Scandic

The largest hotel company in the Nordics

April–June 2017

STRONG GROWTH IN A HIGHLY ACTIVE QUARTER

SECOND QUARTER IN SUMMARY

- Net sales increased by 9.4% to 3,770 MSEK (3,447) due to higher RevPAR, more rooms in operation and positive currency effects.
- The Easter holiday fell entirely in April, which had a negative impact on the quarter compared with the previous year. Adjusted for calendar effects, sales growth was higher than in the first quarter.
- Adjusted EBITDA was 461 MSEK (470), and earnings per share was 2.02 SEK (2.52). Excluding currency effects related to revaluation of loans and investments, earnings per share was 2.15 SEK (2.21)
- Scandic opened nine hotels with a total of 2,008 rooms during the quarter.
- An agreement was signed to acquire Restel’s hotel operations in Finland, turning Scandic into the leading hotel operator in Finland and reinforcing the leading position in the Nordic market.
- Agreements for two new hotels, one at Landvetter Airport in Gothenburg and one in central Helsinki.
- A new loan agreement will increase flexibility and is expected to reduce financing cost.

THE FIRST SIX MONTHS IN SUMMARY

- Net sales increased by 13.6% to 6,865 MSEK (6,041) due to higher RevPAR, more rooms in operation and positive currency effects.
- Adjusted EBITDA totaled 615 MSEK (509), corresponding to an adjusted EBITDA margin of 9.0% (8.4).
- Earnings per share amounted to 1.68 SEK (1.54). Excluding currency effects related to the revaluation of loans and investments, earnings per share amounted to 1.89 SEK (1.08).

EVENTS AFTER THE REPORTING DATE

- Agreement signed for take-over of a 293-room hotel in central Frankfurt with opening in early 2018.

GROUP KEY RATIOS

MSEK	Apr-Jun 2017	Apr-Jun 2016	% change	Jan-Jun 2017	Jan-Jun 2016	% change	Jan-Dec 2016	Jul-Jun 2016/2017
Financial key ratios								
Net sales	3,770	3,447	*9.4%*	6,865	6,041	*13.6%*	13,082	13,906
Adjusted EBITDA	461	470	*-1.9%*	615	509	*20.8%*	1,513	1,619
Adjusted EBITDA margin, %	12.2	13.6		9.0	8.4		11.6	11.6
EBITDA	432	444	*-2.7%*	569	466	*22.1%*	1,462	1,565
EBIT (Operating profit/loss)	301	319	*-5.6%*	307	220	*39.5%*	925	1,012
Profit/loss before taxes	255	334	*-23.7%*	224	206	*8.7%*	1,057	1,075
Net profit/loss for the period	209	261	*-19.9%*	175	161	*8.7%*	882	896
Earnings per share, SEK	2.02	2.52	*-20.0%*	1.68	1.54	*8.8%*	8.58	8.70
Net debt/Adjusted EBITDA, LTM				1.9	2.7		1.8	1.9
Hotel-related key ratios								
RevPAR (SEK)	719	688	*4.5%*	659	602	*9.5%*	643	671
ARR (Average Room Rate), SEK	1,051	1,010	*4.0%*	1,017	965	*5.4%*	976	1,001
OCC (Occupancy), %	68.5	68.1		64.8	62.3		65.9	67.0
Total number of rooms at reporting date	42,768	41,551	*2.9%*	42,768	41,551	*2.9%*	41,572	42,768

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CEO'S COMMENTS

Continued strong growth

Scandic continued to develop solidly in the second quarter, with good growth in all markets and not least in Norway, which has shown clear signs of a recovery. Net sales during the quarter rose 9.4 percent despite a negative calendar effect compared with the corresponding period last year. During the first half of the year, net sales rose by 13.6 percent driven by positive development of RevPAR LFL in all major markets combined with growth in the hotel portfolio.

A very active quarter

During the quarter, Scandic opened nine hotels with more than 2,000 rooms. We've never had such strong expansion in one quarter! Most of the new hotels are from the deal with Pandox and Eiendomsspar that was presented in January this year. Among other things, the agreement included Grand Hotel in Oslo, which we're now running as a signature hotel.

In June, we entered into an agreement to acquire Restel's hotel operations in Finland. This is an important milestone that consolidates our position as the largest hotel operator in the Nordic region – and makes us the leader in the Finnish market as well.

It was also gratifying that after the end of the quarter, we were able to announce the takeover of a newly-renovated and centrally-located hotel in Frankfurt. It will be our fourth hotel in Germany and the deal is completely in line with our strategy to grow selectively in the German market.

Well situated for the future

Scandic is now very well situated for the future with strong market positions and a successful business model that is bringing us commercial success. In addition, we expect that market conditions will remain favorable in 2017.

This is my last interim report. After more than 30 years in the hotel industry and eight years at Scandic, I've decided not to work operationally anymore. On August 1, I will hand over the reins to my successor, Even Frydenberg, who will continue to work on strengthening and developing the leading hotel company in the Nordic region.

Finally, I would like to extend my heartfelt thanks to all of you fantastic team members as well as Scandic's customers and shareholders.

Thank you!

Frank Fiskers
President & CEO

"We've never had such strong expansion in one quarter"

2,008
Number of rooms at new hotels in Q2

"Scandic today is very well situated for the future."

NORDIC HOTEL MARKET DEVELOPMENT

Demand for hotel nights in the Nordic market remained good in the quarter. The fact that the Easter holiday fell entirely in April this year had a negative effect on the market's RevPAR. Scandic has assessed that the effect was most significant in Norway and least significant in Denmark. Underlying growth in RevPAR, after adjustments for the calendar effects, was positive in all of the Nordic markets during the quarter.

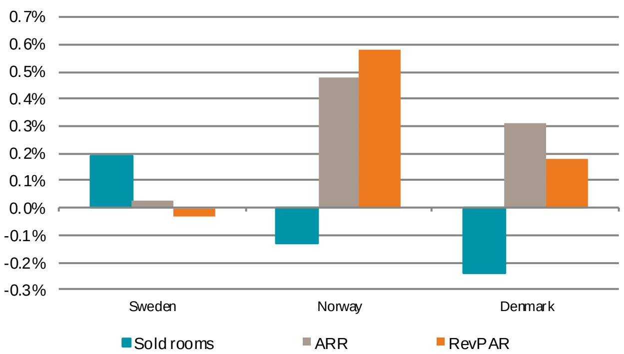
In Sweden, the number of rooms sold during the first half year increased by 4.8% and RevPAR went up by 4.2%, driven by both increased occupancy and higher average room rates. During the second quarter, RevPAR in the Swedish market went down marginally by 0.3%, but it was positive when adjusted for calendar effects.

In Norway, the number of rooms sold during the first half year rose by 1.8% and RevPAR went up 8.5%. The increase in the market's RevPAR is mainly attributable to higher occupancy and to a certain degree by higher average room rates. During the second quarter, RevPAR in the Norwegian market rose 5.8% despite a significantly negative calendar effect.

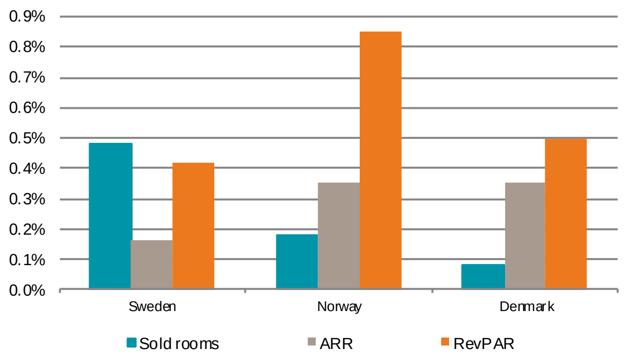
The number of rooms sold in Denmark during the first half year rose by 0.8% and RevPAR increased by 5.0%. The increase in RevPAR in the market was chiefly driven by higher average room rates and to a certain degree by higher occupancy. During the second quarter, RevPAR in the Danish market rose 1.8%.

