Scandic

The largest hotel company in the Nordics

January – September 2016

CONTINUED STRONG GROWTH AND POSITIVE DEVELOPMENT IN EARNINGS

THIRD QUARTER IN SUMMARY

- RevPAR LFL grew by 7.7%, driven by higher occupancy and increased average room rates.
- Net sales LFL rose by 5.7% due to continued strong underlying demand.
- Net sales rose by 9.2% to 3,577 MSEK (3,275). Adjusted for exchange rate fluctuations, net sales increased by 9.3%.
- Adjusted EBITDA grew by 11.6% to 547 MSEK (491) corresponding to a margin of 15.3% (15.0).
- EBITDA increased to 542 MSEK (475).
- Earnings per share amounted to 4.22 SEK (1.29) before dilution and 4.22 SEK (1.29) after dilution.
- The composition of the Executive Committee changed in the quarter to include all country heads, while the position of Chief Operating Officer was phased out.
- On September 29, Scandic held a Capital Markets Day in Stockholm.

THE PERIOD IN SUMMARY

- RevPAR LFL for January–September grew by 6.8% driven by higher occupancy and increased average room rates.
- Net sales LFL for January–September rose by 5.8% due to strong demand.
- Net sales increased during the same period by 5.6% to 9,618 MSEK (9,107). Adjusted for exchange rate fluctuations, net sales grew by 7.5%.
- Adjusted EBITDA went up by 15.4% to 1,056 MSEK (915) corresponding to a margin of 11.0% (10.0).
- EBITDA increased to 1,009 MSEK (844).
- Earnings per share amounted to 5.79 SEK (1.23) before dilution and 5.78 SEK (1.23) after dilution.
- Five hotels opened: Scandic Gällivare, Scandic Continental, Scandic Aalborg City, Scandic Vaasa and Haymarket by Scandic, corresponding to 1,113 rooms.
- Four new agreements were signed, corresponding to 688 rooms.

EVENTS AFTER THE REPORTING DATE

- A lease agreement was signed to take over the operations of the Ambassadeur Hotel and the Globus Hotel with ~300 rooms in Drammen, Norway from January 1, 2017.

GROUP KEY RATIOS

MSEK	Jul-Sep 2016	Jul-Sep 2015	Jan-Sep 2016	Jan-Sep 2015	Jan-Dec 2015	Oct-Sep 2015/2016
Financial key ratios						
Net sales	3,577	3,275	9,618	9,107	12,192	12,703
Net sales growth, %	9.2	9.3	5.6	17.1	12.6	6.9
Net sales growth LFL, %	5.7	12.3	5.8	7.7	7.3	4.9
Adjusted EBITDAR	1,480	1,344	3,567	3,301	4,406	4,672
Adjusted EBITDA	547	491	1,056	915	1,246	1,387
Adjusted EBITDA margin, %	15.3	15.0	11.0	10.0	10.2	10.9
EBITDA	542	475	1,009	844	1,114	1,279
EBIT (Operating profit/loss)	387	347	608	460	613	760
Net debt/Adjusted EBITDA, rolling 12 months	2.4	5.2	2.4	5.2	2.7	2.4
Hotel-related key ratios						
RevPAR (Average Revenue Per Available Room), SEK	728.0	671.5	644.8	609.7	601.3	627.8
ARR (Average Room Rate), SEK	956.2	897.9	961.8	931.2	933.9	957.3
OCC (Occupancy), %	76.1	74.8	67.0	65.5	64.4	65.6
Total number of rooms	41,551	41,791	41,551	41,791	40,920	41,551

THE THIRD QUARTER INTERIM REPORT FOR SCANDIC HOTELS GROUP AB (PUBL.). THE INFORMATION IN THIS INTERIM REPORT IS SUCH THAT SCANDIC IS REQUIRED TO DISCLOSE IN ACCORDANCE WITH THE EU MARKET ABUSE REGULATION AND THE SWEDISH SECURITIES MARKET ACT. THE INFORMATION WAS SUBMITTED FOR PUBLICATION ON NOVEMBER 8, 2016, 07.30 CET.

CEO'S COMMENTS

Continued strong revenue growth and positive earnings development
Scandic's solid growth in revenue and positive earnings trend continued into the third quarter. We have powerful momentum within the Group, we're taking market shares and we're continuing to realize synergies from the acquisition of Rica Hotels. Demand during the year, including the summer season, has been strong in all of our markets, where the development in the Norwegian market is particularly encouraging. RevPAR LFL increased by 7.7 percent in the third quarter and by 6.8 percent during the period, and our increased occupancy rate also had a positive effect on room rates. The adjusted EBITDA margin improved, amounting to 15.3 percent during the quarter and 11.0 percent for the period as a whole.

Strategic investments for future revenue base and results
To address new trends and meet the changing preferences and behavior of our guests, during the year we made, and will continue to make in 2017, a number of important investments in our commercial platform. These include, among others, a strengthened commercial organization and investments in the digital customer journey, the customer loyalty program and enhancements within sales and service at our hotels. Scandic's strategic direction is to develop and strengthen the company's leading position in the Nordic hotel market and in particular in the seven largest cities in Germany where during the quarter, a German business developer was recruited to work on site in Berlin. This developer will play an important role in our German expansion. These strategic investments, which focus on future revenue and earnings, have led to an increase in central costs compared with the third quarter last year.

"We are entering the fourth quarter with a strong position in a continued favorable market."

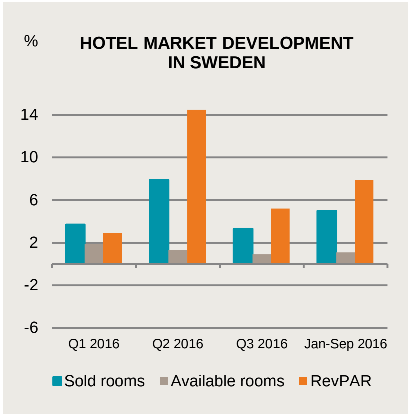
Strong position in a continued favorable market
Now that we're well into what for Scandic has been an eventful year, we can see that the company's growth is in line with our expectations and we continue to believe that market demand will remain positive for the rest of the year. With our high-quality pipeline of new hotel projects and our strengthened financial position, we are well equipped to take advantage of market dynamics and new growth opportunities also in the coming years.

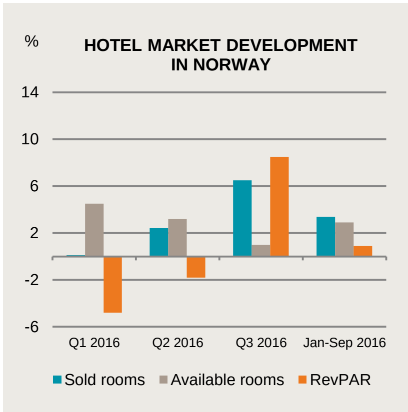
Frank Fiskers
President & CEO

NORDIC HOTEL MARKET DEVELOPMENT

Demand for hotel nights in the Nordic market remained good in the quarter, with a positive effect from a strong summer season. During the third quarter, the number of rooms sold increased by 3.3% in Sweden and RevPAR in the Swedish market increased by 5.2%, driven by both increased occupancy and higher average room rates. In Norway, the number of rooms sold rose by 6.5% and and RevPAR increased by 8.5% due to the very strong summer. RevPAR in the Finnish and Danish markets grew by 9.3% and 13.3% respectively, driven by both increased occupancy and higher average room rates.

In the period January-September, RevPAR in the Swedish market went up by 7.9% due to both higher occupancy and average room rates. RevPAR in the Norwegian market grew by 0.9%, with the strong summer having a positive effect, while increased room capacity and the strike had a dampening effect. RevPAR in the Finnish and Danish markets grew by 9.3% and 10.7% respectively, driven by both increased occupancy and higher average room rates. Source: Benchmarking Alliance & STR Global.)





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 come from business travel and conferences, while the remaining 30 percent comes from leisure travel.

