounts receivable have very short durations and the interest effects are very small, the reported value of the Group is not deemed to diverge materially from the fair value. Loans receivable have a variable interest rate and therefore the fair value is not deemed to diverge materially from the reported value.

A provision for depreciation of accounts receivable is made when there is objective proof that the Group will not be able to receive all of the amounts due in accordance with the original terms and conditions of the accounts receivable. The provision amount constitutes the difference between the asset's reported value and the present value of future cash flows, discounted at the effective interest rate. The provision amount is reported in the income statement.

c) Borrowings

Borrowings are financial liabilities that are initially reported at fair value, net after transaction costs. Borrowings are subsequently reported at the accrued acquisition value and any difference between proceeds (net of transaction costs) and the redemption value is reported in the income statement allocated over the period of the borrowing using the effective interest method. Borrowings are classified as liabilities to credit institutions and as internal loans in the balance sheet. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer the payment of the liability for at least 12 months after the balance sheet date.

d) Accounts payable

Accounts payable are financial liabilities with fixed or determinable payments that are not quoted in an active market. They are part of current liabilities, with the exception of items with due dates more than 12 months after the balance sheet date, in which case they are classified as long-term liabilities. Accounts payable are reported at the acquisition value.

According to IFRS 9, accounts payable shall be valued at the accrued acquisition value using the effective interest method, but as the Group's accounts payable have very short durations and the interest effects are very small, the reported value of the Group is not deemed to diverge materially from fair value.

NOTE 32 Transactions with related parties

The group Braganza AB is treated as a related party based on its ownership and representation on the Board during the year. For transactions with subsidiaries, OECD's guidelines for Transfer Pricing are applied. The following transactions were carried out with related parties:

	Group		Parent Company	
MSEK	**Dec 31, 2018**	**Dec 31, 2017**	**Dec 31, 2018**	**Dec 31, 2017**
Purchases of services				
Braganza AB [1]	1	-	-	-
Total purchases of services	**1**	**0**	**0**	**0**
Sales of services				-
Braganza AB [2]	9	10	-	-
Subsidiaries	-	-	34	54
Total sales of services	**9**	**10**	**34**	**54**
Closing balances at year-end from purchases and sales of services				
Receivables from related parties				
Braganza AB	0	1	-	-
Subsidiaries	-	-	3	333
Total receivables from related parties	**0**	**1**	**3**	**333**
Liabilities to related parties:				
Braganza AB	-	-	-	-
Subsidiaries	-	-	144	-
Total liabilities from related parties	**0**	**0**	**144**	**0**
Loans to related parties				
Subsidiaries				
Opening balance	0	-	5,174	5,067
Transactions during the year	-	-	15	12
Interest	-	-	152	111
Exchange rate differences	-	-	36	-16
Closing balance	**0**	**0**	**5,377**	**5,174**

1) The purchases relate entirely to air tickets.

2) Sales relate entirely to income from accommodations.

Loans to related parties in the Parent Company consist of long-term loans to Group companies, as well as receivables and liabilities within the cashpool of the Group. These are classified as long term. The current liability in the Parent Company to related parties consists of not yet paid Group contributions.

For remuneration to the Executive Committee, see the Corporate Governance Report, page 82.

NOTE 33 Appropriation of profits and dividend per share

In accordance with the Board's dividend policy adopted on September 14, 2015, Scandic aims to distribute at least 50 percent of its net profit from the financial year 2016 and onwards.

Appropriation of profits	
The Board proposes that the following available amounts in the Parent Company's balance sheet, KSEK:	1,534,254
Retained earnings	4,685,168
Net profit for the year	-537
Total, KSEK	**6,218,885**
Be distributed as follows:	
Dividend to be paid to the shareholders, 3.50 SEK per share, KSEK	**360,448**
To be carried forward	5,858,437
Total, KSEK	**6,218,885**

The Board proposes that the dividend be paid out on two separate occasions with 1.75 SEK per share on each occasion. The proposed record dates for the payment of dividends are May 9, 2019 and October 28, 2019.