In Finland, the number of rooms sold increased by 4.7% during the first five months of the year while the market's RevPAR grew 7.2% during the same period.

MARKET DEVELOPMENT APRIL–JUNE 2017
CHANGE YEAR-ON-YEAR



MARKET DEVELOPMENT JANUARY–JUNE 2017
CHANGE YEAR-ON-YEAR



Source: Benchmarking Alliance & STR Global.

HOTEL PORTFOLIO

Existing hotel portfolio

At the end of the period, Scandic had 42,768 rooms in operation at 223 hotels, of which 200 had lease agreements. During the quarter, Scandic took over the operation of nine new hotels with 2,008 rooms. Eight of the hotels were part of the agreement with Pandox and Eiendomsspar that was presented in January, including Grand Hotel in Oslo, which is now being run as a signature hotel. In addition, during the quarter, Scandic opened Scandic Flesland Airport in Bergen with 300 rooms.

Portfolio changes	**Number of rooms**
Opening balance March 31, 2017	40,750
New hotels	
Scandic Flesland Airport, Bergen	300
Grand Hotel by Scandic, Oslo	274
Scandic Valdres, Fagernes	139
Scandic Sørlandet, Norway	210
Scandic Hafjell, Norway	210
Scandic Lillehammer Hotel, Norway	303
Scandic Sluseholmen, Copenhagen	215
Scandic Kista, Stockholm	149
Scandic Prince Philip, Stockholm	208
Total	**2,008**
Extensions	**10**
Total change during the quarter	**2,018**
Closing balance June 30, 2017	**42,768**

Number of hotels in operation and in pipeline

	Operational on 30 Jun, 2017				**Pipeline**			
					30 Jun, 2017		20 Jul, 2017	
	Hotels	of which Leased	Rooms	of which Leased	Hotels	Rooms	Hotels	Rooms
Sweden	85	78	16,874	16,003	3	1,272	3	1,272
Norway	81	67	14,910	12,938	3	848	3	848
Denmark	24	23	4,089	3,879	2	706	2	706
Finland	27	26	5,370	5,303	2	703	2	703
Rest of Europe	6	6	1,525	1,525	-	-	1	293
Total	**223**	**200**	**42,768**	**39,648**	**10**	**3,529**	**11**	**3,822**
Change during the quarter	*9*	*9*	*2,018*	*2,018*	*3*	*707*	*4*	*1,000*

High-quality pipeline

During the quarter, Scandic announced an agreement regarding the operation of a new hotel at Landvetter Airport in Gothenburg (220 rooms) and a new hotel in the station building at Helsinki central railway station (483 rooms). Both hotels are planned to be opened in 2020. Additionally, Scandic signed a franchise agreement regarding Central Elverum in Norway (98 rooms) with opening planned during the second half of 2017.

After the end of the period, Scandic presented an agreement for take-over of a hotel in central Frankfurt (293 rooms) that will open at the beginning of 2018. The hotel will be Scandic's fourth hotel in the German market.

At the end of the period, there were ten hotels with a total of 3,529 rooms in the pipeline.

NET SALES AND RESULTS

Group

	Apr-Jun 2017	Apr-Jun 2016	%	Jan-Jun 2017	Jan-Jun 2016	%
Net sales (MSEK)	**3,770**	**3,447**	**9.4%**	**6,865**	**6,041**	**13.6%**
Currency effects	83		2.4%	157		2.6%
New hotels	215		6.2%	366		6.1%
Exits	-19		-0.5%	-35		-0.6%
LFL	44		1.3%	336		5.6%
Adjusted EBITDA	**461**	**470**	**-1.9%**	**615**	**509**	**20.8%**
% margin	12.2%	13.6%		9.0%	8.4%	
RevPAR (SEK)	**719**	**688**	**4.5%**	**659**	**602**	**9.5%**
Currency effects	16		2.2%	15		2.5%
New hotels/exits	1		0.3%	4		0.7%
LFL	14		2.0%	38		6.4%

Second quarter

Net sales rose by 9.4% to 3,770 MSEK (3,447). For comparable entities, the increase was 1.3%. The Easter holiday fell entirely in April, so the quarter is not fully comparable with the second quarter of 2016. Calendar effects, mainly attributable to Easter, had a negative effect on revenue growth. Currency effects impacted net sales positively by 2.4%. Net changes in the hotel portfolio contributed 5.7% or 196 MSEK to the increase in sales. The greatest contribution to sales was from the eight hotels that were added in the Pandox and Eiendomsspar transaction that was announced in January 2017.

Average Revenue Per Available Room (RevPAR) increased by 2.3% in fixed currencies compared with the previous year. RevPAR for comparable units grew by 2.0% despite a negative calendar effect.

Revenue from restaurant and conference operations grew by 10.0% and the share of total net sales amounted to 31.4% (31.2).

Rental costs accounted for 25.8% (25.4) of net sales. Fixed and guaranteed rental costs were 60.0% (63.4) of the total rental costs. The reduction is a result of increased sales and additional contracts with lower or no guarantee levels.

Central costs and group adjustments declined to -77 MSEK (-92). This includes a revaluation of power supply hedging, which had a positive effect of 4 MSEK on profits.

Adjusted EBITDA before opening costs for new hotels fell to 461 MSEK (470). The adjusted EBITDA margin rose to 12.2% (13.6). Newly-added hotels have initially contributed a margin below Group average during the quarter.

Pre-opening costs for new hotels totaled -17 MSEK (-26).

Non-recurring items amounted to -12 MSEK (0), comprising transaction costs related to the agreement to acquire Restel's hotel operations in Finland, which was announced on June 21. As previously communicated, it is estimated that the total integration and transaction costs will amount to 25 MEUR.

Consequently, EBITDA was 432 MSEK (444).

EBIT amounted to 301 MSEK (319). The EBIT margin was 8.0% (9.3) and depreciation charges were -131 MSEK (-125).

The **Group's net financial expense** amounted to -46 MSEK (15). Interest expense amounted to -29 MSEK (-30). The result of exchange rate fluctuations from the revaluation of loans and investments amounted to -18 MSEK (42).

Reported tax amounted to -46 MSEK (-73).

Net profit dropped to 209 MSEK (261). Earnings per share after dilution totaled 2.02 SEK per share (2.52). Excluding currency effects related to the revaluation of loans and investments, earnings per share after dilution amounted to 2.15 SEK per share (2.21).

First six months

Net sales rose by 13.6% to 6,865 MSEK (6,041). For comparable units, the increase was 5.6%, driven by good demand in all markets. Currency effects impacted net sales positively by 2.6%. Net changes in the hotel portfolio contributed 5.5% or 331 MSEK to the increase in sales. The greatest contribution to sales was from the eight hotels that were added in the Pandox and Eiendomsspar transaction that was announced in January 2017 and the hotels that were opened in Stockholm in 2016: Scandic Continental and Haymarket by Scandic.

Average Revenue Per Available Room (RevPAR) increased by 7.0% in fixed currencies compared with the previous year. For comparable units, RevPAR increased by 6.4% and all main markets contributed positively to the development, led by Norway and Finland with an increase of over 10%.

Revenue from restaurant and conference operations grew by 15.4% and the share of total net sales amounted to 33.3% (32.8).

Rental costs accounted for 26.1% (26.1) of net sales. Fixed and guaranteed rental costs were 64.4% (67.9) of the total rental costs. The reduction is a result of increased sales and additional contracts with lower or no guarantee levels.

Central costs and group adjustments grew somewhat to -176 MSEK (-165). This includes a revaluation of power supply hedging that had a negative effect of 5 MSEK on the profit.

Adjusted EBITDA before opening costs for new hotels increased to 615 MSEK (509). The adjusted EBITDA margin rose to 9.0% (8.4). RevPAR growth affected the margin positively, while newly-added hotels initially contributed a margin below the Group average.