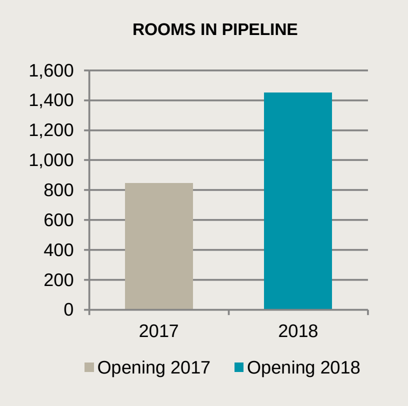
HOTEL PORTFOLIO

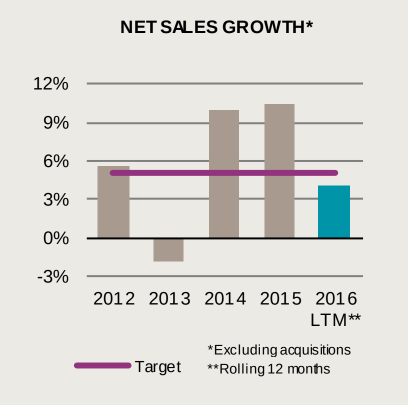
Existing hotel portfolio

At the end of the period, Scandic had 41,551 rooms in operation at 223 hotels, of which 192 hotels with lease agreements.

During the period, the portfolio grew by 631 rooms net, including an increase of 1,007 rooms operated through lease agreements and a reduction of 376 rooms operated through partnership agreements. New hotels in operation during the period are: Haymarket by Scandic (405 rooms), Scandic Continental (392 rooms), Scandic Aalborg City (168 rooms), Scandic Vaasa (68 rooms) and Scandic Gällivare (80 rooms).

The opening of Haymarket by Scandic in May marked the launch of the Group's first signature hotel. The existing Scandic Grand Central in Stockholm was also rebranded as a signature hotel and changed its name to Grand Central by Scandic in September.





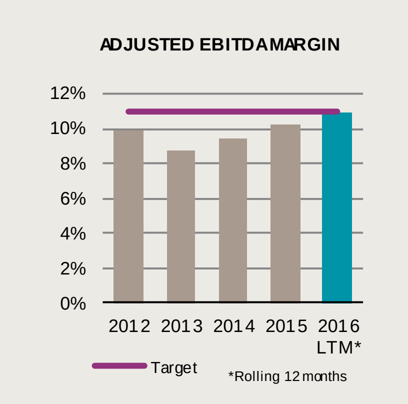
High-quality pipeline

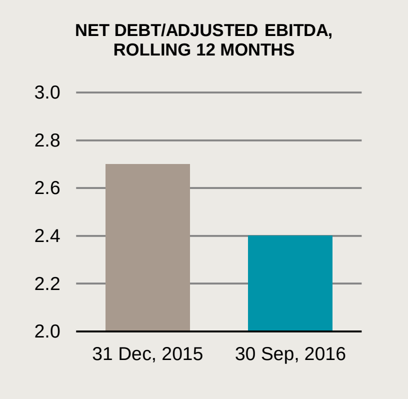
The pipeline was increased with the addition of four new contracts during the period, of which three hotels were already operational during the first half year.

At the end of the period, there were 2,299 rooms under development of which 2,070 were included in six large hotel projects: Scandic Bergen (304 rooms), Scandic Lillestrøm (220 rum) and Hotel Norge by Scandic (420 rum) in Norway, Downtown Camper by Scandic (456 rooms) in Stockholm and Scandic Kødbyen (370 rooms) and Scandic Falconer (300 rooms) in Denmark.

During the period, Scandic and Pandox signed an agreement to begin a renovation program from 2017 to 2019. The program includes 17 hotels and approximately 1,600 hotel rooms and bathrooms, meeting and restaurant areas and extensions that will add 73 rooms at three hotels. The investment fits into Scandic's regular investment budget of 3-4 percent of net sales and Scandic's share is 235 MSEK.

See the table on page 23 for more detailed information regarding the hotel portfolio.





FINANCIAL TARGETS

At the beginning of 2016, Scandic adopted a clear long-term strategy aiming to develop operations in line wtih 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.
- A net debt in relation to adjusted EBITDA of 2-3x.

THIRD QUARTER RESULTS

COMPARED WITH 2015	Q3 2015	Currency effects	New hotels	Exits	LFL	Q3 2016
RevPAR (SEK)	671.5	-1.8	9.8	-2.9	51.4	728.0
RevPAR growth		-0.3%	1.5%	-0.4%	7.7%	8.4%
Net sales (MSEK)	3,275	-3	162	-42	186	3,577
Net sales growth		-0.1%	4.9%	-1.3%	5.7%	9.2%
Adjusted EBITDA (MSEK)	491	-3	28	-10	42	547
Adjusted EBITDA growth		-0.7%	5.7%	-2.0%	8.6%	11.6%

Net sales in the Group rose by 9.2% to 3,577 MSEK (3,275). Excluding currency effects, net sales rose by 9.3% or 305 MSEK. The hotels that were opened in Stockholm during the year, Scandic Continental and Haymarket by Scandic, got off to an excellent start and all in all, new hotels contributed 4.9 percentage points or 162 MSEK to revenue growth. The Group's net sales LFL increased 5.7%. Net sales were impacted negatively by exchange rate fluctuations amounting to -3 MSEK and by -1.3% from divested hotels. Accommodation revenue grew by 10.5% and its share of total net sales amounted to 68.9% (68.1). Total RevPAR increased by 8.4% in the quarter. Excluding currency effects RevPAR grew by 8.7%. RevPAR LFL went up by 7.7%.

Revenue from restaurant and conference operations grew by 9.2% and the share of total net sales amounted to 28.8% (28.9).

Rental costs accounted for 26.1% (26.0) of net sales. Fixed and guaranteed rental costs represented 15.9% (15.9) of net sales.

Adjusted EBITDA before opening costs for new hotels and non-recurring items increased by 11.6% to 547 MSEK (491). The adjusted EBITDA margin rose to 15.3% (15.0) and the improved margin was mainly the result of improved margins in Norwegian and European operations. Higher central costs and the fact that several large newly-opened hotels are in the startup phase had a negative impact on the margin. Pre-opening costs for new hotels amounted to -5 MSEK (-6). Consequently, EBITDA was 542 MSEK (475). The profit for the previous year was affected by non-recurring items of -10 MSEK, of which -5 MSEK was attributable to the integration of Rica Hotels.

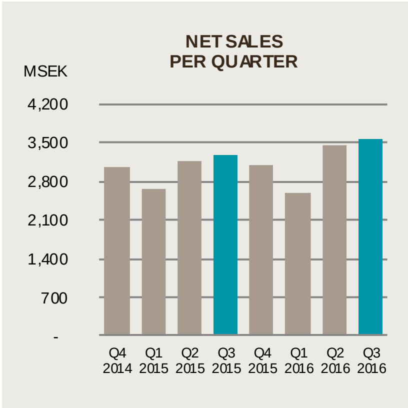
The Group's net financial income amounted to 170 MSEK (-249). Interest expenses dropped to -31 MSEK (-228) as a result of the refinancing and repayment of loans in connection with the company's IPO in December 2015. Exchange rate fluctuations from the revaluation of loans and investments amounted to 179 MSEK (-131). The revaluation of derivatives had a positive impact on the net financial expense of 22 MSEK (-24).

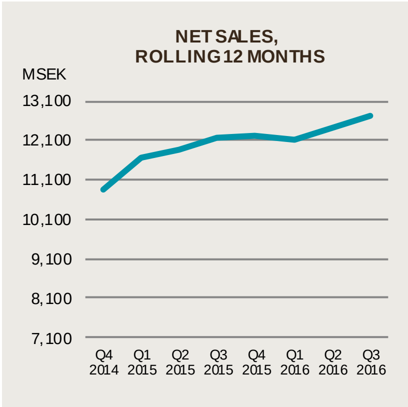
Reported tax includes standard tax of -123 MSEK (6).

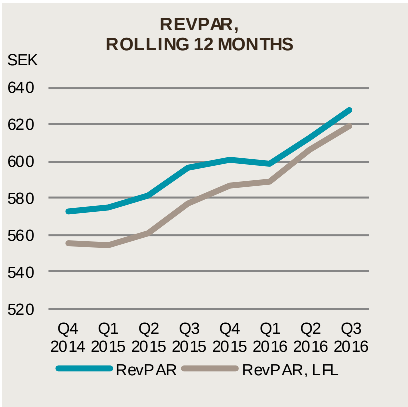
Net profit increased to 434 MSEK (104). Net sales during the quarter include positive currency effects from the revaluation of loans and investments.