The Board believes that the proposed dividend is justified in relation to the requirements that come with the nature of the Group, the scope and risks of the Group's equity, as well as the Group's need for consolidation, liquidity and general position. The proposed dividend reduces the Group's solvency from 44 to 42 percent and that of the Parent Company from 60 to 56 percent, calculated as per December 31, 2018.

The Board of Directors and the CEO certify that the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and give a true and fair view of the Group's financial position and results of operations. The annual accounts have been prepared in accordance with accounting standards and give a true and fair view of the Parent Company's financial position and results of operations.

Income statements and balance sheets will be submitted to the Annual General Meeting on May 7, 2019 for adoption.

NOTE 34 Events after the reporting date

In January, Scandic paid approximately 180 MSEK related to a decision by the Adjustment Board regarding the supplementary taxation in Finland for the years 2012–2017. Scandic and its tax advisors are of the opinion that the company has complied with applicable legislation and, accordingly, that the decision is incorrect. The company has appealed the decision and requested that the tax decision will be rejected in its entirety. The company therefore does not include any cost for the taxes in the accounts.

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

On February 7, Scandic signed an agreement to sell Scandic Hasselbacken in Stockholm for approximately 230 MSEK with an expected capital gain of about 180 MSEK. On March 1, the sale was executed.

ADOPTION

The Board of Directors and the CEO hereby certify that the consolidated accounts have been prepared in accordance with the International Reporting Standards, IFRS, as endorsed by the European Union, and that they give a true and fair view of the Group's financial position and results of operations. The Administration Report of the Group and Parent Company gives a true and fair view of the progress of the Group and Parent Company's operations, financial position and results of operations, and states significant risks and uncertainty factors facing the Parent Company and Group companies. Income statements and balance sheets will be submitted to the Annual General Meeting on May 7, 2019 for approval.
This annual report has been prepared in accordance with generally-accepted accounting principles and gives a true and fair view of the Parent Company's financial position and results of operations.

