Scandic

The largest hotel company in the Nordics

Year-End Report 2016

A STRONG FINISH TO A SUCCESSFUL YEAR

FOURTH QUARTER IN SUMMARY

- RevPAR LFL grew by 5.2%, driven by higher occupancy and increased average room rates.
- Net sales rose by 12.3% to 3,463 MSEK (3,085) due to higher RevPAR, more rooms in operation and positive currency effects.
- Net sales LFL rose by 3.7% in local currencies.
- Adjusted EBITDA grew by 38% to 457 MSEK (332) corresponding to a margin of 13.2% (10.8).
- Scandic received compensation of 65 MSEK for a dispute with Folkets Hus in Sundsvall.
- Excluding the non-recurring gain from the property dispute, the adjusted EBITDA margin was 11.3% (10.4).
- An agreement was signed to take over the operations of hotels in Drammen, Norway, with a total of 287 rooms.

THE YEAR IN SUMMARY

- RevPAR LFL increased by 6.3% driven by higher occupancy and increased average room rates.
- Net sales rose by 7.3% to 13,082 MSEK (12,192) mainly due to increased RevPAR and more rooms in operation.
- Net sales LFL increased by 5.3% in local currencies.
- Adjusted EBITDA went up by 21% to 1,513 MSEK (1,246) corresponding to a margin of 11.6% (10.2).
- Excluding the one-time payment from the property dispute, adjusted EBITDA increased by 211 MSEK, corresponding to a margin of 11.1% (10.1).
- Five hotels opened during the year: Scandic Gällivare, Scandic Continental, Scandic Aalborg City, Scandic Vaasa and Haymarket by Scandic, with a total of 1,113 rooms.
- Earnings per share amounted to 6.86 SEK (1.43). Adjusted for positive currency effects when revaluating loans and investments, earnings per share totaled 6.60 SEK.
- For 2016, the Board of Directors proposes that the AGM resolves on an ordinary dividend of 3.15 SEK (0.00) per share.

EVENTS AFTER THE REPORTING DATE

- Scandic will take over the operations of eight hotels in Norway, Sweden and Denmark with a total of 1,708 rooms. The agreement includes Grand Hotel in Oslo, which will become a signature hotel.
- An agreement was signed to operate a new hotel with 148 rooms at Helsinki Airport. The hotel will open in 2018.
- An agreement was signed to operate a new hotel in central Gothenburg with 362 rooms, to be completed at the end of 2020.
- Following the recently announced agreements, Scandic has a record pipeline with more than 5,000 rooms.
- Even Frydenberg appointed as new President & CEO as of July 31.

GROUP KEY RATIOS

MSEK	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Financial key ratios				
Net sales	3 463	3 085	13 082	12 192
Net sales growth, %	12,3	2,9	7,3	12,6
Net sales growth LFL, %	6,6	12,3	6,6	7,7
Adjusted EBITDAR	1 330	1 105	4 896	4 406
Adjusted EBITDA	457	332	1 513	1 246
Adjusted EBITDA margin, %	13,2	10,8	11,6	10,2
EBITDA	453	270	1 462	1 114
EBIT (Operating profit/loss)	317	153	925	613
Hotel-related key ratios				
RevPAR (Average Revenue Per Available Room), SEK	638,7	576,3	643,3	601,3
ARR (Average Room Rate), SEK	1 021,7	942,6	976,1	933,9
OCC (Occupancy), %	62,5	61,1	65,9	64,4
Total number of rooms	41 572	40 920	41 572	40 920

THE YEAR-END REPORT REPORT FOR 2016 FOR SCANDIC HOTELS GROUP AB (PUBL.). THE INFORMATION IN THIS 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 FEBRUARY 23, 2017, 07.30 CET.

CEO'S COMMENTS

A strong finish to a successful 2016

Scandic ended the year with a strong fourth quarter and we are pleased to note that during 2016, we successfully exceeded our financial targets. During the quarter, we saw continued sales growth and margin improvement. Demand was generally positive in the Nordic markets and we continued to strengthen our market positions. Scandic's RevPAR for comparable units (LFL) increased in all markets and went up 5.2 percent in local currencies in the fourth quarter. For the year, the increase was 6.3 percent. Growth in RevPAR was driven by an increase in occupancy, which also had a positive impact on room rates. The adjusted EBITDA margin continued to improve and we reached our target of 11 percent.

"Scandic ended the year with a strong fourth quarter, successfully exceeding our financial goals for 2016."

High activity during the year

During the year, Scandic implemented a series of major investments in its commercial platform including enhancing our marketing organization. We also worked actively on our hotel portfolio and we saw positive development at the five hotels we opened during the year, not least in Stockholm where the launches of Haymarket by Scandic and Scandic Continental exceeded our expectations. In 2016, Scandic opened its first two signature hotels and four more are planned in the next two years. Following the agreements we announced at the beginning of 2017, we now have a record 17 hotels and more than 5,000 rooms in the pipeline.