Pre-opening costs for new hotels amounted to -34 MSEK (-43).

Non-recurring items amounted to -12 MSEK (0) and comprised transaction costs related to the agreement to acquire Restel's hotel operations in Finland.

Consequently, EBITDA was 569 MSEK (466).

EBIT was 307 MSEK (220), corresponding to an EBIT margin of 4.5% (3.6). Depreciation charges increased during the period to -262 MSEK (-246).

The **Group's net financial expense** amounted to -83 MSEK (-14). Interest expense totaled -59 MSEK (-69). The result of exchange rate fluctuations from the revaluation of loans and investments was -28 MSEK (61).

Reported tax amounted to -49 MSEK (-45).

Net profit increased to 175 MSEK (161). Earnings per share after dilution totaled 1.68 SEK per share (1.54). Excluding currency effects related to the revaluation of loans and investments, earnings per share after dilution amounted to 1.89 SEK per share (1.08).

Segment reporting

Quarterly, Apr-Jun	Net sales		Adjusted EBITDA		Adjusted EBITDA margin	
MSEK	2017	2016	2017	2016	2017	2016
Sweden	1,528	1,514	244	274	16.0%	18.1%
Norway	1,171	963	112	118	9.6%	12.3%
Other Nordics & Europe	1,071	970	182	170	17.0%	17.5%
Central costs and group adjustments	-	-	-77	-92	-	-
Total Group	**3,770**	**3,447**	**461**	**470**	**12.2%**	**13.6%**

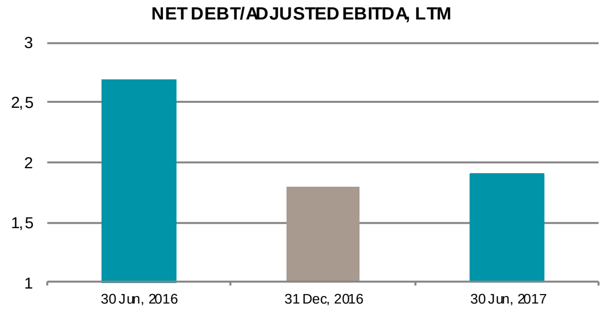
Jan-Jun	Net sales		Adjusted EBITDA		Adjusted EBITDA margin	
MSEK	2017	2016	2017	2016	2017	2016
Sweden	2,849	2,619	389	355	13.7%	13.6%
Norway	2,106	1,705	164	119	7.8%	7.0%
Other Nordics & Europe	1,910	1,717	238	200	12.5%	11.6%
Central costs and group adjustments	-	-	-176	-165	-	-
Total Group	**6,865**	**6,041**	**615**	**509**	**9.0%**	**8.4%**

BALANCE SHEET AND CASH FLOW

The balance sheet total on June 30, 2017 was 13,963 MSEK compared with 14,144 MSEK on December 31, 2016. Interest-bearing net liabilities increased during the period from 2,710 MSEK on December 31, 2016 to 3,030 MSEK on June 30, 2017.

The increase in net debt during the first half year was caused by seasonally higher working capital as well as dividend payment to the shareholders. Loans to credit institutions totaled 3,401 MSEK at the end of the period. Net debt on June 30, 2017 corresponded to 1.9 times adjusted EBITDA for the past twelve months (1.8 as of December 31, 2016).

On June 30, 2017, the total number of shares and votes was 103,034,842 after dilution. Total equity was 6,871 MSEK compared with 7,103 MSEK on December 31, 2016.



Operating cash flow was -5 MSEK (-27) during the first half year of 2017. The improvement is due to the increased operating profit, which to a large extent was offset by increased investments. The cash flow contribution from the change in operating capital amounted to -195 MSEK (-200). The Group has negative operating capital because the majority of the revenue is paid in advance or in direct connection with stays.

Net investments during the period totaled -364 MSEK (-292), of which hotel renovations accounted for -246 MSEK (-170) and IT for -21 MSEK (-20). Investments in new hotels and increased room capacity totaled -97 MSEK (-102).

Cash flow from financing activities totaled -684 MSEK (98) over the year. The change compared to the same period last year was mainly a result of the dividend paid out to shareholders in May as well as net amortisations related to the refinancing in June.

On June 22, Scandic Hotels Group entered into a 5,000 MSEK loan agreement with DNB Sweden AB, Svenska Handelsbanken AB (publ) and Nordea Bank AB (publ). The loan agreement replaces a previous agreement that was initially concluded on July 1, 2015 with an unchanged maturity of June 30, 2020 and an option to extend by a total of two years. The 5,000 MSEK total credit line is divided into a 1,500 MSEK long-term loan and a 3,500 MSEK multicurrency revolving credit facility. The terms and conditions relating to margins and covenants remain unchanged. The loan agreement provides increased flexibility to avoid excess liquidity by adjusting utilized credit based on liquidity requirements and seasonal variations as well as the ability to take out loans in relevant currencies in an effective manner. Greater flexibility and a greater share of loans in SEK are expected to reduce the annual interest expense by approximately 15 MSEK, based on unchanged interest rate levels.

When the loan entered into force on June 30, the company ceased to apply hedge accounting aimed at hedging net investments in foreign subsidiaries in Finland, Denmark and Norway. A non-recurring effect arose which is the main reason for the currency loss of 18 MSEK during the quarter as recognized in net financial items.

At the end of the period, the Group had 371 MSEK (310) in cash and cash equivalents.

Unused credit facilities totaled 1,540 MSEK (850).

Cash flow

MSEK	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016
Cash flow before changes in working capital	412	448	554	465
Changes in working capital	73	61	-195	-200
Investments	-218	-191	-364	-292
Operating cash flow	**267**	**318**	**-5**	**-27**

EMPLOYEES

The average number of employees in the Group was 9,469 as at June 30, 2017 compared with 9,046 as at June 30, 2016.

SEGMENT REPORTING

Sweden

	Apr-Jun 2017	Apr-Jun 2016	%	Jan-Jun 2017	Jan-Jun 2016	%
Net sales (MSEK)	**1,528**	**1,514**	**0.9%**	**2,849**	**2,619**	**8.8%**
New hotels	58		3.9%	181		6.9%
Exits	-10		-0.7%	-17		-0.6%
LFL	-34		-2.3%	66		2.5%
Adjusted EBITDA	**244**	**274**	**-10.7%**	**389**	**355**	**9.7%**
% margin	16.0%	18.1%		13.7%	13.6%	
RevPAR (SEK)	**753**	**760**	**-0.9%**	**693**	**660**	**5.1%**
New hotels/Exits	14		1.9%	15		2.2%
LFL	-21		-2.8%	19		2.8%
ARR (SEK)	1,069	1,080	-1.0%	1,039	1,021	1.8%
OCC %	70.4%	70.4%		66.7%	64.6%	

Sweden

Second quarter

Net sales rose by 0.9% to 1,528 MSEK (1,514). Net sales for comparable units dropped by 2.3%. Calendar effects, mainly attributable to the Easter holiday, had a negative impact on net sales.

Net changes in the hotel portfolio contributed 3.2% or 48 MSEK to the increase in sales. The greatest contribution was from Haymarket by Scandic, which opened in Stockholm on May 10, 2016.

Average Revenue Per Available Room (RevPAR) declined by 0.9% compared with the same quarter the previous year. RevPAR for comparable units dropped by 2.8%. Calendar effects had a negative impact on RevPAR for comparable units.

Adjusted EBITDA before opening costs for new hotels declined to 244 MSEK (274). The adjusted EBITDA margin declined from 18.1% to 16.0%.

First six months

Net sales rose by 8.8% to 2,849 MSEK (2,619). Net sales for comparable units grew by 2.5%. All regions contributed positively to the increase in sales.