Stockholm, April 3, 2019

Per G. Braathen
Chairman of the Board

Ingalill Berglund
Board member

Grant Hearn
Board member

Lottie Knutson
Board member

Christoffer Lundström
Board member

Eva Moen Adolfsson
Board member

Martin Svalstedt
Board member

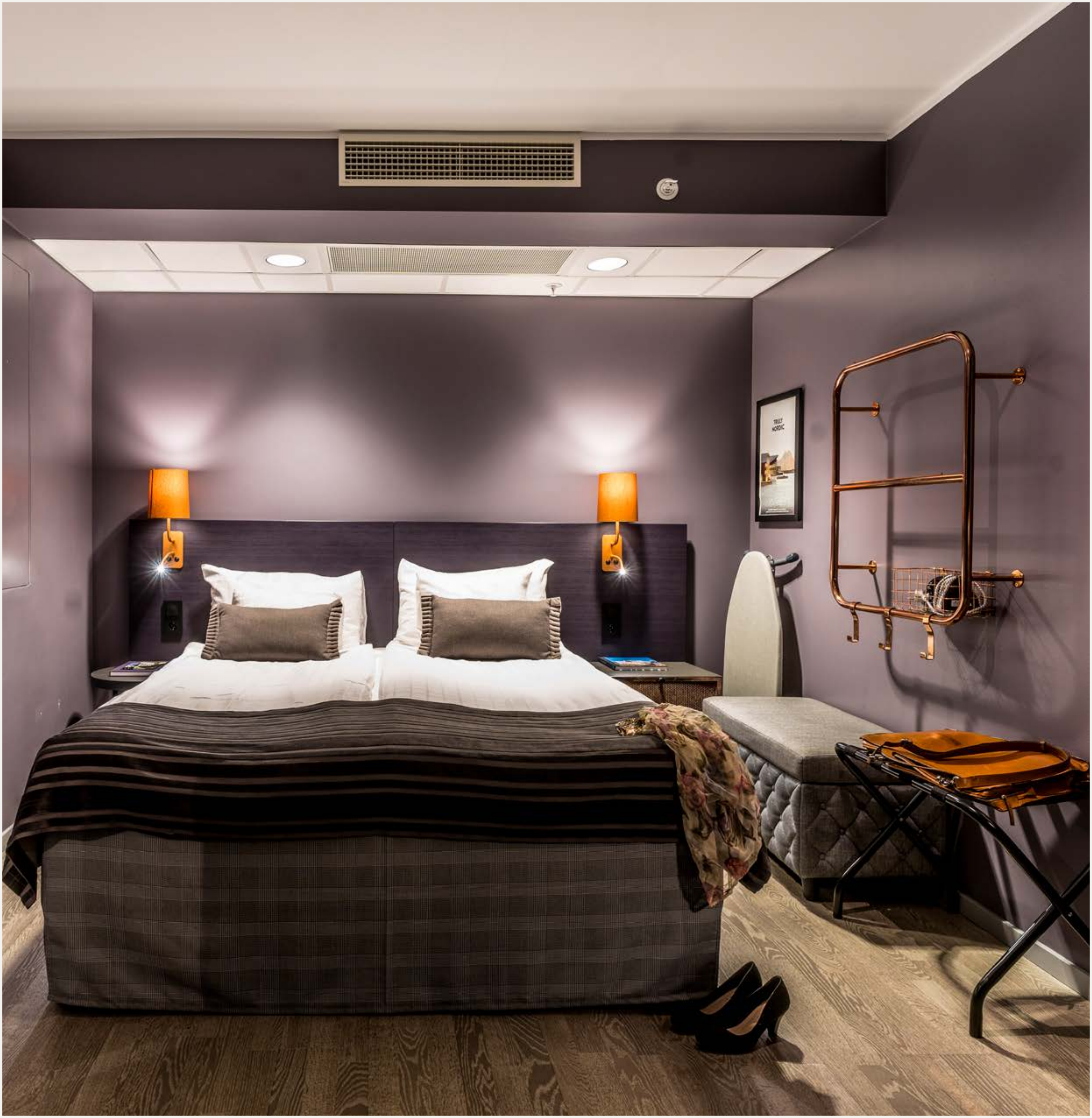
Fredrik Wirdenius
Board member

Marianne Sundelius
Employee representative

Jens Mathiesen
President & CEO

Our audit report was presented on April 4, 2019
PricewaterhouseCoopers AB

Sofia Götmar-Blomstedt
Authorized Public Accountant
Auditor-in-charge



AUDITOR'S REPORT

To the general meeting of shareholders of Scandic Hotels Group AB (publ), corporate identity number 556703-1702

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Scandic Hotels Group AB (publ) for the year 2018 with the exception of the Corporate Governance Report on pages 82–93. The annual accounts and consolidated accounts of the company are included on pages 72–128 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of December 31, 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with The Annual Accounts act and present fairly, in all material respects, the financial position of the Group as of 31 December 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the Group.

Our opinions in this report on the annual accounts and the consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1. have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit activities

The focus and scope of the audit

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements, for example, in respect of significant accounting estimates involving assumptions and considering future events which are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there is evidence of bias representing a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

The major portion of Scandic's operations are in Sweden, Norway and Finland and represent slightly more than 86% of the group's net sales in 2018 and slightly more than 84% of the group's adjusted EBITDA. For the largest reporting units in Sweden, Norway and Finland, including the parent company and consolidation, we have examined the year-end book closing, executed a review of the interim report as of September 30, we have undertaken hotel visits on an ongoing basis and we have executed an assessment and testing of key controls regarding the financial reporting.

For the reporting unit in Denmark, we have audited the annual book closing and have executed a review of the September book closing as a part of the overall review of the group's interim report. We have also undertaken hotel visits, on an ongoing basis, and have tested certain key controls.