Favorable conditions for 2017

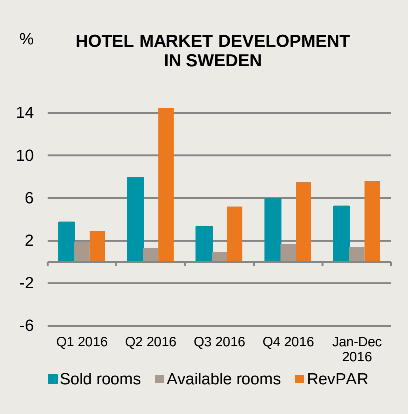
Scandic is well equipped for 2017 with a strong portfolio of projects that will contribute positively to our sales growth. We have a strong balance sheet that provides good opportunities for further expansion in the Nordic countries and selectively in the German market where we have strengthened our resources and increased activity. After more than thirty years in the hotel industry and eight years at Scandic, I have decided not to work operationally anymore. On July 31, I will hand over the reins to Even Frydenberg, who I'd like to welcome warmly to Scandic. But until then, I look forward to carrying on with full force to continue developing the leading hotel company in the Nordic countries.

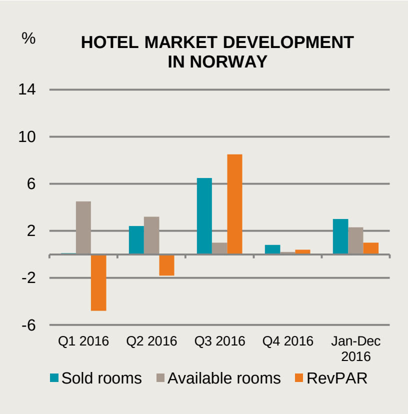
Frank Fiskers
President & CEO

NORDIC HOTEL MARKET DEVELOPMENT

Demand for hotel nights in the Nordic market remained good in the quarter. In Sweden, the number of rooms sold increased by 4.2% and RevPAR went up by 7.5% driven by both increased occupancy and higher average room rates. The Norwegian market was relatively stable. The number of rooms sold in Norway rose by 0.8% and RevPAR increased by 0.4% with marginal changes to average room rates and occupancy. The Danish market continued to be strong with a 4.2% increase in sold rooms. RevPAR in the Danish market grew by 9.9% mainly as a result of higher prices. In Finland, the number of rooms sold was relatively unchanged while RevPAR increased by 4.1% as a result of higher room rates.

In the period January-December, RevPAR in the Swedish market went up by 7.6% due to both higher occupancy and average room rates. RevPAR in the Norwegian market grew by 1.0% with slight changes in occupancy and rates. In Denmark, RevPAR went up by 10.6%, mainly as a result of higher room rates and in Finland, the increase was 7.8%, primarily due to 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 41,572 rooms in operation at 223 hotels, of which 192 hotels with lease agreements. During the period, the number of hotels under operation remained unchanged during the quarter while the number of rooms in operation increased by 21. During the year, the net number of hotels under operation increased by 2 and the number of rooms by 652. New hotels in operation during the period were 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 rebranded as a signature hotel and changed its name to Grand Central by Scandic in September.

High-quality pipeline

During the quarter, Scandic announced that it would take over the operations of the Ambassadeur Hotel and Globus Hotel in Drammen, Norway, corresponding to 287 rooms.

At the end of the period, there were 2,822 rooms under development of which 2,107 were included in six large hotel projects: Scandic Bergen (304 rooms), Scandic Diestrum (220 rum) and Hotel Norge by Scandic (420 rum) in Norway, Downtown Camper by Scandic (493 rooms) in Stockholm, and Scandic Kødbyen (370 rooms) and Scandic Falconer (300 rooms) in Denmark.

During the year, 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 spaces and extensions that will add 73 rooms at three hotels.

More detailed information about the hotel portfolio is provided in the table on page 25.

FINANCIAL TARGETS

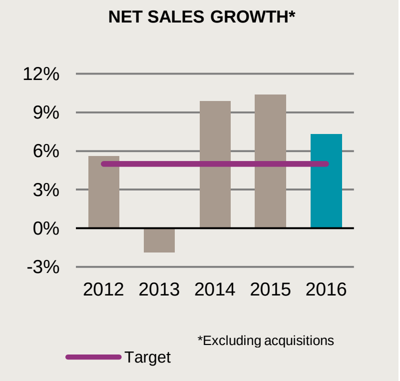
At the beginning of 2016, Scandic adopted a clear long-term strategy aiming to develop operations in line with the following medium- and long-term financial targets:

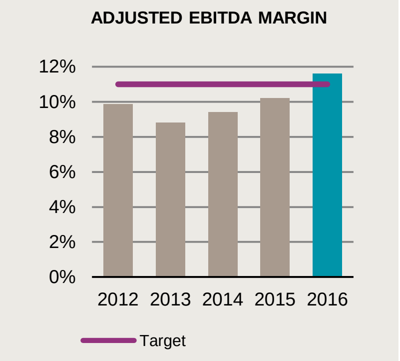
- Annual net sales growth of at least 5 percent on average over a business cycle, excluding potential M&As.
- An adjusted EBITDA margin of at least 11 percent on average over a business cycle.
- Net debt in relation to adjusted EBITDA of 2-3x.