Changes in the hotel portfolio contributed 6.3% or 164 MSEK to the increase in sales. The greatest contribution was from Haymarket by Scandic, which opened in Stockholm on May 10, 2016 April, and from Scandic Continental, which was opened on April 1.

Average Revenue Per Available Room (RevPAR) increased by 5.1% compared with the same period the previous year. RevPAR for comparable units grew by 2.8%.

Adjusted EBITDA before opening costs for new hotels increased to 389 MSEK (355). The adjusted EBITDA margin rose to 13.7 (13.6).

Norway

	Apr-Jun 2017	Apr-Jun 2016	%	Jan-Jun 2017	Jan-Jun 2016	%
Net sales (MSEK)	**1,171**	**963**	**21.6%**	**2,106**	**1,705**	**23.6%**
Currency effects	42		4.3%	101		6.0%
New hotels	130		13.5%	144		8.4%
Exits	-9		-0.9%	-19		-1.1%
LFL	45		4.7%	175		10.3%
Adjusted EBITDA	**112**	**118**	**-5.3%**	**164**	**119**	**38.2%**
% margin	9.6%	12.3%		7.8%	7.0%	
RevPAR (SEK)	**636**	**576**	**10.4%**	**597**	**513**	**16.3%**
Currency effects	26		4.4%	31		6.0%
New hotels/Exits	-4		-0.7%	-3		-0.6%
LFL	39		6.7%	56		10.9%
ARR (SEK)	1,010	933	8.2%	999	918	8.8%
OCC %	63.0%	61.7%		59.8%	55.9%	

Second quarter

Net sales rose by 21.6% to 1,171 MSEK (963). Net sales for comparable units grew by 4.7%. Calendar effects, chiefly attributable to the Easter holiday, had a negative impact on the net sales for comparable units. The corresponding quarter in the previous year was affected by a strike in the hotel industry that caused an estimated revenue loss of 60 MSEK. After compensation from the Norwegian employers' organization, the effect on adjusted EBITDA was marginal.

Net changes in the hotel portfolio contributed 12.6% or 121 MSEK to the increase in sales. During the quarter, Scandic took over operations of Grand Hotel Oslo and four other hotels that were part of the transaction with Pandox and Eiendomsspar that was announced in January 2017. Additionally, Scandic Flesland Airport opened in Bergen.

Average Revenue Per Available Room (RevPAR) increased by 6.0% in local currency compared with the same quarter the previous year. RevPAR for comparable units grew by 6.7%. Calendar effects had a negative impact on RevPAR for comparable units.

Adjusted EBITDA before opening costs for new hotels declined to 112 MSEK (118).

The adjusted EBITDA margin was 9.6% (12.3). RevPAR growth affected the margin positively, while newly-added hotels initially contributed a margin that is below average for the hotel portfolio in Norway.

First six months

Net sales rose by 23.6% to 2,106 MSEK (1,705). Net sales for comparable units grew by 10.3%.

Net changes in the hotel portfolio contributed 7.3% or 125 MSEK to the increase in sales. During the period, Scandic Ambassadeur Drammen and Grand Hotel Oslo were opened as well as four other hotels that were added as part of the Pandox and Eiendomsspar transaction announced in January 2017. In addition, Scandic Flesland Airport was opened in Bergen and one hotel in Tromsø was divested.

Average Revenue Per Available Room (RevPAR) increased by 10.3% in local currency compared with the same period the previous year. RevPAR for comparable units grew by 10.9%.

Adjusted EBITDA before opening costs for new hotels increased to 164 MSEK (119).

The adjusted EBITDA margin rose to 7.8% (7.0). RevPAR growth affected the margin positively, while newly-added hotels initially contributed a margin that is below average for the hotel portfolio in Norway.

Other Nordic countries & Europe

	Apr-Jun 2017	Apr-Jun 2016	%	Jan-Jun 2017	Jan-Jun 2016	%
Net sales (MSEK)	**1,071**	**970**	**10.5%**	**1,910**	**1,717**	**11.2%**
Currency effects	41		4.3%	57		3.3%
New hotels	27		2.8%	41		2.4%
Exits	0		0.0%	0		0.0%
LFL	33		3.4%	95		5.5%
Adjusted EBITDA	**182**	**170**	**7.3%**	**238**	**200**	**19.4%**
% margin	17.0%	17.5%		12.5%	11.6%	
RevPAR (SEK)	**767**	**702**	**9.2%**	**678**	**612**	**10.9%**
Currency effects	29		4.1%	20		3.3%
New hotels/Exits	-2		-0.2%	-1		-0.2%
LFL	37		5.3%	48		7.8%
ARR (SEK)	1,065	979	8.8%	1,005	927	8.3%
OCC %	72.0%	71.7%		67.5%	66.0%	

Second quarter

Net sales rose by 10.5% to 1,071 MSEK (970). Net sales for comparable units grew by 3.4%. Calendar effects, chiefly attributable to the Easter holiday, had a negative impact on the net sales for comparable units.

Net changes in the hotel portfolio contributed 2.8% or 27 MSEK to the increase in sales. Scandic Sluseholmen in Copenhagen and the hotels opened in 2016, Scandic Vaasa in Finland and Scandic Aalborg City in Denmark, provided the greatest contribution to the increase.

Average Revenue Per Available Room (RevPAR) increased by 5.1% in local currency compared with the same quarter the previous year. RevPAR for comparable units grew by 5.3%. Calendar effects had a negative impact on RevPAR for comparable units.

Adjusted EBITDA before opening costs for new hotels increased to 182 MSEK (170).

The adjusted EBITDA margin dropped marginally to 17.0% (17.5).

First six months

Net sales rose by 11.2% to 1,910 MSEK (1,717). Net sales for comparable units grew by 5.5%.

Net changes in the hotel portfolio contributed 2.4% or 41 MSEK to the increase in sales. Scandic Sluseholmen in Copenhagen and the hotels opened in 2016, Scandic Vaasa in Finland and Scandic Aalborg City in Denmark, provided the greatest contribution to the increase.

Average Revenue Per Available Room (RevPAR) increased by 7.6% in local currency compared with the same period the previous year. RevPAR for comparable units grew by 7.8%.

Adjusted EBITDA before opening costs for new hotels increased to 238 MSEK (200).

The adjusted EBITDA margin rose to 12.5% (11.6), mainly driven by positive margin development in Finland.

Central functions

Adjusted EBITDA for central functions and Group adjustments amounted to -77 MSEK (-92) during the quarter and -176 MSEK (-165) for the first six months of the year. The increase in central costs during the first half of the year is largely related to strengthening of the Group's commercial organization and increased investments in digital development.

The revaluation of power supply hedging had a positive impact of 4 MSEK on EBITDA in the second quarter and a negative impact of -5 MSEK for the first six months of the year.

EVENTS AFTER THE REPORTING DATE

On July 4, Scandic announced a lease agreement with SH.I.R Real Estate regarding the operation of the current Wyndham Grand Frankfurt. The hotel, which is newly renovated and has 293 rooms, will become Scandic's fourth hotel in Germany. The hotel is expected to open in early 2018.

FINANCIAL TARGETS

At the beginning of 2016, Scandic adopted a clear long-term strategy aiming to develop operations in line with the following medium- and long-term financial targets:

- Annual net sales growth of at least 5 percent on average over a business cycle, excluding potential M&As.
- An adjusted EBITDA margin of at least 11 percent on average over a business cycle.
- Net debt in relation to adjusted EBITDA of 2–3x.

SEASONAL VARIATIONS

Scandic operates in a sector affected by seasonal variations. Revenues and earnings fluctuate during the year. The first quarter and other periods with low levels of business travel such as the summer months, Easter and Christmas/New Year's are generally the weakest periods. Approximately 70 percent of Scandic's revenues comes from business travel and conferences while the remaining 30 percent comes from leisure travel.