The consolidated accounts, disclosures in the notes in the annual report and complex transactions of a one-off nature have been examined by the group team. This has included impairment testing of the group's goodwill and brands which are not subject to ongoing depreciation.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually, or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality of the financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were most significant in our audit of the annual accounts and consolidated accounts of the current period. These areas have been addressed within the framework of the audit and in in forming our opinion regarding the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matter
Valuation of goodwill and other acquisition-related assets *We refer to Note 12 Intangible assets* Goodwill and other acquisition-related assets, including brands, comprise a significant portion of the Scandic group's balance sheet total. As at December 31, goodwill and brands amounted to MSEK 9,716 which is equivalent to 55% of the balance sheet total. These items are not only significant in terms of their amount but also in their nature, as they are impacted by management's estimations and judgements. Due to the significance of this item and its nature, this has been deemed to comprise a key audit area in the audit. Management and the Board of Directors annually undertake an impairment test of the value of goodwill and brands, and in conjunction with each occasion on which there are indications that a decline in value has been identified, to assess whether there is an impairment requirement. The estimated value is based on the Board of Director's approved future budgets and forecasts for the next five years. The cash flow for the years after the next five year period is extrapolated based on the business plan. This assessment includes, therefore, assumptions of significant importance to the testing of an impairment requirement. This includes assumptions on sales growth, the development of margins and the discount rate (WACC). The value that is calculated in the testing is equivalent to the value of the discounted cash flows for the identified cash-generating units: Sweden, Norway, Finland and Other Europe. Even if a given unit shows no impairment requirement in a testing, future developments negatively deviating from the assumptions and judgements providing the basis of that testing can lead to an impairment requirement. Other acquisition-related intangible assets are subject to ongoing depreciation. For these assets, a testing of the valuation is undertaken if there is a suspicion that the value of the assets has decreased so that a write-down needs to be undertaken. Based on the impairment testing undertaken for goodwill and brands, which is based on best estimate and on the information available in preparing the annual testing, Scandic's assessment is that there is no impairment requirement regarding the above-mentioned assets as at December 31, 2018.	In testing the impairment requirement for goodwill, brands and other acquisition-related intangible assets, we executed, the following audit activities in order to ensure, primarily, the valuation and correctness of these items: We have undertaken measures to substantiate the mathematical correctness of the company's impairment testing, the correctness of the model applied, as such, and have determined if the model agrees with IFRS. We also challenged and evaluated the reasonability of significant assumptions made by management. In order to examine the model, itself, we have utilised PwC's valuation experts to test and evaluate the applied models and methods, as well as significant assumptions. On a random sample basis, we have tested and challenged the details applied in the calculations against the company's budgets and financial plan and, where possible, external information. We have, then, focused on the assumptions regarding growth, margin development and the applied discount rate per cash-generating unit. We have also followed up the correctness in forecasting business and financial plans through analysing historical outcome, where we compare previous years' assumptions regarding future earnings and growth against actual outcomes. We have implemented a sensitivity analysis of the valuation of negative changes in significant parameters which, individually or on a collective basis, could imply that an impairment requirement exists. Based on our examination, we have identified no observations significant to the audit in its entirety as regards Scandic's impairment testing of goodwill and brands, which should be reported to report to the Audit Committee.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts, consolidated accounts and are included on pages 1–71 and 134–137. The Board of Directors and the Managing Director are responsible for the other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee of the Board of Directors shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on the Swedish Inspectorate of Auditors' website: www.revisorsinspektionen.se/rn/showdocument/documents/rev dok/revisors_ansvar.pdf. This description is part of the auditor´s report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Scandic Hotels Group AB (publ) for the year 2018 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's type of operations, size and risks place on the size of the parent company's and the Groups equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on the Swedish Inspectorate of Auditors' website: www.revisorsinspektionen.se/rn/showdocument/documents/rev dok/revisors_ansvar.pdf. This description is part of the auditor´s report.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 82–93 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR´s auditing standard RevU 16 The auditor´s examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

PricewaterhouseCoopers AB, Stockholm, was appointed auditor of Scandic Hotels Group AB (publ) by the general meeting of shareholders on April 26, 2018 and has been the company's auditors since May 9, 2012.