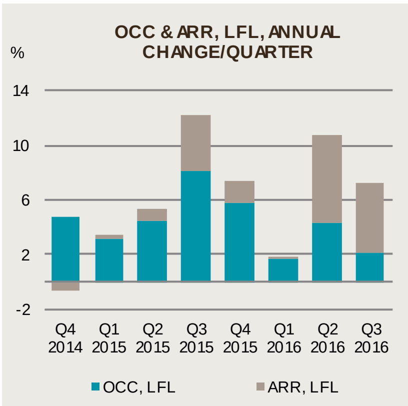
Earnings per share totaled 4.22 SEK per share (1.29).

Positive currency effects from the revaluation of loans and investments had a positive impact of 1.37 SEK per share.



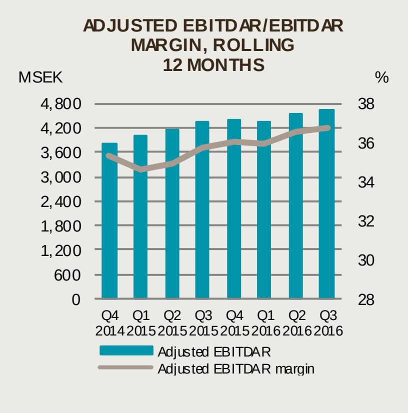


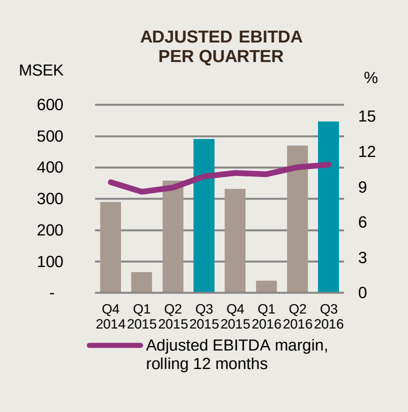




JANUARY-SEPTEMBER

COMPARED WITH 2015	Jan-Sep 2015	Currency effects	New hotels	Exits	LFL	Jan-Sep 2016
RevPAR (SEK)	609.7	-10.8	6.2	-1.7	41.4	644.8
RevPAR growth		-1.8%	1.0%	-0.3%	6.8%	5.8%
Net sales (MSEK)	9,107	-170	294	-141	528	9,618
Net sales growth		-1.9%	3.2%	-1.5%	5.8%	5.6%
Adjusted EBITDA (MSEK)	915	-14	22	-20	153	1,056
Adjusted EBITDA growth		-1.5%	2.4%	-2.2%	16.7%	15.4%





Net sales in the Group rose by 5.6% to 9,618 MSEK (9,107). Excluding currency fluctuations, net sales went up by 7.5%. The new hotels that were opened in Stockholm during the year got off to an excellent start and all in all, new hotels contributed 3.2 percentage points, or 294 MSEK, to revenue growth. Net sales were impacted negatively by exchange rate fluctuations amounting to 170 MSEK caused mainly by the weakened Norwegian krone compared with the same period last year and by -1.5 percentage points from divested hotels. Accommodation revenue grew by 6.9% and its share of total net sales amounted to 66.5% (65.7). Total RevPAR increased by 5.8%. Adjusted for currency fluctuations, RevPAR grew by 7.5%. RevPAR LFL grew by 6.8%, driven by both higher occupancy and increased average room rates.

Revenue from restaurant and conference operations grew by 3.5% and the share of total net sales amounted to 31.3% (32.0). Rental costs accounted for 26.1% (26.2) of net sales. Fixed and guaranteed rental costs represented 17.0% (17.2) of net sales. The decrease can be explained by revenue growth and the resulting increased share of variable rent.

Adjusted EBITDA before opening costs for new hotels and non-recurring items increased by 15.4% to 1,056 MSEK (915). The adjusted EBITDA margin rose to 11.0% (10.0) and the improved margin was chiefly attributable to the Norwegian and European operations. In the Norwegian operations, efficiency gains from the integration of the former Rica hotels contributed to the good margin development. Increased central costs and the fact that several large newly-opened hotels are still in the startup phase had a negative impact on the margin. Pre-opening costs for new hotels amounted to -47 MSEK (-12). EBITDA totaled 1,009 MSEK (844). The profit for the previous year was affected by non-recurring items of -59 MSEK of which -43 MSEK was attributable to the integration of the Rica hotels and -16 MSEK referred to costs in connection with the IPO, restructuring and other items.

The Group's net financial income amounted to 156 MSEK (-363). Net interest expenses dropped to -100 MSEK (-374) as a result of the refinancing and repayment of loans in connection with the company's IPO in December 2015. Exchange rate fluctuations from the revaluation of loans and investments amounted to 240 MSEK (25). The revaluation of derivatives had a positive impact on the net financial income of 13 MSEK (-18).

Reported tax includes standard tax of -168 MSEK (3).

Net profit increased to 596 MSEK (100). Net sales during the period include positive currency effects from the revaluation of loans and investments.

Earnings per share after dilution amounted to 5.78 SEK per share (1.23).

Positive currency effects from the revaluation of loans and investments had a positive impact of 1.83 SEK per share.

COMMENTS TO THE BALANCE SHEET

On the reporting date, the balance sheet total was 14,001 MSEK compared with 12,900 MSEK on December 31, 2015. Interest-bearing net liabilities increased marginally from 3,355 MSEK on December 31, 2015 to 3,356 MSEK on September 30, 2016. Currency fluctuations led to a net debt increase of 197 MSEK. Of the interest-bearing liabilities of 3,796 MSEK, loans to credit institutions account for 3,793 MSEK and financial leasing represents 3 MSEK. The net debt on the reporting date corresponded to 2.4 times adjusted EBITDA, rolling 12 months (2.7 times on December 31, 2015).

On September 30, 2016, the total number of shares and votes was 102,516,514 after dilution. On the reporting date, total equity was 6,761 MSEK compared with 6,205 MSEK on December 31, 2015.

CASH FLOW AND LIQUIDITY

Operating cash flow amounted to 287 MSEK (4) for the period January-September due to the increased operating profit. The change in working capital was -248 MSEK (-379). Working capital was negative since most of the revenue derives from payments made via bank and credit cards. Working capital on the reporting date in relation to net sales from the last 12 months was -6.6% (-5.7).

Net investments during the period amounted to -468 MSEK (-362) of which hotel renovations accounted for -247 MSEK (-275) and IT for -28 MSEK (-30). Investments in new hotels and increased room capacity totaled -193 MSEK (-57).

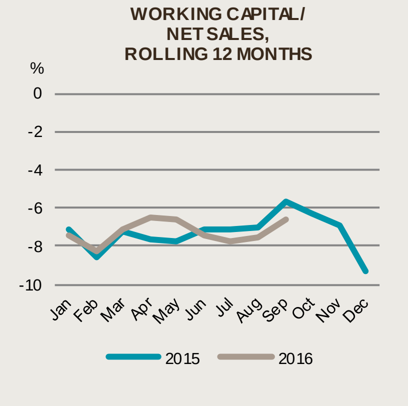
Cash flow from financing operations during the period amounted to -78 MSEK (-421) where cash flow during the period was mainly made up of interest payments.

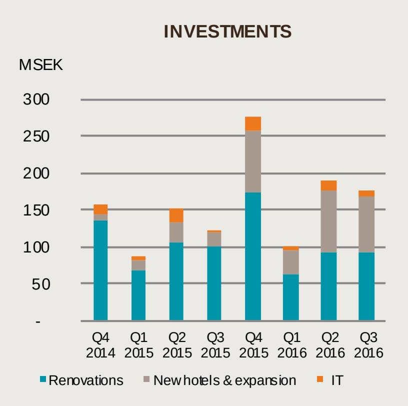
At the end of the period, the Group had 440 MSEK (248) in cash and cash equivalents.