PRESENTATION OF THE REPORT

The presentation of Scandic's Interim Report will take place at 9:00 CET on July 20, 2017 with President & CEO Frank Fiskers and CFO Jan Johansson available by phone. To participate, dial SE: +46 8 5664 2693, UK: +44 20 3008 9802. Please call in five minutes before the start. The presentation will also be available afterwards at scandichotelsgroup.com

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FINANCIAL CALENDAR

2017-10-26 Interim Report Q3 2017
(silent period from September 26, 2017)

SIGNIFICANT RISKS AND RISK FACTORS

Scandic operates in a sector where demand for hotel nights and conferences is influenced by the underlying domestic economic development and purchasing power in the geographic markets in which Scandic does business as well as in the markets from which there is a significant amount of travel to the Nordic countries. Additionally, profitability in the sector is impacted by changes in room capacity where establishing new hotels can initially lead to lower occupancy in the short term, but in the long term, greater room capacity can help stimulate interest in particular destinations for business and leisure travel, which can increase the number of hotel rooms sold.

Scandic's business model is based on lease agreements where approximately 90 percent of the hotels (based on the number of rooms) have variable revenue-based rents. This results in lower profit risks since revenue losses are partly compensated through reduced rental costs. Scandic's other costs also include a high share of variable costs where above all, staffing flexibility is important to be able to adapt cost levels to variations in demand. Together, this means that by having a flexible cost structure, Scandic can lessen the effects of seasonal and economic fluctuations.

A significant downturn in the Norwegian market, beyond the assumptions made in the company's forecasts, may have a negative impact on the value of recognized goodwill related to Scandic's Norwegian operations.

For a more detailed description of risks and risk factors, please see the section on risks and risk management in Scandic's Annual Report 2016.

SENSITIVITY ANALYSIS

A change in RevPAR due to variable rental costs and variable costs will have an impact of approximately 40-60 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 one percent in RevPAR will have an impact of approximately 30–50 MSEK on EBITDA on an annual basis, where the higher value relates to a change driven entirely by average room rate and the lower value refers to a change driven solely by occupancy.

The operations of Scandic's subsidiaries are mainly local with revenues and expenses in domestic currencies, and the Group's internal sales are low. This means that currency exposure due to transactions is limited to the operating profit/loss. Exchange rate fluctuations in the Group arise from the revaluation of Scandic's foreign subsidiaries' income statements and balance sheets to SEK.

Consolidated income statement

MSEK	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Jan-Dec 2016	Jul-Jun 2016/2017
INCOME						
Room revenue	2,505	2,281	4,454	3,928	8,530	9,056
Restaurant and conference revenue*	1,185	1,077	2,289	1,984	4,299	4,604
Franchise and management fees	7	7	11	13	29	27
Other hotel-related revenue	73	82	111	116	224	219
Net sales	***3,770***	***3,447***	***6,865***	***6,041***	***13,082***	***13,906***
Other income	-1	6	1	8	13	6
TOTAL OPERATING INCOME	**3,769**	**3,453**	**6,866**	**6,049**	**13,095**	**13,912**
OPERATING COSTS						
Raw materials and consumables	-319	-279	-601	-513	-1,138	-1,226
Other external costs	-773	-736	-1,528	-1,377	-2,850	-3,001
Personnel costs	-1,243	-1,094	-2,328	-2,072	-4,211	-4,467
Adjusted EBITDAR	**1,434**	**1,344**	**2,409**	**2,087**	**4,896**	**5,218**
Fixed and guaranteed rental charges	-584	-554	-1,156	-1,071	-2,203	-2,288
Variable rental charges	-389	-320	-638	-507	-1,180	-1,311
Adjusted EBITDA	**461**	**470**	**615**	**509**	**1,513**	**1,619**
Pre-opening costs	-17	-26	-34	-43	-51	-42
Non-recurring items	-12	-	-12	-	-	-12
EBITDA	**432**	**444**	**569**	**466**	**1,462**	**1,565**
Depreciation and amortization	-131	-125	-262	-246	-537	-553
TOTAL OPERATING COSTS	**-3,468**	**-3,134**	**-6,559**	**-5,829**	**-12,170**	**-12,900**
Adjusted EBIT	330	345	353	263	976	1,066
EBIT (Operating profit/loss)	**301**	**319**	**307**	**220**	**925**	**1,012**
Financial income	3	50	5	64	265	206
Financial expenses	-49	-35	-88	-78	-133	-143
Net financial items	**-46**	**15**	**-83**	**-14**	**132**	**63**
EBT (Profit/loss before taxes)	**255**	**334**	**224**	**206**	**1,057**	**1,075**
Taxes	-46	-73	-49	-45	-175	-179
PROFIT/LOSS FOR PERIOD	**209**	**261**	**175**	**161**	**882**	**896**
Profit/loss for period relating to:						
Parent Company shareholders	208	260	173	159	879	893
Non-controlling interest	1	1	2	2	3	3
Profit/loss for period	**209**	**261**	**175**	**161**	**882**	**896**
Average number of outstanding shares before dilution	102,985,075	102,618,097	102,985,075	102,618,097	102,428,053	102,585,075
Average number of outstanding shares after dilution	103,034,842	102,985,075	103,034,842	102,985,075	102,457,837	102,631,184
Earnings per share before dilution, SEK	**2.02**	**2.53**	**1.68**	**1.55**	**8.58**	**8.70**
Earnings per share after dilution, SEK	**2.02**	**2.52**	**1.68**	**1.54**	**8.58**	**8.70**
Adjusted EBITDAR margin, %	38.0	39.0	35.1	34.5	37.4	37.5
Adjusted EBITDA margin, %	12.2	13.6	9.0	8.4	11.6	11.6
EBITDA margin, %	11.5	12.9	8.3	7.7	11.2	11.2
Adjusted EBIT margin, %	8.8	10.0	5.1	4.4	7.5	7.7
EBIT margin, %	8.0	9.3	4.5	3.6	7.1	7.3
Fixed and guaranteed rental charges, % of net sales	15.5	16.1	16.8	17.7	16.8	16.5
Variable rental charges, % of net sales	10.3	9.3	9.3	8.4	9.0	9.4
Total rental charges, % of net sales	25.8	25.4	26.1	26.1	25.9	25.9

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

Consolidated statement of comprehensive income

MSEK	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Jan-Dec 2016	Jul-Jun 2016/2017
Profit/loss for period	209	261	175	161	882	896
Items that may be reclassified to the income statement	-25	29	-61	66	45	-82
Items that may not be reclassified to the income statement	-7	-16	-27	-51	-6	18
Other comprehensive income	**-32**	**13**	**-88**	**15**	**39**	**-64**
Total comprehensive income for period	**177**	**274**	**87**	**176**	**921**	**832**
Relating to:						
Parent Company shareholders	176	275	86	176	918	828
Non-controlling interest	1	-1	1	-	3	4

Consolidated balance sheet, summary

MSEK	30 Jun 2017	30 Jun 2016	31 Dec 2016
ASSETS			
Intangible assets	9,001	9,024	9,103
Tangible assets	3,064	2,775	2,977
Financial fixed assets	64	401	67
Total fixed assets	**12,129**	**12,200**	**12,147**
Current assets	1,463	1,516	929
Cash and cash equivalents	371	310	1,068
Total current assets	**1,834**	**1,826**	**1,997**
TOTAL ASSETS	**13,963**	**14,026**	**14,144**
EQUITY AND LIABILITIES			
Equity attributable to owners of the Parent Company	6,839	6,330	7,072
Non-controlling interest	32	25	31
Total equity	**6,871**	**6,355**	**7,103**
Interest-bearing liabilities	3,401	3,853	3,778
Other long-term liabilities	1,179	1,371	1,153
Total long-term liabilities	**4,580**	**5,224**	**4,931**
Derivative instruments	21	64	20
Other current liabilities	2,491	2,383	2,090
Total current liabilities	**2,512**	**2,447**	**2,110**
TOTAL EQUITY AND LIABILITIES	**13,963**	**14,026**	**14,144**
Equity per share, SEK	66.4	61.5	68.7
Total number of shares outstanding, end of period	102,985,075	102,985,075	102,985,075
Working capital	-1,049	-931	-1,181
Interest-bearing net liabilities	3,030	3,543	2,710
Interest-bearing net liabilities/adjusted EBITDA	1.9	2.7	1.8