Stockholm April 4, 2019
PricewaterhouseCoopers AB

Sofia Götmar-Blomstedt
Authorized Public Accountant
Auditor-in-Charge

RELATIVELY STABLE DEVELOPMENT AFTER WEAK START TO THE YEAR

SHARE PRICE TREND

Based on the closing price on the first day of trading in the Scandic share, December 2, 2015 (63.75), until the closing price on the last day of trading in 2018 (78.10), the Scandic share rose 22.5 percent. Scandic's sector index, OMX Stockholm Travel & Leisure, dropped 18.7 percent while the broad OMX Stockholm index went down less than 1 percent during the same period. Including dividends for two financial years, total return on Scandic's shares amounted to 31.4 percent during the period.

During 2018, Scandic's share decreased 33.7 percent, from 117.75 to 78.10. Including dividends, total return declined 31 percent. On January 16, 2018, Scandic announced expected lower earnings for the fourth quarter 2017 mainly as a result of lower profitability in the company's Swedish operations. As a result, the share dropped about 20 percent during the day.

At year-end 2018, Scandic's stock market value was just over 8 SEK billion.

CHANGES IN MAIN SHAREHOLDERS

In 2018, the Stena sphere increased its shareholding by 2,920,753 shares via Stena Sessan AB. This increased its ownership from 15.1 percent to 17.4 percent of the capital and votes by year-end, making Stena Sessan the largest shareholder.

AMF Försäkring och Fonder also increased its shareholding by 6,176,120 shares to 6,460,000 giving it 6.27 percent of the votes and capital and making it third largest owner after Stena Sessan AB and Novobis.

In February, Tryggve Hegnar acquired 5,138,955 shares through his company Periscopus AS, or 4.99 percent of the company. On December 31, 2018, Periscopus AS was fourth largest owner.

MORE SHAREHOLDERS, HIGHER TURNOVER

By the end of 2018, the number of shareholders had increased by 17.5 percent to 14,427 compared with the previous year when there were 12,274 shareholders.

During 2018, a total of 184.2 (137.4) million Scandic shares were traded. The share was traded in more than ten marketplaces. Trading on Nasdaq Stockholm accounted for 47.5 percent (49.6) of the total turnover. The free-float amounted to 66 percent and of these shares, about two-thirds had foreign owners.

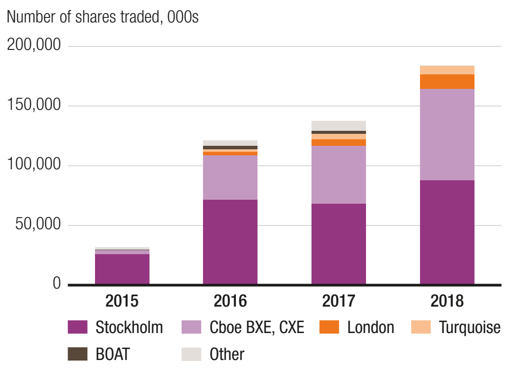
SHARE CAPITAL

The share capital amounts to 25.7 MSEK divided into 102,985,075 shares conferring one vote each.

DIVIDEND AND DIVIDEND POLICY

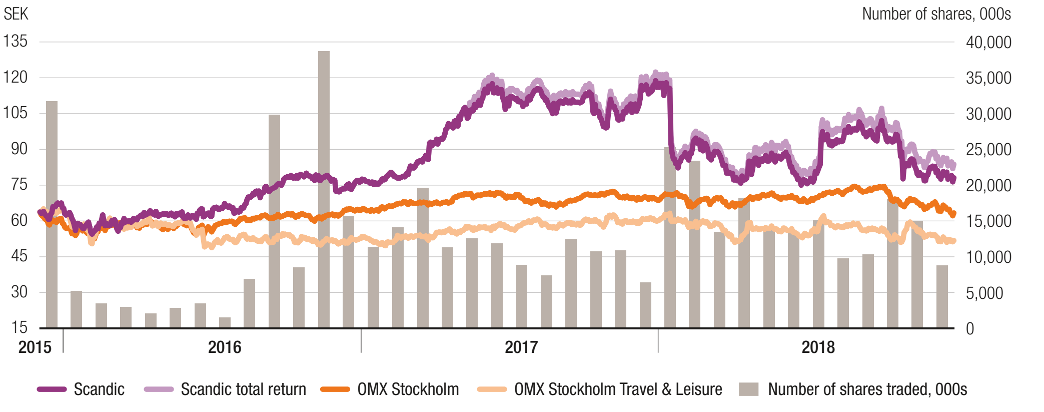
The Board of Directors has adopted a dividend policy that aims to distribute at least 50 percent of the net profit from the 2016 financial year. For 2018, the Board of Directors proposes a dividend of 3.50 SEK (3.40) per share paid in two equal amounts on two occasions during the year. The record dates are May 9 and October 28.