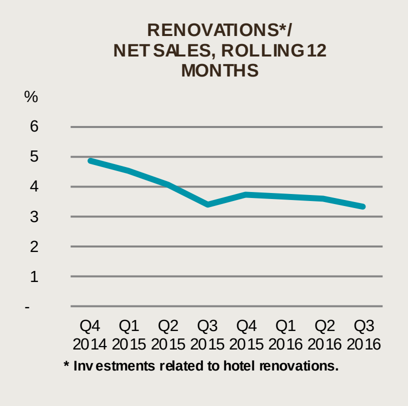
Unused credit facilities totaled 1,000 MSEK (122). During the year, the Group's revolving credit facility was extended from 600 MSEK to 1,000 MSEK to adapt the amount to the company's business volume.

EMPLOYEES

The number of full-time employees (FTEs) increased to 10,629 (10,352) during the period. The average number of employees in the Group was 9,339 as at September 30, 2016 compared with 8,896 as at September 30, 2015.







COMMENTS PER SEGMENT, THIRD QUARTER

Sweden

MSEK	Jul-Sep 2016	Jul-Sep 2015	Jan-Sep 2016	Jan-Sep 2015	Jan-Dec 2015	Oct-Sep 2015/2016
Net sales	1,498	1,373	4,116	3,728	5,065	5,453
Net sales growth, %	9.1	17.1	10.4	12.4	11.9	9.8
Net sales growth LFL, %	1.5	15.9	5.8	10.4	9.7	11.7
Adjusted EBITDA	291	281	646	591	828	883
Adjusted EBITDA margin, %	19.4	20.5	15.7	15.9	16.3	16.2
RevPAR, SEK	751.7	725.8	691.1	643.3	644.4	680.4
ARR, SEK	971.7	925.6	1,001.9	945.5	957.0	999.8
OCC, %	77.4	78.4	69.0	68.0	67.3	68.1

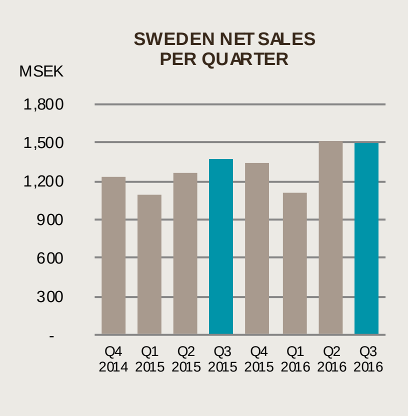
The strong market development continued during the third quarter with high demand in the summer months. The new hotels Scandic Continental that opened in April and Haymarket by Scandic that opened in May, got off to an excellent start with high demand and they were received favorably by guests.

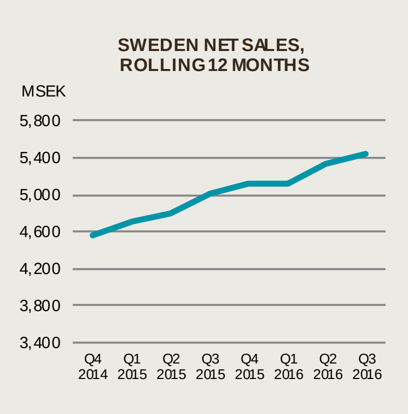
Net sales increased by 9.1% (1.5% LFL) during the quarter to 1,498 MSEK (1,373).

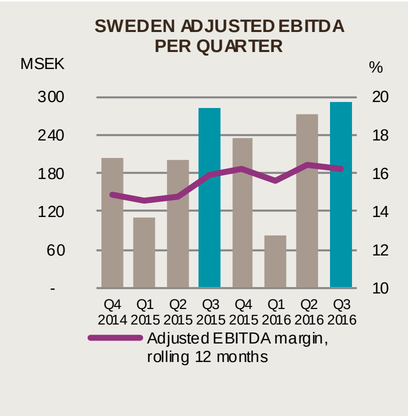
RevPAR grew by 3.6% (1.9% LFL) driven by both higher occupancy and increased average room rates.

Adjusted EBITDA rose compared with the previous year as a result of increased net sales. The adjusted EBITDA margin was affected negatively by the fact that the new hotels are in the startup phase and the abolishment of the “youth discount” which has caused a rise in social security contributions.

Changed segment disclosures: To improve the use of synergies in the Scandic Group within both sales and marketing and operations and purchasing, HTL’s operations have been integrated into Scandic Sweden and Scandic Norway. From 2016, they are included in the segment disclosures for Sweden and Norway respectively. Comparative figures for previous periods have been restated.







Norway

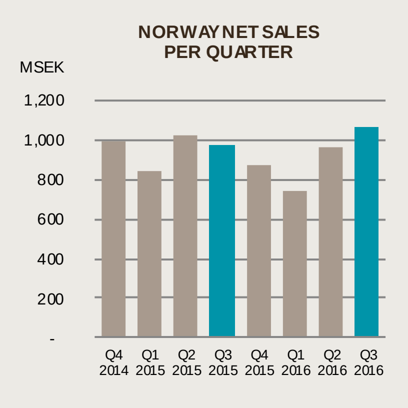
MSEK	Jul-Sep 2016	Jul-Sep 2015	Jan-Sep 2016	Jan-Sep 2015	Jan-Dec 2015	Oct-Sep 2015/2016
Net sales	1,063	974	2,767	2,843	3,716	3,640
Net sales growth, %	9.1	3.7	-2.7	28.8	16.7	-5.2
Net sales growth LFL, %	10.1	5.8	4.3	2.4	1.3	0.9
Adjusted EBITDA	154	119	272	237	321	356
Adjusted EBITDA margin, %	14.5	12.2	9.8	8.3	8.6	9.8
RevPAR, SEK	663.1	597.5	564.1	573.8	551.0	543.7
ARR, SEK	908.5	887.3	914.5	963.7	956.6	918.3
OCC, %	73.0	67.3	61.7	59.5	57.6	59.2

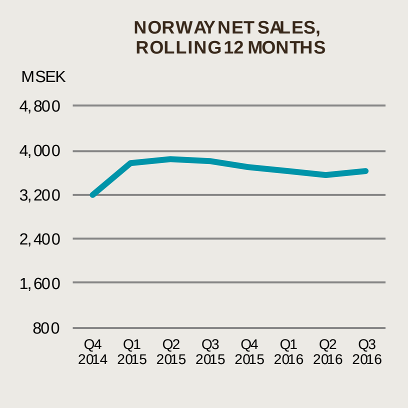
Underlying demand was good in Oslo, Trondheim and northern Norway, and a certain stabilization was noted at oil destinations.

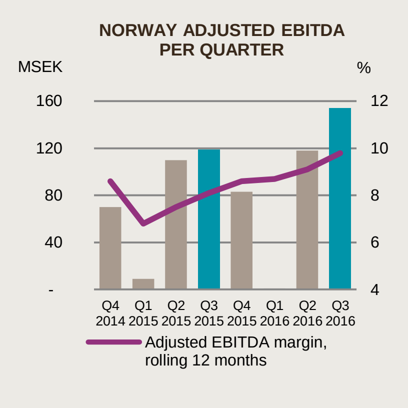
During the quarter, net sales increased by 9.1% to 1,063 MSEK (974) and net sales LFL rose by 10.1%.

RevPAR grew by 11.0% (12.3% LFL) driven by both higher occupancy and increased rates. Scandic's commercial efforts and sales synergies attributable to the integration of the former Rica hotels have resulted in increased market shares, and Scandic grew more than its competitors.

Adjusted EBITDA and the adjusted EBITDA margin improved compared with the previous year as a result of higher revenues, increased efficiencies and the implementation of Scandic's operational model in the former Rica hotels, leading to a more flexible cost base and lower personnel expenses during the quarter.







Other Nordic countries & Europe

MSEK	Jul-Sep 2016	Jul-Sep 2015	Jan-Sep 2016	Jan-Sep 2015	Jan-Dec 2015	Oct-Sep 2015/2016
Net sales	1,016	927	2,735	2,537	3,412	3,610
Net sales growth, %	9.6	13.7	7.8	10.2	9.5	7.7
Net sales growth LFL, %	8.5	4.2	8.9	5.9	6.1	5.6
Adjusted EBITDA	182	152	381	293	401	489
Adjusted EBITDA margin, %	17.9	16.4	13.9	11.5	11.8	13.5
RevPAR, SEK	762.6	673.6	663.0	599.5	592.7	640.2
ARR, SEK	981.3	867.4	947.7	879.9	879.5	931.2
OCC, %	77.7	77.7	70.0	68.1	67.4	68.8

Demand continued to be strong in Finland, Denmark and Germany. Net sales increased by 9.6% (8.5% LFL) to 1,016 MSEK (927) from increased room revenues and revenue from restaurant and conference operations.