Changes in Group equity

MSEK	Share capital	Share premium reserve	Translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Opening balance 01/01/2016	**26**	**7,865**	**-71**	**-1,643**	**6,177**	**28**	**6,205**
Profit/loss for the period	**-**	**-**	**-**	**159**	**159**	**2**	**161**
Other comprehensive income							
Actuarial gains and losses during the year, net after tax	-	-	-	-51	-51	-	-51
Currency fluctuations from translation of foreign operations	-	-	100	-	100	-2	98
Hedge of net investment in foreign operations, net after tax	-	-	-32	-	-32	-	-32
Total other comprehensive income, net after tax	*-*	*-*	*68*	*-51*	*17*	*-2*	*15*
Total comprehensive income for the year	**-**	**-**	**68**	**108**	**176**		**176**
Transactions with shareholders							
Dividend	-	-	-	-	-	-3	-3
Share-based payments	-	-	-	2	2	-	2
Forward contracts to repurchase own shares	-	-	-	-25	-25	-	-25
Total transactions with shareholders	*-*	*-*	*-*	*-23*	*-23*	*-3*	*-26*
Closing balance 06/30/2016	**26**	**7,865**	**-3**	**-1,558**	**6,330**	**25**	**6,355**
Profit/loss for the period	**-**	**-**	**-**	**720**	**720**	**1**	**721**
Other comprehensive income							
Actuarial gains and losses during the year, net after tax	-	-	-	45	45	-	45
Currency fluctuations from translation of foreign operations	-	-	66	-	*66*	*5*	*71*
Hedge of net investment in foreign operations, net after tax	-	-	-92	-	-92	-	-92
Total other comprehensive income, net after tax	*-*	*-*	*-26*	*45*	*19*	*5*	*24*
Total comprehensive income for the year	**-**	**-**	**-26**	**765**	**739**	**6**	**745**
Share-based payments	-	-	-	3	3	-	3
Total transactions with shareholders	*-*	*-*	*-*	*3*	*3*	*-*	*3*
Opening balance 01/01/2017	**26**	**7,865**	**-29**	**-790**	**7,072**	**31**	**7,103**
Profit/loss for the period	**-**	**-**	**-**	**173**	**173**	**2**	**175**
Other comprehensive income							
Actuarial gains and losses during the year, net after tax	-	-	-	-27	-27	-	-27
Currency fluctuations from translation of foreign operations	-	-	-60	-	-60	-1	-61
Total other comprehensive income, net after tax	*-*	*-*	*-60*	*-27*	*-87*	*-1*	*-88*
Total comprehensive income for the year	**-**	**-**	**-60**	**146**	**86**	**1**	**87**
Transactions with shareholders							
Dividend	-	-	-322	-	-322	-	-322
Share-based payments	-	-	-	3	3	-	3
Total transactions with shareholders	*-*	*-*	*-322*	*3*	*-319*	*-*	*-319*
Closing balance 06/30/2017	**26**	**7,865**	**-411**	**-641**	**6,839**	**32**	**6,871**

Consolidated cash flow statement

	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Jan-Dec 2016	Jul-Jun 2016/2017
OPERATING ACTIVITIES						
EBIT (Operating profit/loss)	301	319	307	220	925	1,012
Depreciation	131	125	262	246	537	553
Items not included in cash flow	-7	5	3	-	-	3
Paid tax	-13	-1	-18	-1	-3	-20
Change in working capital	73	61	-195	-200	150	155
Cash flow from operating activities	**485**	**509**	**359**	**265**	**1,609**	**1,703**
INVESTING ACTIVITIES						
Net investments	-218	-191	-364	-292	-719	-791
Cash flow from investing operations	**-218**	**-191**	**-364**	**-292**	**-719**	**-791**
OPERATIVE CASH FLOW	**267**	**318**	**-5**	**-27**	**890**	**912**
FINANCING OPERATIONS						
Interest payments	-24	-28	-47	-52	-101	-96
Dividends	-322	-	-322	-	-3	-325
Refinancing of loans	-6	-	-6	-	-	-6
Gains, share swap agreement	35	-	35	-	-	35
Borrowing	3,460	-	3,460	250	475	3,685
Amortization	-3,804	-100	-3,804	-100	-475	-4,179
Cash flow from financing operations	**-661**	**-128**	**-684**	**98**	**-104**	**-886**
CASH FLOW FOR PERIOD	**-394**	**190**	**-689**	**71**	**786**	**26**
Cash and cash equivalents at beginning of period	765	121	1,068	248	248	310
Translation difference in cash and cash equivalents	-	-1	-8	-9	34	35
Cash and cash equivalents at end of the period	371	310	371	310	1,068	371

Parent Company income statement, summary

MSEK	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Jan-Dec 2016	Jul-Jun 2016/2017
Net sales	8	6	14	13	29	30
Expenses	-8	-9	-14	-13	-36	-37
EBIT (Operating profit/loss)	**-**	**-3**	**-**	**-**	**-7**	**-7**
Financial income	30	3	52	43	114	123
Financial expenses	-43	-23	-69	-47	-97	-119
Net financial items	**-13**	**-20**	**-17**	**-4**	**17**	**4**
Appropriations	-	-	-	-	66	66
EBT (profit/loss before tax)	**-13**	**-23**	**-17**	**-4**	**76**	**63**
Tax	3	1	4	1	-11	-8
PROFIT/LOSS FOR PERIOD	**-10**	**-22**	**-13**	**-3**	**65**	**55**

Consolidated statement of comprehensive income

MSEK	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Jan-Dec 2016	Jul-Jun 2016/2017
Profit/loss for period	**-10**	**-22**	**-13**	**-3**	**65**	**55**
Items that may be reclassified to the income statement	-	-	-	-	-	-
Items that may not be reclassified to the income statement	-	-	-	-	-	-
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income for period	**-10**	**-22**	**-13**	**-3**	**65**	**55**

Parent Company balance sheet, summary

MSEK	30 Jun 2017	30 Jun 2016	31 Dec 2016
ASSETS			
Investments in subsidiaries	4,590	4,590	4,590
Group company receivables	5,221	5,822	5,067
Deferred tax assets	75	83	71
Total fixed assets	**9,886**	**10,495**	**9,728**
Current receivables	17	5	6
Group company receivables	-	-	66
Cash and cash equivalents	-	91	790
Total current assets	**17**	**96**	**862**
TOTAL ASSETS	**9,903**	**10,591**	**10,590**
EQUITY AND LIABILITIES			
Equity	**6,340**	**6,599**	**6,672**
Liabilities to credit institutions	3,454	3,920	3,839
Liabilities to Group companies	-	-	-
Other liabilities	-	-	47
Total long-term liabilities	**3,454**	**3,920**	**3,886**
Other liabilities	99	57	8
Accrued expenses and prepaid income	10	15	24
Total current liabilities	**109**	**72**	**32**
TOTAL EQUITY AND LIABILITIES	**9,903**	**10,591**	**10,590**

Changes in Parent Company's equity

MSEK	Share capital	Share premium reserve	Retained earnings	Total equity
Opening balance 01/01/2016	**26**	**1,534**	**5,088**	**6,648**
Profit/loss for period	-	-	-3	-3
Other comprehensive income	-	-	-	-
Total other comprehensive income	-	-	*-3*	*-3*
Closing balance 06/30/2016	**26**	**1,534**	**5,039**	**6,599**
Profit/loss for period	-	-	68	68
Other comprehensive income	-	-	-	-
Total other comprehensive income	-	-	*68*	*68*
Transactions with shareholders				
Share-based payments	-	-	3	3
Forward contracts to repurchase own shares	-	-	2	2
Total transactions with shareholders	-	-	*5*	*5*
Opening balance 01/01/2017	**26**	**1,534**	**5,112**	**6,672**
Profit/loss for period	-	-	-13	-13
Other comprehensive income	-	-	-	-
Total other comprehensive income	-	-	*-13*	*-13*
Transactions with shareholders				
Dividend	-	-	-322	-322
Share-based payments	-	-	3	3
Total transactions with shareholders	-	-	*-319*	*-319*
Closing balance 06/30/2017	**26**	**1,534**	**4,780**	**6,340**

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 14 MSEK (13). Operating profit totaled 0 MSEK (0).