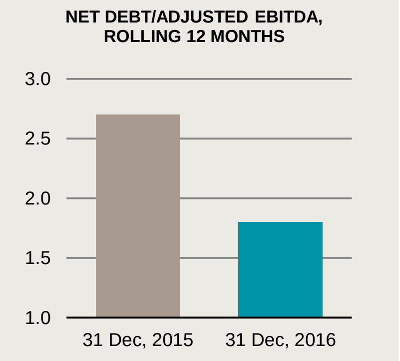
Number of rooms under development

December 31, 2016: 2,822

February 23, 2017: 5,039

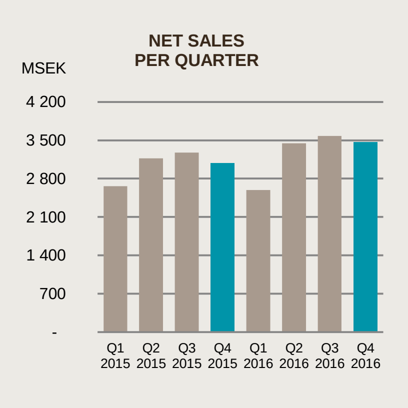


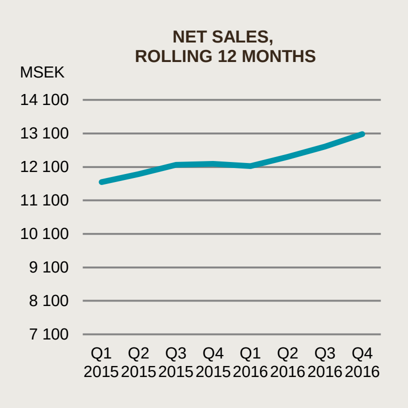


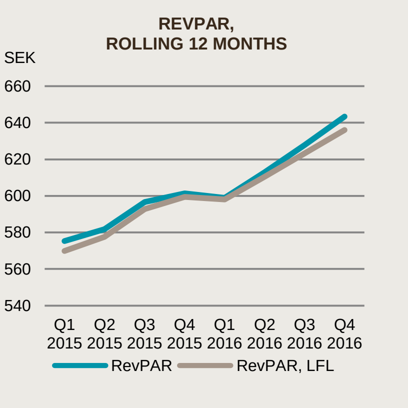


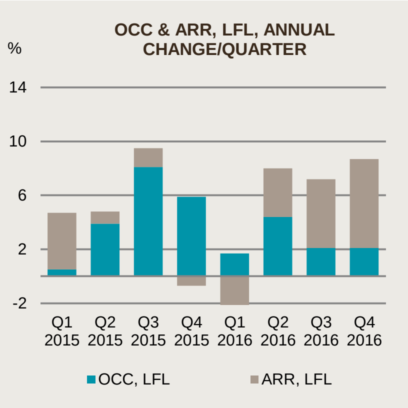
FOURTH QUARTER

COMPARED WITH 2015	Q4 2015	Currency effects	New hotels	Exits	LFL	Q4 2016
RevPAR (SEK)	576.3	20.5	12.0	-0.7	30.6	638.7
RevPAR growth		3.6%	2.1%	-0.1%	5.2%	10.8%
Net sales (MSEK)	3,085	118	168	-21	113	3,463
Net sales growth		3.8%	5.4%	-0.7%	3.7%	12.3%
Adjusted EBITDA (MSEK)	332	12	38	-5	80	457
Adjusted EBITDA growth		3.6%	11.6%	-1.4%	24.1%	37.8%









Net sales in the Group rose by 12.3% to 3,464 MSEK (3,085). Accommodation revenue grew by 13% as a result of increased RevPAR, more rooms in operation and positive currency effects. Revenue from restaurant and conference operations grew by 11.1% and the share of total net sales amounted to 37.0% (37.4). Excluding exchange rate fluctuations, net sales rose by 8.5%. The hotels that were opened in Stockholm during the year, Scandic Continental and Haymarket by Scandic, got off to an excellent start, and along with other new hotels, they contributed a total of 4.7 percentage points to revenue growth (net after closures). Net sales were impacted positively by currency effects amounting to 3.8%. The Group's net sales LFL (i.e. for comparable entities, excluding currency effects) increased by 3.7%. Total RevPAR increased by 10.8% during the quarter. Excluding currency effects RevPAR grew by 7.2%. RevPAR LFL went up by 5.2%.

Rental costs accounted for 25.2% (25.1) of net sales. Fixed and guaranteed rental costs represented 16.3% (16.9) of net sales.