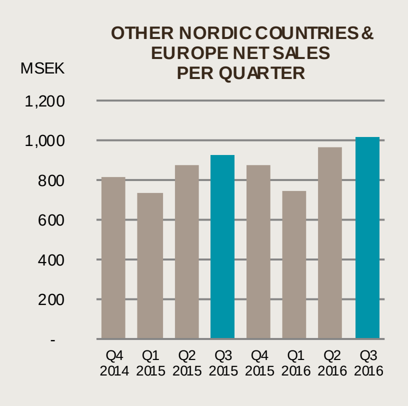
RevPAR grew on the main part of Scandic's markets driven by both higher occupancy and increased average room rates. The hotels that were opened during the second quarter, Scandic Vaasa in Finland and Scandic Aalborg City in Denmark, got off to an good start and are generating revenue according to plan.

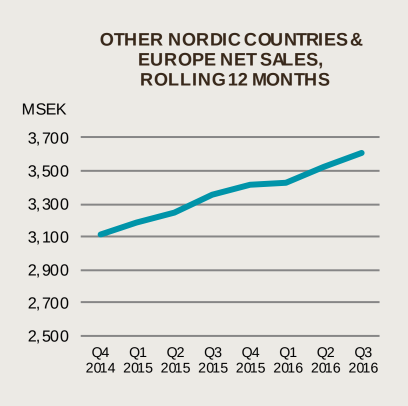
Scandic's three hotels in Germany showed continued good revenue growth and improved margins and shared support functions between the two hotels in Berlin led to lower costs.

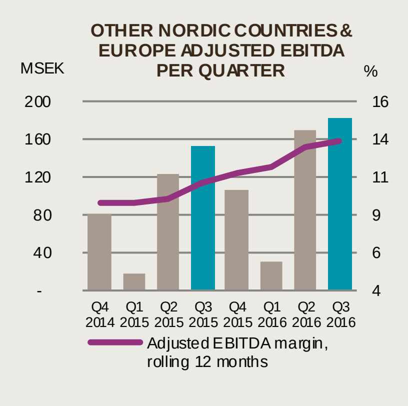
Adjusted EBITDA and the adjusted EBITDA margin improved compared with the previous year, as a result of higher revenues and cost synergies.

Central functions

Adjusted EBITDA for central functions and Group adjustments amounted to -80 MSEK (-62) during the quarter. The increase in central costs is due to strengthening of the Group's commercial organization and increased investments in digital development.







EVENTS AFTER THE REPORTING DATE

A lease agreement was signed to take over the operations of the Ambassadeur Hotel and the Globus Hotel with 300 rooms in Drammen, Norway from January 1, 2017.

On October 28, 2016, the district court in Sundsvall announced its ruling in the dispute that arose between Scandic and Folkets Hus in Sundsvall when Folkets Hus terminated Scandic's leases as per December 31, 2012. The court ruled that Folkets Hus shall pay 59,504,687 SEK plus interest on the amount from September 30, 2015 until the payment is made. The period to file an appeal the district court's judgment extends until November 18, 2016.

PRESENTATION OF THE REPORT

The presentation of Scandic's Interim Report for Q3 that will take place at 09:00 CET on November 8, 2016 with President & CEO Frank Fiskers and CFO Jan Johansson will be available at +46 8 5664 2694 (Sweden) and +44 20 3008 9806 (UK). Please call in 5 minutes before the start. The presentation will also be available afterwards at www.scandichotelsgroup.com

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FINANCIAL CALENDAR

2017-02-23	Year-end Report 2016 (silent period begins January 24, 2017)
2017-05-10	Interim Report Q1 2017 (silent period begins April 11, 2017)
2017-05-10	Annual General Meeting 2017
2017-07-20	Interim Report Q2 2017 (silent period begins June 21, 2017)
2017-10-26	Interim Report Q3 2017 (silent period begins Sept. 27, 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.

The realization of sales and cost synergies and other benefits from the acquisition of Rica may be delayed or result in a lower amount than expected because of changes in the economy, market conditions or other factors within and beyond the control of the company. This may have a negative impact on the value of the investment and recognized goodwill. An additional 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 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 2015.

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 for 2015 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. In addition, currency effects arise from revaluation of loans, in both the Group's net financial items as net debt. The Group's external loans are denominated in SEK, NOK and EUR, which reduces currency exposure in foreign net assets.

Consolidated income statement

MSEK	Jul-Sep 2016	Jul-Sep 2015	Jan-Sep 2016	Jan-Sep 2015	Jan-Dec 2015	Oct-Sep 2015/2016
INCOME						
Room revenue	2,466	2,231	6,394	5,981	7,869	8,282
Restaurant and conference revenue*	1,033	946	3,017	2,914	4,068	4,171
Franchise and management fees	9	9	22	27	35	30
Other hotel-related revenue	69	89	185	185	220	220
Net sales	***3,577***	***3,275***	***9,618***	***9,107***	***12,192***	***12,703***
Other income	4	3	10	12	16	14
TOTAL OPERATING INCOME	**3,581**	**3,278**	**9,628**	**9,119**	**12,208**	**12,717**
OPERATING COSTS						
Raw materials and consumables	-306	-287	-818	-804	-1,180	-1,194
Other external costs	-753	-663	-2,129	-1,977	-2,668	-2,820
Personnel costs	-1,042	-984	-3,114	-3,037	-3,954	-4,031
Adjusted EBITDAR	**1,480**	**1,344**	**3,567**	**3,301**	**4,406**	**4,672**
Fixed and guaranteed rental charges	-568	-521	-1,638	-1,570	-2,091	-2,159
Variable rental charges	-365	-332	-873	-816	-1,069	-1,126
Adjusted EBITDA	**547**	**491**	**1,056**	**915**	**1,246**	**1,387**
Pre-opening costs	-5	-6	-47	-12	-28	-63
Non-recurring items	-	-10	-	-59	-104	-45
EBITDA	**542**	**475**	**1,009**	**844**	**1,114**	**1,279**
Depreciation and amortization	-155	-129	-401	-384	-502	-519
TOTAL OPERATING COSTS	**-3,194**	**-2,931**	**-9,020**	**-8,660**	**-11,596**	**-11,957**
Adjusted EBIT**	392	362	655	530	745	867
EBIT (Operating profit/loss)	**387**	**347**	**608**	**460**	**613**	**760**
Financial income	201	5	256	31	3	228
Financial expenses	-31	-254	-100	-394	-500	-206
Net financial items	**170**	**-249**	**156**	**-363**	**-497**	**22**
EBT (Profit/loss before taxes)	**557**	**98**	**764**	**97**	**115**	**782**
Taxes	-123	6	-168	3	5	-167
PROFIT/LOSS FOR PERIOD	**434**	**104**	**596**	**100**	**120**	**615**
Profit/loss for period relating to:						
Parent Company shareholders	433	104	593	98	117	612
Non-controlling interest	1	-	3	2	3	3
Profit/loss for period	**434**	**104**	**596**	**100**	**120**	**615**
Average number of outstanding shares before dilution***	102,491,170	80,000,000	102,491,170	80,000,000	81,826,211	99,028,628
Average number of outstanding shares after dilution***	102,516,514	80,000,000	102,516,514	80,000,000	81,826,211	99,053,942
Earnings per share before dilution, SEK	**4.22**	**1.29**	**5.79**	**1.23**	**1.43**	**6.18**
Earnings per share after dilution, SEK	**4.22**	**1.29**	**5.78**	**1.23**	**1.43**	**6.18**
Adjusted EBITDAR margin, %	41.4	41.0	37.1	36.2	36.1	36.8
Adjusted EBITDA margin, %	15.3	15.0	11.0	10.0	10.2	10.9
EBITDA margin, %	15.1	14.5	10.5	9.3	9.1	10.1
Adjusted EBIT margin, %	11.0	11.1	6.8	5.8	6.1	6.8
EBIT margin, %	10.8	10.6	6.3	5.1	5.0	6.0
Fixed and guaranteed rental charges, % of net sales	15.9	15.9	17.0	17.2	17.2	17.0
Variable rental charges, % of net sales	10.2	10.1	9.1	9.0	8.8	8.9
Total rental charges, % of net sales	26.1	26.0	26.1	26.2	25.9	25.9