MARKETS WHERE SCANDIC SHARE WAS TRADED



Source: Fidessa.

SHARE PRICE AND TURNOVER, DEC 2, 2015 — DEC 28, 2018



Source: SIX Trust and Fidessa.

Analysts following Scandic

Stefan Andersson	SEB
Jamie Rollo	Morgan Stanley
Andreas Lundberg	ABG
Karl-Johan Bonnevier	DNB
Carina Elmgren	Handelsbanken
Markus Gustafsson	Kepler Cheuvreux
Annabel Hay-Jahans	Berenberg

Shareholder concentration	Share of capital and votes, %
10 largest shareholders	61.19
25 largest shareholders	73.26
30 largest shareholders	75.17

Share data

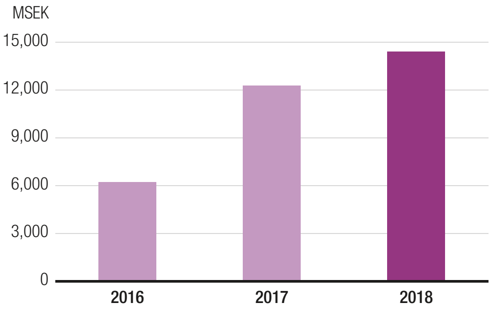
Ticker symbol	SHOT
ISIN	SE0000635401
Trading lot	1 share
List	Nasdaq Stockholm Nordic Mid Cap list
Sector index	OMX Stockholm Travel & Leisure

Shareholders	Share capital %	Votes, %	Number of shares
Stena	17.43	17.43	17,947,735
Rolf Lundström	16.32	16.32	16,803,800
AMF Försäkring & Fonder	6.27	6.27	6,460,000
Periscopus AS	4.99	4.99	5,138,955
Handelsbanken Fonder	4.82	4.82	4,960,000
Swedbank Robur Fonder	3.95	3.95	4,069,164
Svolder	1.95	1.95	2,009,563
Dimensional Fund Advisors	1.90	1.90	1,959,131
Vanguard	1.82	1.82	1,870,573
Norges Bank	1.72	1.72	1,776,222
Baring Asset Management	1.30	1.30	1,338,587
Thompson, Siegel & Walmsley LLC	1.20	1.20	1,233,400
SEB Fonder	1.09	1.09	1,127,451
Hawk Ridge Management LLC	0.96	0.96	989,251
Lombard Odier	0.84	0.84	862,000
Total 15 largest shareholders	**66.56**	**66.56**	**68,545,832**
Other	33.44	33.44	34,439,243
Total number of shares	**100**	**100**	**102,985,075**

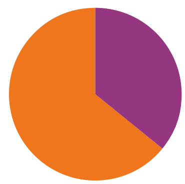
Source: Holdings of Modular Finance AB per Dec 31, 2018 (verification dates can vary for foreign owners.