Adjusted EBITDA before opening costs for new hotels increased by 38% to 457 MSEK (332). The profit includes a one-off compensation payment of 65 MSEK (10) from a property dispute. Excluding this compensation, adjusted EBITDA increased by 70 MSEK. The adjusted EBITDA margin rose to 13.2% (10.7). Excluding the non-recurring compensation from the property dispute, the adjusted EBITDA margin increased from 10.4% to 11.3%. This increase was mainly the result of improved margins in the Swedish and European operations.

Central costs grew to SEK 103 MSEK (96). Pre-opening costs for new hotels amounted to -4 MSEK (-16). Consequently, EBITDA was 453 MSEK (270).

The profit for the previous year was affected by non-recurring items of -46 MSEK, of which -9 MSEK was attributable to the integration of Rica Hotels and -31 MSEK was attributable to the IPO.

The Group's net financial expense amounted to -24 MSEK (-134). Interest expenses dropped to -33 MSEK (-83) as a result of the refinancing and repayment of loans that occurred in connection with the company's IPO in December 2015. Exchange rate fluctuations from the revaluation of loans and investments amounted to -14 MSEK (-29). The revaluation of derivatives had positive impact on the net financial expense, with 22 MSEK (-1).

Net profit increased to 286 MSEK (20). Net profit for the quarter includes negative currency effects from the revaluation of loans and investments. Excluding these, the net profit was 297 MSEK.

Earnings per share after dilution totaled 2.79 SEK per share (0.23). Excluding currency effects related to the revaluation of loans and investments, earnings per share after dilution amounted to 2.89 SEK per share.

JANUARY – DECEMBER

COMPARED WITH 2015	Jan-Dec 2015	Currency effects	New hotels	Exits	LFL	Jan-Dec 2016
RevPAR (SEK)	601.3	-2.2	7.6	-1.5	38.1	643.3
RevPAR growth		-0.4%	1.3%	-0.2%	6.3%	7.0%
Net sales (MSEK)	12,192	-53	467	-168	643	13,082
Net sales growth		-0.4%	3.8%	-1.4%	5.3%	7.3%
Adjusted EBITDA (MSEK)	1,246	-3	91	-30	209	1,513
Adjusted EBITDA growth		-0.2%	7.3%	-2.4%	16.8%	21.4%

Net sales in the Group rose by 7.3% to 13,082 MSEK (12,192). Excluding currency fluctuations, sales rose by 7.7%. The new hotels that opened in Stockholm got off to an excellent start and contributed 3.8 percentage points to the revenue growth. Net sales were impacted negatively by 0.4 percentage points due to exchange rate fluctuations and by 1.4 percentage points from divested hotels. Accommodation revenue grew by 8.4% and its share of total net sales amounted to 65.2% (64.5). Total RevPAR increased by 7.0%. Adjusted for currency effects, RevPAR grew by 7.4%. RevPAR LFL went up by 6.3%, driven by both higher occupancy and increased average room rates.

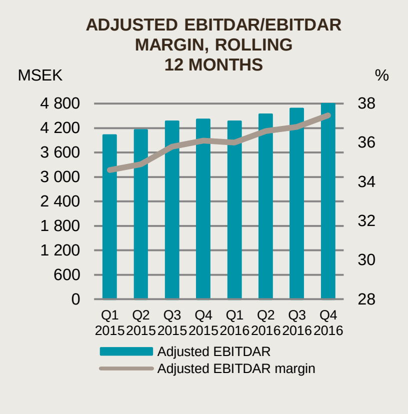
Revenue from restaurant and conference operations grew by 5.7% and the share of total net sales amounted to 32.9% (33.4). Rental costs accounted for 25.9% (25.9) of net sales. Fixed and guaranteed rental costs represented 16.8% (17.2) of net sales. The reduction is explained by the revenue growth and the increased share of variable rent caused by it.

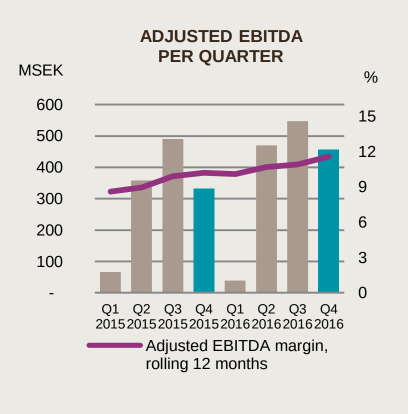
Adjusted EBITDA before opening costs for new hotels and non-recurring items increased by 21% to 1,513 MSEK (1,246). The adjusted EBITDA margin rose to 11.6% (10.2). The profit includes a non-recurring compensation of 65 MSEK (10) from a property dispute. Excluding this compensation, adjusted EBITDA increased by 212 MSEK. Excluding the non-recurring compensation from the property dispute, the adjusted EBITDA margin increased from 10.1% to 11.1%. The improvement was mainly due to higher margins in the Norwegian and European operations.