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

***) Adjusted EBIT, see Financial key ratios and Alternative performance measures for definition*

****) Average number of shares has been recalculated due to the bonus issue and the split in 2015, according to IAS 33.*

Consolidated statement of comprehensive income

MSEK	Jul-Sep 2016	Jul-Sep 2015	Jan-Sep 2016	Jan-Sep 2015	Jan-Dec 2015	Oct-Sep 2015/2016
Profit/loss for period	434	104	596	100	120	615
Items that may be reclassified to the income statement	-21	22	45	-30	-106	-31
Items that may not be reclassified to the income statement	-10	41	-61	56	73	-44
Other comprehensive income	**-31**	**63**	**-16**	**26**	**-33**	**-75**
Total comprehensive income for period	**403**	**167**	**580**	**126**	**87**	**540**
Relating to:						
Parent Company shareholders	399	167	574	124	84	537
Non-controlling interest	4	0	6	2	3	3

Consolidated balance sheet, summary

MSEK	30 Sep 2016	30 Sep 2015	31 Dec 2015
ASSETS			
Intangible assets	9,141	9,037	8,907
Tangible assets	2,877	2,528	2,638
Financial fixed assets	76	161	63
Total fixed assets	**12,094**	**11,726**	**11,608**
Current assets	1,467	1,472	1,044
Cash and cash equivalents	440	297	248
Total current assets	**1,907**	**1,769**	**1,292**
TOTAL ASSETS	**14,001**	**13,495**	**12,900**
EQUITY AND LIABILITIES			
Equity attributable to owners of the Parent Company	6,730	3,719	6,177
Non-controlling interest	31	28	28
Total equity	**6,761**	**3,747**	**6,205**
Interest-bearing liabilities	3,796	6,583	3,603
Other long-term liabilities	1,139	1,000	916
Total long-term liabilities	**4,935**	**7,583**	**4,519**
Derivative instruments	88	54	77
Other current liabilities	2,217	2,111	2,099
Total current liabilities	**2,305**	**2,165**	**2,176**
TOTAL EQUITY AND LIABILITIES	**14,001**	**13,495**	**12,900**
Equity per share, SEK	65.3	46.5	60.0
Total number of shares outstanding, end of period	102,985,075	80,000,000	102,985,075
Working capital	-838	-693	-1,132
Interest-bearing net liabilities	3,356	6,286	3,355
Interest-bearing net liabilities/adjusted EBITDA, rolling 12 months	2.4	5.2	2.7
Pledged assets	48	7,448	45
Contingent liabilities	222	213	207

Changes in Group equity

MSEK	Equity attributable to owners of the Parent Company						
	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**
Dividend	-	-	-	-	-	-3	-3
Share-based payments	-	-	-	4	4	-	4
Forward to repurchase own shares	-	-	-	-25	-25	-	-25
Profit/loss for period	-	-	-	593	593	3	596
Other comprehensive income							
Actuarial gains and losses during the year, net after tax	-	-	-	-61	-61	-	-61
Currency fluctuations from translation of foreign operations	-	-	182	-	182	3	185
Hedge of net investment in foreign operations, net after tax	-	-	-140	-	-140	-	-140
Closing balance 09/30/2016	**26**	**7,865**	**-29**	**-1,132**	**6,730**	**31**	**6,761**
Opening balance 01/01/2015	**0**	**5,294**	**35**	**-1,742**	**3,587**	**27**	**3,614**
Change related to acqusition of operations	-	-	-	2	2	-	2
Bonus issue	20	-	-	-20	-	-	-
Shareholders' contribution received	-	4	-	-	4	-	4
Profit/loss for period	-	-	-	98	98	2	100
Other comprehensive income							
Actuarial gains and losses during the year, net after tax	-	-	-	57	57	-	57
Currency fluctuations from translation of foreign operations	-	-	-29	-	-29	-1	-30
Closing balance 09/30/2015	**20**	**5,298**	**6**	**-1,605**	**3,719**	**28**	**3,747**
Opening balance 01/01/2015	**0**	**5,294**	**35**	**-1,742**	**3,587**	**27**	**3,614**
Bonus issue	20	-	-	-20	-	-	-
Share issue and share issue costs	6	1,534	-	-49	1,491	-	1,491
Shareholders' contribution received	-	1,037	-	-	1,037	-	1,037
Dividend	-	-	-	-	-	-2	-2
Share-based payments	-	-	-	0	0	-	0
Forward to repurchase own shares	-	-	-	-22	-22	-	-22
Profit/loss for period	-	-	-	117	117	3	120
Other comprehensive income							
Actuarial gains and losses during the year, net after tax	-	-	-	73	73	-	73
Currency fluctuations from translation of foreign operations	-	-	-145	-	-145	-	-145
Hedge of net investment in foreign operations, net after tax	-	-	39	-	39	-	39
Closing balance 12/31/2015	**26**	**7,865**	**-71**	**-1,643**	**6,177**	**28**	**6,205**

Consolidated cash flow statement

	Jul-Sep 2016	Jul-Sep 2015	Jan-Sep 2016	Jan-Sep 2015	Jan-Dec 2015	Oct-Sep 2015/2016
OPERATING ACTIVITIES						
EBIT (Operating profit/loss)	387	347	608	460	613	760
Depreciation	155	129	401	384	502	519
Items not included in cash flow	-2	0	-2	0	19	17
Paid tax	-3	0	-4	-1	-1	-4
Change in working capital	-48	-196	-248	-379	54	185
Cash flow from operating activities	**489**	**279**	**755**	**464**	**1,186**	**1,477**
INVESTING ACTIVITIES						
Net investments	-176	-123	-468	-362	-623	-729
Business combinations	-	-	-	-98	-162	-64
Cash flow from investing operations	**-176**	**-123**	**-468**	**-460**	**-785**	**-793**
OPERATIVE CASH FLOW	**313**	**156**	**287**	**4**	**401**	**684**
FINANCING OPERATIONS						
Dividend	-3	-	-3	-	-	-3
Interest payments	-23	-53	-75	-165	-220	-130
Refinancing of loans	-	-95	-	-98	-99	-1
Share issue, net after issuing costs	-	-	-	-	1,517	1,517
Borrowing / Amortization	-150	-220	-	-158	-2,059	-1,901
Cash flow from financing operations	**-176**	**-368**	**-78**	**-421**	**-861**	**-518**
CASH FLOW FOR PERIOD	**137**	**-212**	**209**	**-417**	**-460**	**165**
Cash and cash equivalents at beginning of period	310	506	248	716	716	297
Translation difference in cash and cash equivalents	-7	3	-17	-2	-8	-22
Cash and cash equivalents at end of the period	**440**	**297**	**440**	**297**	**248**	**440**

Parent Company income statement, summary

MSEK	Jul-Sep 2016	Jul-Sep 2015	Jan-Sep 2016	Jan-Sep 2015	Jan-Dec 2015	Oct-Sep 2015/2016
Net sales	6	-	19	-	21	40
Expenses	-13	-1	-26	-	-52	-78
EBIT (Operating profit/loss)	**-7**	**-1**	**-7**	**-**	**-31**	**-38**
Financial income	3	25	46	74	99	71
Financial expenses	-23	-26	-70	-75	-112	-107
Net financial items	**-20**	**-1**	**-24**	**-1**	**-13**	**-36**
Appropriations	-	-	-	-	574	574
EBT (profit/loss before tax)	**-27**	**-2**	**-31**	**-1**	**531**	**500**
Tax	6	-	7	-	-116	-109
PROFIT/LOSS FOR PERIOD	**-21**	**-2**	**-24**	**-1**	**415**	**391**

Consolidated statement of comprehensive income

MSEK	Jul-Sep 2016	Jul-Sep 2015	Jan-Sep 2016	Jan-Sep 2015	Jan-Dec 2015	Oct-Sep 2015/2016
Profit/loss for period	**-21**	**-2**	**-24**	**-1**	**415**	**391**
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	**-21**	**-2**	**-24**	**-1**	**415**	**391**