Net financial items for the period totaled -17 MSEK (-4). The Parent Company's profit before tax was -17 MSEK (-4).

Transactions between related parties

The Braganza AB Group is considered to be a related party in terms of participating interest and Board representation during the year. Accommodation revenues from related parties amounted to 4 MSEK for the period. For transactions with subsidiaries, the OECD's recommendations for Transfer Pricing are applied.

ACCOUNTING PRINCIPLES

The Group applies International Financial Reporting Standards, IFRS, as endorsed by the EU. This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Annual Accounts Act.

The accounting principles and methods of calculation applied in this report are the same as those used in the preparation of the Annual Report and consolidated financial statements for 2016 and are outlined in Note 1, Accounting principles.

The Parent Company applies the Annual Accounts Act and RFR 2 Accounting for legal entities, which means that IFRS is applied with certain exceptions and additions.

This interim report gives a true and fair view of the Parent Company and Group's operations, financial position and results of operations and also describes the significant risks and uncertainties to which the Parent Company and Group companies are exposed. All amounts in this report are expressed in MSEK unless otherwise stated. Rounding differences may occur.

The information for the interim period on pages 1–26 is an integral part of these financial statements.

ALTERNATIVE PERFORMANCE MEASURES

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

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

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

The definition of alternative performance measures can be found under Financial key ratios and Alternative performance measures.

CALCULATION OF FAIR VALUE

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

Level 1:	Listed prices for identical assets or liabilities on active markets.
Level 2:	Other observable data than what is included in Level 1 regarding the asset or liability, either direct or indirect.
Level 3:	Data for the asset or liability that is not based on observable market data.

The Group's derivative instruments and loans from credit institutions are classified as Level 2. For liabilities to credit institutions, the booked value is equivalent to the fair value.

SEGMENT DISCLOSURES

HTL's operations have been integrated into Scandic Sweden and Scandic Norway and from 2016 they are included in segment reporting for Sweden and Norway. Comparative figures for previous periods have been recalculated.

Segments are reported according to IFRS 8 Operating segments. Segment information is reported in the same way as it is analyzed and studied internally by executive decision-makers, mainly the CEO, the Executive Committee and the Board of Directors.

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

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

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

Other Nordic countries & Europe – hotel operations under the Scandic brand in Belgium, Denmark, Finland, Poland and Germany as well as hotels operated under the Hilton brand in Finland.

Central functions – costs for finance, business development, investor relations, communication, 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 division of revenues between segments is based on the location of the business activities and segment disclosure is determined after eliminating inter-group transactions. Revenues derive from a large number of customers in all segments.

Segment results are analyzed based on adjusted EBITDA.

Segment disclosures

Apr-Jun	Sweden		Norway		Other Nordic countries & Europe		Central functions		Group	
MSEK	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Net sales	1,528	1,514	1,171	963	1,071	970	-	-	3,770	3,447
Other income	-1	6	-	-	-	-	-	-	-1	6
Internal transactions	-	-	-	-	-	-	7	6	7	6
Group eliminations	-	-	-	-	-	-	-7	-6	-7	-6
Total income	**1,527**	**1,520**	**1,171**	**963**	**1,071**	**970**	**-**	**-**	**3,769**	**3,453**
Expenses	-1,283	-1,246	-1,059	-845	-889	-800	-77	-92	-3,308	-2,983
Adjusted EBITDA	**244**	**274**	**112**	**118**	**182**	**170**	**-77**	**-92**	**461**	**470**
Adjusted EBITDA margin, %	16.0	18.1	9.6	12.3	17.0	17.5	-	-	12.2	13.6
EBITDA	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**432**	**444**
EBITDA margin, %	-	-	-	-	-	-	-	-	11.5	12.9
Depreciation and amortization	-	-	-	-	-	-	-	-	-131	-125
EBIT (Operating profit/loss)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**301**	**319**
Net financial items	-	-	-	-	-	-	-	-	-46	15
EBT (Profit/loss before tax)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**255**	**334**

Jan-Jun	Sweden		Norway		Other Nordic countries & Europe		Central functions		Group	
MSEK	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Net sales	2,849	2,619	2,106	1,705	1,910	1,717	-	-	6,865	6,041
Other income	1	8	-	-	-	-	-	-	1	8
Internal transactions	-	-	-	-	-	-	7	13	7	13
Group eliminations	-	-	-	-	-	-	-7	-13	-7	-13
Total income	**2,850**	**2,627**	**2,106**	**1,705**	**1,910**	**1,717**	**-**	**-**	**6,866**	**6,049**
Expenses	-2,461	-2,272	-1,942	-1,586	-1,672	-1,517	-176	-165	-6,251	-5,540
Adjusted EBITDA	**389**	**355**	**164**	**119**	**238**	**200**	**-176**	**-165**	**615**	**509**
Adjusted EBITDA margin, %	13.7	13.6	7.8	7.0	12.5	11.6	-	-	9.0	8.4
EBITDA	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**569**	**466**
EBITDA margin, %	-	-	-	-	-	-	-	-	8.3	7.7
Depreciation and amortization	-	-	-	-	-	-	-	-	-262	-246
EBIT (Operating profit/loss)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**307**	**220**
Net financial items	-	-	-	-	-	-	-	-	-83	-14
EBT (Profit/loss before tax)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**224**	**206**

Assets and investments by segment

30 Jun	Sweden		Norway		Other Nordic countries & Europe		Central functions		Group	
MSEK	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Fixed assets	5,130	5,131	3,549	3,529	3,191	3,013	259	527	12,129	12,200
Investments in fixed assets	159	145	86	99	98	28	21	20	364	292

Revenue by country

MSEK	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Jan-Dec 2016	Jul-Jun 2016/2017
Sweden	1,527	1,520	2,849	2,627	5,650	5,872
Norway	1,171	963	2,106	1,705	3,744	4,145
Denmark	425	383	720	643	1,412	1,489
Finland	489	442	912	814	1,750	1,848
Germany	129	118	232	213	444	463
Poland	21	21	34	35	73	72
Belgium	7	6	13	12	22	23
Total countries	**3,769**	**3,453**	**6,866**	**6,049**	**13,095**	**13,912**
Other	7	6	7	6	29	30
Group eliminations	-7	-6	-7	-6	-29	-30
Group	**3,769**	**3,453**	**6,866**	**6,049**	**13,095**	**13,912**

Revenue by type of agreement

MSEK	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Jan-Dec 2016	Jul-Jun 2016/2017
Lease agreements	3,752	3,437	6,832	6,017	13,029	13,844
Management agreements	3	2	5	5	11	11
Franchise and partner agreements	4	4	7	8	18	17
Owned	10	10	22	19	37	40
Total	**3,769**	**3,453**	**6,866**	**6,049**	**13,095**	**13,912**
Other	7	6	7	6	29	30
Group eliminations	-7	-6	-7	-6	-29	-30
Group	**3,769**	**3,453**	**6,866**	**6,049**	**13,095**	**13,912**