In the company's Norwegian operations, efficiency gains from the integration of the former Rica hotels contributed to the margin development. Increased central costs and the fact that several large newly opened hotels were in the startup phase had a negative impact on the margin. Pre-opening costs for new hotels amounted to -51 MSEK (-28). EBITDA amounted to 1,462 MSEK (1,114). The profit for the previous year was affected by non-recurring items of -104 MSEK, of which -52 MSEK was attributable to the integration of the Rica hotels and -39 MSEK was attributable to the IPO.

The Group's net financial income amounted to 132 MSEK (-497). Interest expenses dropped to -133 MSEK (-477) as a result of the refinancing and repayment of loans that occurred in connection with the company's IPO in December 2015. Exchange rate fluctuations from the revaluation of loans and investments amounted to 226 MSEK (-4). The revaluation of derivatives had positive impact on the net financial income/expense, with 35 MSEK (-19).

Net profit increased to 882 MSEK (120). Net profit for the year includes positive currency effects from the revaluation of loans and investments. Excluding them, the net profit was 706 MSEK.





Earnings per share after dilution totaled 8.58 SEK per share (1.43). Excluding positive currency effects related to the revaluation of loans and investments, earnings per share after dilution amounted to 6.86 SEK per share.

Information regarding share dilution is provided on page 26.

COMMENTS TO THE BALANCE SHEET

On the reporting date, the balance sheet total was 14,344 MSEK compared with 13,302 MSEK on December 31, 2015. Interest-bearing net liabilities decreased during the year from 3,355 MSEK on December 31, 2015 to 2,710 MSEK at the end of 2016. Currency fluctuations mitigated the decrease by 125 MSEK. Loans to credit institutions account for 3,777 MSEK at year-end. The net debt on the reporting date corresponded to 1.8 times adjusted EBITDA, rolling 12 months (2.7 times on December 31, 2015).

On December 31, 2016, the total number of shares and votes was 102,457,837 after dilution. On the reporting date, total equity was 7,074 MSEK compared with 6,205 MSEK on December 31, 2015.

CASH FLOW AND LIQUIDITY

Operating cash flow amounted to 890 MSEK (401) for the full year 2016, due to the increased operating profit and reduced working capital. The cash flow contribution from the reduced working capital amounted to 150 MSEK (54). The Group has negative working capital as the majority of the revenue is paid in advance or in direct connection with stays.

Net investments during the period amounted to -719 MSEK (-785), of which hotel renovations accounted for -450 MSEK (-434) and IT for -37 MSEK (-50). In the values for the previous year, investments of 162 MSEK were included in corporate acquisitions. Investments in new hotels and increased room capacity totaled -232 MSEK (-139).

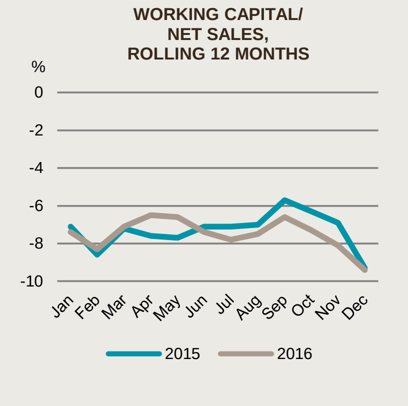
Cash flow from financing operations during the period amounted to -104 MSEK (-421) where cash flow during the period was mainly made up of interest payments.

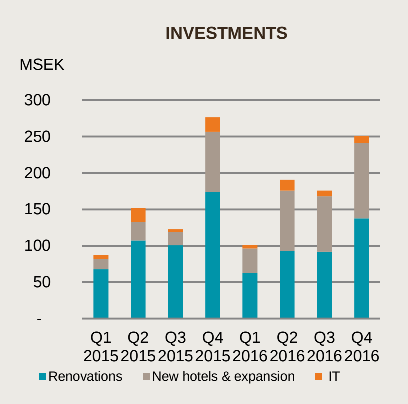
At the end of the period, the Group had 1,068 MSEK (248) in cash and cash equivalents.

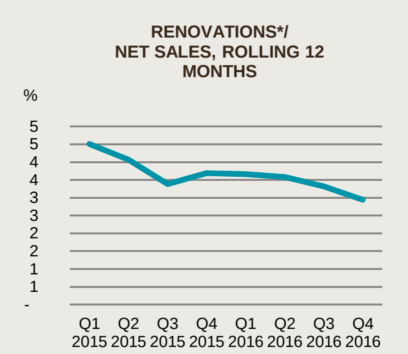
Unused credit facilities totaled 1,000 MSEK (600). During the year, the Group's revolving credit facility was extended from 600 MSEK to 1,000 MSEK.

EMPLOYEES

The number of full-time employees (FTEs) increased to 10,694 (10,505) during the period. The average number of employees in the Group was 9,359 as at December 31, 2016 compared with 9,877 as at December 31, 2015.