Parent Company balance sheet, summary

MSEK	30 Sep 2016	30 Sep 2015	31 Dec 2015
ASSETS			
Investments in subsidiaries	4,590	3,536	3,536
Group company receivables	5,742	1,019	6,778
Deferred tax assets	89	192	82
Total fixed assets	**10,421**	**4,747**	**10,396**
Current receivables	6	-	2
Cash and cash equivalents	91	9	2
Total current assets	**97**	**9**	**4**
TOTAL ASSETS	**10,518**	**4,756**	**10,400**
EQUITY AND LIABILITIES			
Equity	**6,580**	**3,709**	**6,648**
Liabilities to credit institutions	3,859	-	3,679
Liabilities to affiliated companies	-	84	8
Shareholders' loans	-	957	-
Total long-term liabilities	**3,859**	**1,041**	**3,687**
Other liabilities	57	3	2
Accrued expenses and prepaid income	22	6	63
Total current liabilities	**79**	**9**	**65**
TOTAL EQUITY AND LIABILITIES	**10,518**	**4,759**	**10,400**

Changes in Parent Company's equity

MSEK	Restricted equity Share capital	Non-restricted equity Share premium reserve	Non-restricted equity Retained earnings	Total equity
Opening balance 01/01/2016	**26**	**1,534**	**5,088**	**6,648**
Share-based payments	-	-	4	4
Forward to repurchase agreements	-	-	-48	-48
Profit/loss for period	-	-	-24	-24
Other comprehensive income	-	-	-	-
Closing balance 09/30/2016	**26**	**1,534**	**5,020**	**6,580**
Opening balance 01/01/2015	**0**	**-**	**3,706**	**3,706**
Shareholders' contribution received	-	-	4	4
Bonus issue	20	-	-20	-
Profit/loss for period	-	-	-1	-1
Other comprehensive income	-	-	-	-
Closing balance 09/30/2015	**20**	**-**	**3,689**	**3,709**
Opening balance 01/01/2015	**0**	**-**	**3,706**	**3,706**
Shareholders' contribution received	-	-	1,036	1,036
Bonus issue	20	-	-20	-
Share issue and share issue costs	6	1,534	-49	1,491
Share-based payments	-	-	0	0
Profit/loss for period	-	-	415	415
Other comprehensive income	-	-	-	-
Closing balance 12/31/2015	**26**	**1,534**	**5,088**	**6,648**

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 19 MSEK (-). Operating profit totaled -7 MSEK (-).

Net financial items for the period totaled -24 MSEK (-2). The Parent Company's profit before tax was -31 MSEK (-2).

Transactions between related parties
Through companies, the fund EQT V owns approximately 40 per cent of the shares in the Parent Company. The fund and its holdings, Dometic Group AB, is considered to be a related party in terms of participating interest and Board representation during the year. The Braganza AB Group is also considered to be a related party in terms of participating interest and Board representation during the year. Accommodation revenues from related parties amounted to 8.2 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 2015 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 1-27 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, that is, the CEO and the Executive Committee.

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 and Norwegian partner hotels operate under their own brands.

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, 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 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

Jul-Sep	Sweden		Norway		Other Nordic countries & Europe		Central functions		Group	
MSEK	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Net sales	1,498	1,373	1,063	974	1,016	927	-	-	3,577	3,275
Other income	4	3	-	-	-	-	-	-	4	3
Internal transactions	-	-	-	-	-	-	6	10	6	10
Group eliminations	-	-	-	-	-	-	-6	-10	-6	-10
Total income	**1,502**	**1,376**	**1,063**	**974**	**1,016**	**927**	**-**	**-**	**3,581**	**3,278**
Expenses	-1,211	-1,095	-909	-855	-834	-775	-80	-62	-3,034	-2,786
Adjusted EBITDA	**291**	**281**	**154**	**119**	**182**	**152**	**-80**	**-62**	**547**	**491**
Adjusted EBITDA margin, %	19.4	20.5	14.5	12.2	17.9	16.4	-	-	15.3	15.0
EBITDA	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**542**	**475**
EBITDA margin, %	-	-	-	-	-	-	-	-	15.1	14.5
Depreciation and amortization	-	-	-	-	-	-	-	-	-155	-129
EBIT (Operating profit/loss)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**387**	**347**
Net financial items	-	-	-	-	-	-	-	-	170	-249
EBT (Profit/loss before tax)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**557**	**98**

Jan-Sep	Sweden		Norway		Other Nordic countries & Europe		Central functions		Group	
MSEK	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Net sales	4,116	3,728	2,767	2,843	2,735	2,537	-	-	9,618	9,107
Other income	10	12	-	-	-	-	-	-	10	12
Internal transactions	-	-	-	-	-	-	19	13	19	13
Group eliminations	-	-	-	-	-	-	-19	-13	-19	-13
Total income	**4,126**	**3,740**	**2,767**	**2,843**	**2,735**	**2,537**	**-**	**-**	**9,628**	**9,119**
Expenses	-3,480	-3,149	-2,495	-2,606	-2,354	-2,244	-243	-206	-8,572	-8,204
Adjusted EBITDA	**646**	**591**	**272**	**237**	**381**	**293**	**-243**	**-206**	**1,056**	**915**
Adjusted EBITDA margin, %	15.7	15.9	9.8	8.3	13.9	11.5	-	-	11.0	10.0
EBITDA	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,009**	**844**
EBITDA margin, %	-	-	-	-	-	-	-	-	10.5	9.3
Depreciation and amortization	-	-	-	-	-	-	-	-	-401	-384
EBIT (Operating profit/loss)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**608**	**460**
Net financial items	-	-	-	-	-	-	-	-	156	-363
EBT (Profit/loss before tax)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**764**	**97**

Assets and investments by segment

30 Sep	Sweden		Norway		Other Nordic countries & Europe		Central functions		Group	
MSEK	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Fixed assets	4,888	5,182	3,685	3,392	1,208	820	2,313	2,332	12,094	11,726
Investments in fixed assets	222	138	154	98	64	101	28	25	468	362

RevPAR development by segment

	OCC LFL		ARR LFL		RevPAR LFL		RevPAR	
	Jul-Sep		Jul-Sep		Jul-Sep		Jul-Sep	
SEK	2016	vs 2015	2016	vs 2015	2016	vs 2015	2016	vs 2015
Sweden	77.7%	-0.5 pp	944.6	2.5%	734.0	1.9%	751.7	3.6%
Norway	72.0%	5.7 pp	885.5	3.4%	637.1	12.3%	663.1	11.0%
Europe	77.7%	0.2 pp	941.0	11.9%	730.8	12.2%	762.6	13.2%
Total	75.9%	1.6 pp	926.6	5.2%	703.7	7.7%	728.0	8.4%

	Jan-Sep		Jan-Sep		Jan-Sep		Jan-Sep	
SEK	2016	vs 2015	2016	vs 2015	2016	vs 2015	2016	vs 2015
Sweden	69.0%	1.1 pp	984.1	4.4%	679.4	6.2%	691.1	7.4%
Norway	61.4%	2.4 pp	912.3	0.9%	560.0	5.0%	564.1	-1.7%
Europe	69.8%	2.0 pp	918.9	7.1%	641.4	10.2%	663.0	10.6%
Total	67.0%	1.7 pp	945.2	4.2%	632.8	6.8%	644.8	5.8%

Revenue by country

MSEK	**Jul-Sep 2016**	**Jul-Sep 2015**	**Jan-Sep 2016**	**Jan-Sep 2015**	**Jan-Dec 2015**	**Oct-Sep 2015/2016**
Sweden	1,502	1,377	4,126	3,739	5,081	5,468
Norway	1,063	974	2,767	2,843	3,716	3,640
Denmark	398	347	1,042	942	1,264	1,364
Finland	477	436	1,292	1,185	1,601	1,708
Germany	116	106	329	301	406	434
Poland	21	19	57	49	64	72
Belgium	4	19	15	60	76	31
Total countries	**3,581**	**3,278**	**9,628**	**9,119**	**12,208**	**12,717**
Other	6	10	19	13	21	27
Group eliminations	-6	-10	-19	-13	-21	-27
Group	**3,581**	**3,278**	**9,628**	**9,119**	**12,208**	**12,717**