Geographic distribution	Share capital, %	Votes, %	Number of shares
Sweden	64.10	64.10	66,015,042
USA	9.34	9.34	9,621,121
Norway	7.98	7.98	8,214,300
UK	3.10	3.10	3,196,540
Switzerland	1.00	1.00	1,025,339
Other (including anonymous)	14.48	14.48	14,912,733

DEVELOPMENT IN NUMBER OF SHAREHOLDERS



FOREIGN SHARE OWNERSHIP[1]



Foreign owners (estimate), 35.9 Swedish owners, 64.1

Source: Holdings of Modular Finance AB as per Dec 31, 2018.

[1] Refers to known owners.

DEFINITIONS

HOTEL-RELATED KEY RATIOS

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

Full-time equivalents (FTEs)
The number of full-time employees calculated as the total number of working hours for the period divided by annual working time.

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 a 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.

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.

FINANCIAL KEY RATIOS & ALTERNATIVE PERFORMANCE MEASURES

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

EBIT
Earnings before interest and taxes.

EBITDA
Earnings before interest, taxes, depreciation and amortization.

EBITDA margin
EBITDA as a percentage of net sales.

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 sale of operations.

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

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

Justification: Interest-bearing net liabilities are used to calculate the company's indebtedness, which is one of Scandic's financial targets. The definition chosen corresponds to the definition used for the calculation of indebtedness according to Scandic's loan agreements.

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

Working capital	Dec 31, 2017	Dec 31, 2016
Current assets, excluding cash and cash equivalents	1,285	929
Current liabilities	-2,786	-2,110
Working capital, net	-1,501	-1,181

Justification: There is a need to optimize cash generation to create value for Scandic's shareholders. The management team is therefore focused on working capital and on reducing lead times between income generation and payments received.

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

INFORMATION TO THE SHAREHOLDERS

ANNUAL GENERAL MEETING

MAY 7, 2019

STOCKHOLM

2018 ANNUAL GENERAL MEETING

The Annual General Meeting of the shareholders in Scandic Hotels Group AB (publ) will be held at 11:00 CET on Tuesday, May 7, 2019 at Vasateatern, Scandic Grand Central, Stockholm. Registration will begin at 10:00 CET.

Participation in the Annual General Meeting

Shareholders who wish to participate in the annual general meeting must be recorded in the share register kept by Euroclear Sweden AB on Tuesday, April 30, 2019, and give notice to the company of their intent to participate not later than on Tuesday, April 30, 2019.

Shareholders may register on the Company's website www.scandichotelsgroup.com (private individuals only), by phone to the following number: + 46 (0)8-402 92 48, or in writing to the following address: Scandic Hotels Group AB (publ), AGM 2019, c/o Euroclear Sweden, P.O. Box 191, SE-101 23 Stockholm.

Shareholders shall in their notice state their name, personal identification number or company registration number, address, telephone number and the number of advisors (if any). Shareholders attending by proxy or representative should send documents of authorization to the mail address above well before the annual general meeting. A template power of attorney in Swedish and in English is available on the company's website www.scandichotelsgroup.com. For information on how your personal data is processed, please visit https://www.euroclear.com/dam/ESw/Legal/Privacy-notice-bolagsstammor-engelska.pdf.

Notice convening the Annual General Meeting

The Annual General Meeting is convened through a notice on the company's website and an announcement in the Swedish Official Gazette (*Post- och Inrikes Tidningar*). Any documents that are to be presented at the Annual General Meeting will be made available on the company's website at least three weeks prior to the Annual General Meeting and on the day of the Annual General Meeting.

NOMINATION COMMITTEE

Joel Lindeman	Provobis through Novobis AB (Chairman of the Nomination Committee)
Johan Wester	Stena Sessan Investment AB
Trygve Hegnar	Periscopus AS
Per G Braathen	Chairman of the Board of Directors

Among other things, the Nomination Committee proposes Board Members to the Annual General Meeting and if applicable, auditors and fees to the Board of Directors.

FINANCIAL INFORMATION 2019

Interim Report January–March 2019
May 7, 2019
Interim Report January–June 2019
July 19, 2019
Interim Report January–September 2019
October 24, 2019

Financial reports are available on the company's website at www.scandichotelsgroup.com

To subscribe for Scandic's press releases and interim reports, register your email address on Scandic's website.

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