* Investments related to hotel renovations.

COMMENTS PER SEGMENT, FOURTH QUARTER

Sweden

MSEK	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Net sales	1,521	1,337	5,637	5,065
Net sales growth, %	13.8	8.0	11.3	11.9
Net sales growth LFL, %	4.3	9.3	6.6	11.9
Adjusted EBITDA	329	237	975	828
Adjusted EBITDA margin, %	21.6	17.7	17.3	16.3
RevPAR, SEK	698.7	647.8	693.0	644.4
ARR, SEK	1,043.4	992.8	1,012.3	957.0
OCC, %	67.0	65.3	68.5	67.3

The positive market trend continued in the fourth quarter with stable and high demand, leading to a positive RevPAR development. RevPAR grew by 7.9% (4.7% LFL) driven by both higher occupancy and increased average room rates. RevPAR development was particularly strong in central Stockholm.

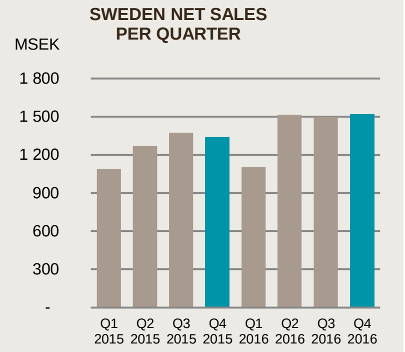
The new hotels, Scandic Continental, which opened in April, and Haymarket by Scandic, which opened in May, got off to an excellent start with high demand and were received favorably by guests.

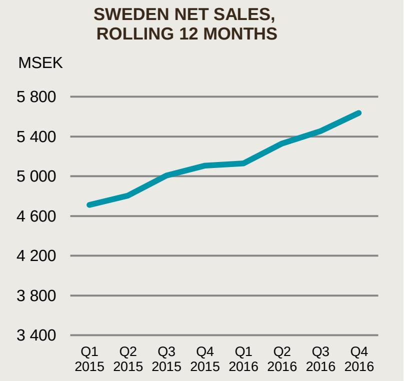
Net sales increased by 13.8% (4.3% LFL) during the quarter to 1,521 MSEK (1,337).

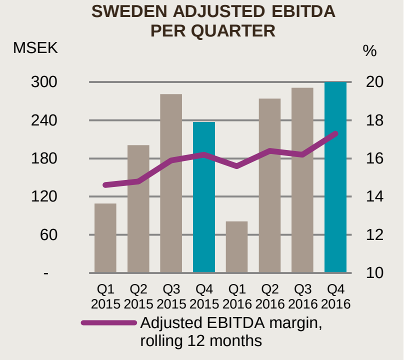
Adjusted EBITDA before opening costs for new hotels increased to 329 MSEK (237). The profit includes a non-recurring compensation of 65 MSEK (10) from a property dispute. Excluding this compensation, adjusted EBITDA increased by 37 MSEK or 16%. The adjusted EBITDA margin was impacted negatively by approximately 30 MSEK as a result of the abolishment of reduced social security contributions for employees under 26, known as the “youth discount.”

The adjusted EBITDA margin rose to 21.6% (17.7). Excluding the non-recurring compensation from the property dispute, the adjusted EBITDA margin increased from 17.0% to 17.4%.

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

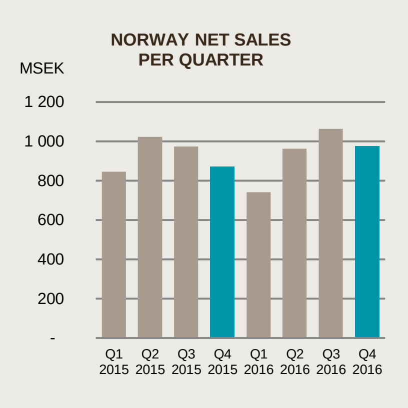
MSEK	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Net sales	976	872	3,744	3,716
Net sales growth, %	11.9	-12.6	0.8	16.7
Net sales growth LFL, %	12.5	-4.4	-1.5	25.8
Adjusted EBITDA	90	83	363	321
Adjusted EBITDA margin, %	9.2	9.5	9.7	8.6
RevPAR, SEK	545.0	482.3	559.4	551.0
ARR, SEK	1,019.6	932.2	937.7	956.6
OCC, %	53.5	51.7	59.7	57.6

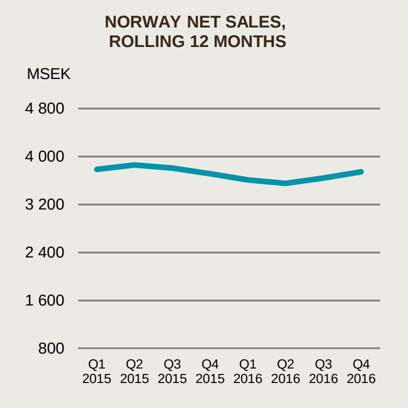
The market has been relatively stable with a rise in RevPAR in major cities. Nonetheless, RevPAR continued to drop at certain oil destinations.