Revenue by type of agreement

MSEK	**Jul-Sep 2016**	**Jul-Sep 2015**	**Jan-Sep 2016**	**Jan-Sep 2015**	**Jan-Dec 2015**	**Oct-Sep 2015/2016**
Lease agreements	3,564	3,261	9,578	9,064	12,134	12,648
Management agreements	4	4	9	8	11	12
Franchise and partner agreements	5	6	14	19	24	19
Owned	8	7	27	28	39	38
Total	**3,581**	**3,278**	**9,628**	**9,119**	**12,208**	**12,717**
Other	6	10	19	13	21	27
Group eliminations	-6	-10	-19	-13	-21	-27
Group	**3,581**	**3,278**	**9,628**	**9,119**	**12,208**	**12,717**

Quarterly data

MSEK	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
RevPAR, SEK	728.0	688.3	512.9	576.3	671.5	632.4
Net sales	3,577	3,447	2,594	3,085	3,275	3,169
Adjusted EBITDAR	1,480	1,344	744	1,105	1,344	1,173
Adjusted EBITDA	547	470	40	332	491	358
EBITDA	542	444	24	270	475	323
Adjusted EBIT	392	345	-82	214	362	227
EBIT (Operating profit/loss)	387	319	-98	153	347	192
EBT (Profit/loss before tax)	557	334	-128	19	98	70
Adjusted EBITDAR margin, %	41.4	39.0	28.7	35.8	41.0	37.0
Adjusted EBITDA margin, %	15.3	13.6	1.5	10.7	15.0	11.3
EBITDA margin, %	15.1	12.9	0.9	8.8	14.5	10.2
Adjusted EBIT margin, %	11.0	10.0	neg	6.9	11.1	7.2
EBIT margin, %	10.8	9.3	neg	5.0	10.6	6.1
Earnings per share after dilution, SEK	4.22	2.52	-0.97	0.23	1.29	0.81

Quarterly data per segment

	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Net sales						
Sweden	1,498	1,514	1,104	1,337	1,373	1,269
Norway	1,063	963	742	872	974	1,023
Other Nordic countries & Europe	1,016	970	748	876	928	877
Total net sales	**3,577**	**3,447**	**2,594**	**3,085**	**3,275**	**3,169**
Adjusted EBITDA						
Sweden	291	274	81	237	281	201
Norway	154	118	1	83	119	110
Other Nordic countries & Europe	182	170	30	107	152	123
Central functions	-80	-92	-72	-95	-61	-76
Total adj EBITDA	**547**	**470**	**40**	**332**	**491**	**358**

Hotels and rooms in operation and under development

30 Sep, 2016	Operational: Lease agreements Hotels	Rooms	Management agreements Hotels	Rooms	Franchise and partner agreements Hotels	Rooms	Owned Hotels	Rooms	Total Hotels	Rooms	Under development: Total Hotels	Rooms
Sweden	77	15,780	1	145	6	726	-	-	84	16,651	1	574
Norway	61	11,343	-	-	20	2,522	1	135	82	14,000	3	969
Denmark	22	3,664	1	210	-	-	-	-	23	3,874	1	370
Finland	26	5,284	-	-	2	233	-	-	28	5,517	1	370
Rest of Europe	6	1,509	-	-	-	-	-	-	6	1,509	-	16
Total	**192**	**37,580**	**2**	**355**	**28**	**3,481**	**1**	**135**	**223**	**41,551**	**6**	**2,299**

Exchange rates

SEK/EUR	Jan-Sep 2016	Jan-Sep 2015	Jan-Dec 2015
Income statement (average)	9.3731	9.3724	9.3562
Balance sheet (at end of period)	9.6320	9.4119	9.1350
SEK/NOK			
Income statement (average)	0.9997	1.0630	1.0465
Balance sheet (at end of period)	1.0652	0.9918	0.9556
SEK/DKK			
Income statement (average)	1.2585	1.2567	1.2544
Balance sheet (at end of period)	1.2925	1.2617	1.2242

Alternative performance measures

Interest-bearing net liabilities	30 Sep 2016	30 Sep 2015	31 Dec 2015
Interest-bearing liabilities	3,796	6,583	3,603
Cash and cash equivalents	-440	-297	-248
Interest-bearing net liabilities	3,356	6,286	3,355

Working capital	30 Sep 2016	30 Sep 2015	31 Dec 2015
Current assets, excl cash and bank balances	1,467	1,472	1,044
Current liabilities	-2,305	-2,165	-2,176
Working capital [1]	-838	-693	-1,132

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

LONG-TERM INCENTIVE PROGRAM

In December 2015, Scandic implemented a share-based long-term incentive program (LTIP 2015) that 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 participant may be allotted one matching share, free of consideration. In addition, the participants may receive a number of performance shares, free of consideration, depending on the degree of meeting certain performance criteria adopted by the Board of Directors 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, subject to the participant remaining a permanent employee within the Group and retaining the savings shares during the entire vesting period.

A total of 34 senior managers have invested in the program and may be allotted a maximum of 286,886 shares (66,264 of which are shares to the CEO), corresponding to approximately 0.28 percent of Scandic's share capital and votes. The expected costs of the entire program are estimated to be 12.2 MSEK, and the costs included in the income statement for the Group in accordance with IFRS 2 amounted to MSEK 3.5 for the first nine months 2016, including social security contributions. The maximum cost of the program, including social security contributions, is estimated to be 35.6 MSEK. For more information about the program, see Note 6 in Scandic's Annual Report 2015.

The Annual General Meeting 2016 decided upon a new long-term incentive program (LTIP 2016) on basically the same terms and conditions as the LTIP 2015, but with an additional requirement related to the total shareholder return on the company's shares (TSR) that 50 percent of the matching shares that may be allotted under the program shall be conditional upon continued employment and an uninterrupted holding of savings shares, while the allotment of the remaining 50 percent of the matching shares shall in addition be subject to a TSR-related condition.

A total of 39 senior managers have invested in the program and may be allotted a maximum of 295,017 shares (74,094 of which are shares to the CEO), corresponding to approximately 0.29 percent of Scandic's share capital and votes. The vesting period is three years, ending on the date of publication of Scandic's interim report for the first quarter of 2019. The expected costs for the entire program are estimated to be 9.7 MSEK including social security contributions, and the costs that were included in the income statement for the Group in accordance with IFRS 2 amounted to MSEK 0.6 during 2016, including social security contributions. The maximum cost of the program, including social security contributions, is estimated to be 28.7 MSEK.

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.

The Board of Directors and the CEO assure 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, November 7, 2016

Vagn Sørensen
Chairman

Ingalill Berglund
Member of the Board

Per G. Braathen
Member of the Board

Albert Gustafsson
Member of the Board

Grant Hearn
Member of the Board

Lottie Knutson
Member of the Board

Stephan Leithner
Member of the Board

Christoffer Lundström
Member of the Board

Eva Moen Adolfsson
Member of the Board

Niklas Sloutski
Member of the Board

Fredrik Wirdenius
Member of the Board

Jan Wallmark
Employee representative

Frank Fiskers
President & CEO

AUDITORS REPORT

Introduction

We have reviewed the condensed interim financial information (interim report) of Scandic Hotels Group AB as of 30 September 2016 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, *Review of Interim Report Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Stockholm, November 7, 2016

PricewaterhouseCoopers AB

Magnus Brändström
Authorized Public Accountant

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 at unchanged exchange rates.

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.

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.

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 company, divided by the average number of shares.

Equity per share
Equity, related to the shareholders of the 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 about 44,000 rooms at 230 hotels in operation and under development. In 2015, the Group had annual sales of SEK 12.2 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 more than 1.8 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)

- **2016-11-07** Scandic expands in Drammen, Norway
- **2016-10-11** Scandic Hotels's Lena Bjurner nominated for HR Director of the Year award 2017
- **2016-10-11** New Nomination Committee for Scandic Hotels Group
- **2016-09-29** Growth in focus at Scandic's Capital Markets Day
- **2016-09-29** Scandic recruits Director of Business Development for its German operations
- **2016-09-28** Scandic launches fifth signature hotel – Nature makes an entrance in Stockholm at Downtown Camper
- **2016-09-27** Scandic continuing digital development with online check-in and mobile room keys
- **2016-09-16** Scandic strengthens the Executive Committee by including country heads
- **2016-08-16** Scandic's interim report Q2 2016 – Strong results with improved margins
- **2016-07-11** Scandic signs agreement with Transcom for Nordic call center

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