Quarterly data

MSEK	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
RevPAR, SEK	719	596	639	728	688	513
Net sales	3,770	3,095	3,463	3,577	3,447	2,594
Adjusted EBITDAR	1,434	975	1,330	1,480	1,344	744
Adjusted EBITDA	461	154	457	547	470	40
EBITDA	432	137	453	542	444	24
Adjusted EBIT	330	23	321	392	345	-82
EBIT (Operating profit/loss)	301	6	317	387	319	-98
EBT (Profit/loss before tax)	255	-31	293	557	334	-128
Adjusted EBITDAR margin, %	38.0	31.5	38.4	41.4	39.0	28.7
Adjusted EBITDA margin, %	12.2	5.0	13.2	15.3	13.6	1.5
EBITDA margin, %	11.5	4.4	13.1	15.1	12.9	0.9
Adjusted EBIT margin, %	8.8	0.7	9.3	11.0	10.0	neg
EBIT margin, %	8.0	0.2	9.2	10.8	9.3	neg
Earnings per share after dilution, SEK	2.02	-0.35	2.79	4.22	2.52	-0.97

Quarterly data per segment

	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Net sales						
Sweden	1,528	1,320	1,521	1,498	1,514	1,104
Norway	1,171	936	976	1,063	963	742
Other Nordic countries & Europe	1,071	839	966	1,016	970	748
Total net sales	**3,770**	**3,095**	**3,463**	**3,577**	**3,447**	**2,594**
Adjusted EBITDA						
Sweden	244	145	329	291	274	81
Norway	112	52	90	154	118	1
Other Nordic countries & Europe	182	56	141	182	170	30
Central functions	-77	-99	-103	-80	-92	-72
Total adj EBITDA	**461**	**154**	**457**	**547**	**470**	**40**
Adjusted EBITDA margin, %	*12.2%*	*5.0%*	*13.2%*	*15.3%*	*13.6%*	*1.5%*

Exchange rates

SEK/EUR	Jan-Jun 2017	Jan-Jun 2016	Jan-Dec 2016
Income statement (average)	9.5923	9.2992	9.4704
Balance sheet (at end of period)	9.6734	9.4164	9.5669
SEK/NOK			
Income statement (average)	1.0459	0.9870	1.0199
Balance sheet (at end of period)	1.0099	1.0081	1.0540
SEK/DKK			
Income statement (average)	1.2898	1.2482	1.2720
Balance sheet (at end of period)	1.3009	1.2659	1.2869

Alternative performance measures

Interest-bearing net liabilities	30 Jun 2017	30 Jun 2016	31 Dec 2016
Interest-bearing liabilities	3,401	3,853	3,778
Cash and cash equivalents	-371	-310	-1,068
Interest-bearing net liabilities	3,030	3,543	2,710

Working capital	30 Jun 2017	30 Jun 2016	31 Dec 2016
Current assets, excl cash and bank balances	1,463	1,516	929
Current liabilities	-2,512	-2,447	-2,110
Working capital [1]	-1,049	-931	-1,181

[1] Comparative numbers have been adjusted due to change in the definition of working capital.

LONG-TERM INCENTIVE PROGRAM

In December 2015, Scandic implemented a share-based Long-term incentive program (LTIP 2015) and an additional LTIP program (LTIP 2016) was decided upon at the Annual General Meeting 2016. 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 the LTIP 2015 can be assigned a matching share free of charge. In the LTIP 2016, the allocation of matching shares to 50 percent due to a requirement related to the total return on the shares (TSR) being met and 50 percent are free of charge. In addition, the participants may receive a number of performance shares, free of consideration, depending on the degree of meeting certain performance criteria adopted by the Board of Directors for the 2015-2017 financial years.

Matching shares and performance shares will be allotted after the end of a vesting period until the date of publication of Scandic's interim report for the first quarter of 2018 and 2019, subject to the participant remaining a permanent employee within the Group and retaining the savings shares.

Senior managers have invested in the program and may be allotted a maximum of 251,952 shares for LTIP 2015 and 183,890 shares for LTIP 2016 corresponding to approximately 0.50 percent of Scandic's share capital and votes. The expected costs of the entire program are estimated to be 22 MSEK, and the costs included in the income statement for the Group in accordance with IFRS 2 amounted to 3 MSEK for the first half year 2017, including social security contributions. The maximum cost of the program, including social security contributions, is estimated to be 68 MSEK. For more information about the program, see Note 6 in Scandic's Annual Report 2016.

The expected financial exposure to shares that may be allotted under LTIP 2015 and LTIP 2016 and the delivery of shares to the participants of LTIP 2015 and LTIP 2016 have been hedged by Scandic's entering into a share swap agreement with a third party on market terms.

On 10 May 2017 the Annual General Meeting resolved to, in accordance with the Board of Directors' proposal, adopt a long term incentive program (LTIP 2017) directed to not more than 50 senior managers and key employees within the Scandic group.

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

Stockholm, July 20, 2017

Vagn Sørensen Chairman	Ingalill Berglund Member of the Board
Per G. Braathen Vice Chairman	Grant Hearn Member of the Board
Lottie Knutson Member of the Board	Christoffer Lundström Member of the Board
Eva Moen Adolfsson Member of the Board	Martin Svalstedt Member of the Board
Fredrik Wirdenius Member of the Board	Marianne Sundelius Employee representative
Frank Fiskers President & CEO	

AUDITORS' REVIEW

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

Definitions

HOTEL-RELATED KEY RATIOS

ARR (Average Room Rate)
The average room rate is the average room revenue per sold room.

LFL (Like-for-Like)
LFL refers to the hotels that were in operation during the entire period as well as during the corresponding period of the previous year.

OCC (Occupancy)
Refers to sold rooms in relation to the number of available rooms. Expressed as a percentage.

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

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

FINANCIAL KEY RATIOS AND ALTERNATIVE PERFORMANCE MEASURES

EBT
Earnings before tax.

EBIT
Earnings before interest and taxes.

EBITDA
Earnings before interest, taxes, depreciation and amortization.

EBITDA margin
EBITDA as a percentage of net sales.

Adjusted EBIT
Earnings before pre-opening costs, non-recurring items, interest and taxes.

Adjusted EBITDA
Earnings before pre-opening costs, non-recurring items, interest, taxes, depreciation and amortization.

Adjusted EBITDAR
Earnings before pre-opening costs, non-recurring items, interest, taxes, depreciation, amortization and rent.

Non-recurring items
Items that are not directly related to the normal operations of the company, for example costs for transactions, exits and restructuring.

Interest-bearing net liabilities
Interest-bearing assets minus interest-bearing liabilities.

Working capital, net
Total current assets excluding Cash and cash equivalents minus Total current liabilities.

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 period.

Scandic Hotels Group

Scandic is the largest hotel company in the Nordic countries with more than 45,000 rooms at 230 hotels in operation and under development. In 2016, the Group had annual sales of SEK 13.1 billion.

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

Since it was founded in 1963, Scandic has been a pioneer and driven development in the hotel industry. Corporate responsibility has always been a part of our DNA and in 2016, we were named the most sustainable hotel operator for the sixth year in a row according to a Sustainable Brands survey.

Scandic was listed on the Nasdaq Stockholm exchange on December 2, 2015.

Press releases (selection)

2017-07-04 Scandic expanding in Germany – taking over central hotel in Frankfurt

2017-06-30 Scandic to open hotel in the classic Helsinki central railway station

2017-06-21 Scandic to acquire Restel's hotel portfolio and become the leading hotel operator in Finland

2017-04-25 Scandic to open new hotel at Landvetter Airport in Gothenburg

2017-02-09 Even Frydenberg new President & CEO for Scandic – succeeds Frank Fiskers who will leave company after eight years

2017-02-03 Scandic to open new hotel in central Gothenburg

2017-01-19 Scandic to open new hotel at Helsinki Airport – Will be the closest freestanding hotel for air travelers

2017-01-18 Scandic to take over portfolio of eight hotels in the Nordic countries

2016-11-28 Scandic one of the highest-scoring Nordic companies in the CDP Climate Change Report 2016

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