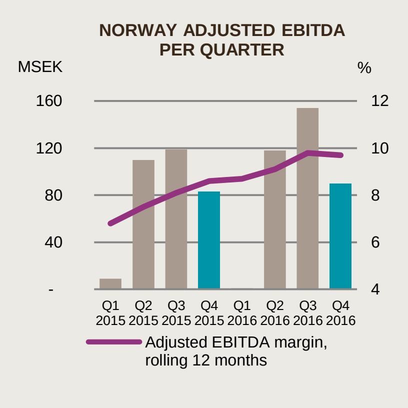
Net sales increased by 11.9% to 976 MSEK (872) during the quarter. Currency translation effects impacted positively on net sales by 8.7%. LFL and excluding exchange rate fluctuations, net sales rose by 2.4%.

In local currency, RevPAR grew by 2.8% (1.8% LFL). Scandic's commercial efforts and sales synergies attributable to the integration of the former Rica hotels have resulted in increased market shares, and Scandic has grown more than its competitors.

For the full year 2016, adjusted EBITDA and the adjusted EBITDA margin for 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, which have led to a more flexible cost base and lower personnel expenses during the quarter.







Other Nordic countries & Europe

MSEK	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Net sales	966	876	3,701	3,411
Net sales growth, %	10.3	7.5	8.5	9.4
Net sales growth LFL, %	10.4	8.4	10.8	10.6
Adjusted EBITDA	141	108	522	400
Adjusted EBITDA margin, %	14.6	12.3	14.1	11.7
RevPAR, SEK	646.5	572.6	658.8	592.7
ARR, SEK	989.9	878.3	957.9	879.5
OCC, %	65.3	65.2	68.8	67.4

Demand remained strong in Finland, Denmark and Germany. Net sales rose by 10.3% to 966 MSEK (876). Currency translation effects had a positive impact on sales of 4.9%. LFL and adjusted for exchange rate fluctuations, net sales net sales rose by 5.3%.

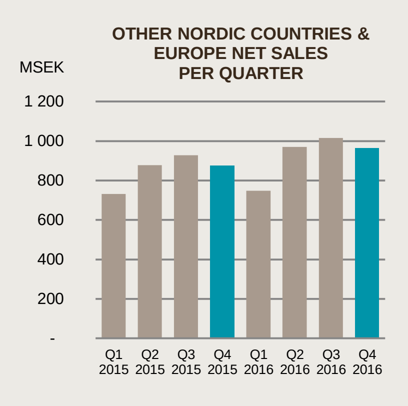
RevPAR in local currency increased between 6.7 and 8.0% (LFL 6.6–9.3) in Scandic's main markets in the segment, i.e. Denmark, Finland and Germany. This increase was driven by both higher occupancy and increased average room rates. The hotels that were opened during the year, Scandic Vaasa in Finland and Scandic Aalborg City in Denmark, got off to a good start and are generating revenue according to plan.

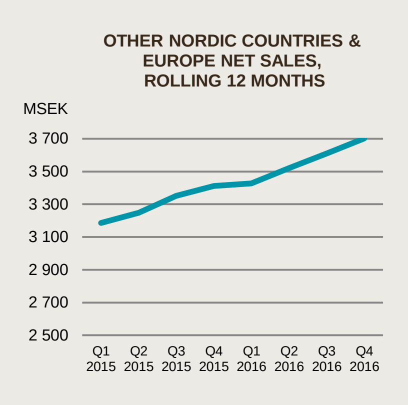
Scandic's three hotels in Germany showed continued good revenue growth and improved margins, and shared support functions between the two hotels in Berlin led to lower costs.

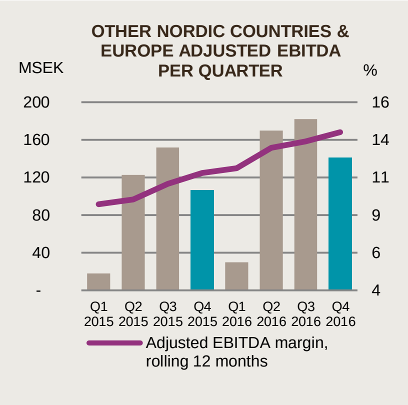
Adjusted EBITDA and the adjusted EBITDA margin improved compared with the previous year, as a result of higher revenues and cost synergies.

Central functions

Adjusted EBITDA for central functions and Group adjustments amounted to -103 MSEK (-96) 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

On January 18, Scandic signed an agreement with property owners Pandox and Eiendomsspar to take over the operations of eight hotels in Norway, Sweden and Denmark with a total of 1,708 rooms. The agreement also includes Grand Hotel in Oslo, which will become one of Scandic's six signature hotels. The transfer will be carried out without a purchase sum and all of the hotels will contribute positively to Scandic Hotels' EBITDA already from 2017.

On January 19, Scandic signed a long-term lease agreement LAK Real Estate Oy, a subsidiary of Finnavia, for establishing and operating a new hotel at Helsinki Airport. Work on the new hotel, Scandic Helsinki Airport, began in January 2017 and it will open during the first half year of 2018. The hotel will have 148 rooms.

On February 3, it was announced that Scandic had signed a long-term lease agreement with property company Vasakronan regarding the operation of a new hotel in the Platinan area, part of the new RiverCity urban development project in Gothenburg. The hotel will have 362 rooms and 15 conference rooms including a large multifunctional event space (Black Box) of almost 1,000 square meters. The hotel is expected to be completed at the end of 2020.

On February 9, the Board of Directors for Scandic Hotels announced that Even Frydenberg would take over the position of President & CEO. This is as a result Frank Fiskers' decision to leave Scandic in the summer. Even Frydenberg will start the new position on July 31, 2017.

DIVIDEND

The Board of Directors proposes that the Annual General Meeting resolves on a dividend for 2016 of 3.15 SEK per share.

PRESENTATION OF THE REPORT

The presentation of Scandic's Year-end Report that will take place at 9:00 CET on February 23, 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 scandichotelsgroup.com

FOR MORE INFORMATION

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

Henrik Vikström
Director Investor Relations
Phone: +46 761 09 05 47
henrik.vikstrom@scandichotels.com

FINANCIAL CALENDAR

2017-05-10 Interim Report Q1 2017 (silent period from April 11, 2017)
2017-05-10 Annual General Meeting 2017

2017-07-20 Interim Report Q2 2017 (silent period from June 21, 2017)
2017-10-26 Interim Report Q3 2017 (silent period from September 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	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
INCOME				
Room revenue	2,136	1,889	8,530	7,869
Restaurant and conference revenue*	1,282	1,154	4,299	4,068
Franchise and management fees	7	8	29	35
Other hotel-related revenue	38	34	224	220
Net sales	***3,463***	***3,085***	***13,082***	***12,192***
Other income	3	4	13	16
TOTAL OPERATING INCOME	**3,466**	**3,089**	**13,095**	**12,208**
OPERATING COSTS				
Raw materials and consumables	-319	-289	-1,138	-1,092
Other external costs	-721	-690	-2,850	-2,700
Personnel costs	-1,097	-1,005	-4,211	-4,010
Adjusted EBITDAR	**1,330**	**1,105**	**4,896**	**4,406**
Fixed and guaranteed rental charges	-566	-520	-2,203	-2,091
Variable rental charges	-307	-253	-1,180	-1,069
Adjusted EBITDA	**457**	**332**	**1,513**	**1,246**
Pre-opening costs	-4	-16	-51	-28
Non-recurring items	-	-46	-	-104
EBITDA	**453**	**270**	**1,462**	**1,114**
Depreciation and amortization	-136	-117	-537	-502
TOTAL OPERATING COSTS	**-3,150**	**-2,936**	**-12,170**	**-11,596**
Adjusted EBIT**	321	215	976	745
EBIT (Operating profit/loss)	**317**	**153**	**925**	**613**
Financial income	8	-	265	3
Financial expenses	-32	-134	-133	-500
Net financial items	**-24**	**-134**	**132**	**-497**
EBT (Profit/loss before taxes)	**293**	**19**	**1,057**	**115**
Taxes	-7	1	-175	5
PROFIT/LOSS FOR PERIOD	**286**	**20**	**882**	**120**
Profit/loss for period relating to:				
Parent Company shareholders	286	19	879	117
Non-controlling interest	-	1	3	3
Profit/loss for period	**286**	**20**	**882**	**120**
Average number of outstanding shares before dilution***	102,428,053	81,826,211	102,428,053	81,826,211
Average number of outstanding shares after dilution***	102,457,837	81,826,211	102,457,837	81,826,211
Earnings per share before dilution, SEK	**2.79**	**0.23**	**8.58**	**1.43**
Earnings per share after dilution, SEK	**2.79**	**0.23**	**8.58**	**1.43**
Adjusted EBITDAR margin, %	38.4	35.8	37.4	36.1
Adjusted EBITDA margin, %	13.2	10.8	11.6	10.2
EBITDA margin, %	13.1	8.7	11.2	9.1
Adjusted EBIT margin, %	9.3	7.0	7.5	6.1
EBIT margin, %	9.2	5.0	7.1	5.0
Fixed and guaranteed rental charges, % of net sales	16	17	17	17
Variable rental charges, % of net sales	8.9	8.2	9.0	8.8
Total rental charges, % of net sales	25.2	25.1	25.9	25.9

*) Revenue from bars, restaurants, breakfasts and conferences including rent

***) 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	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Profit/loss for period	286	20	882	120
Items that may be reclassified to the income statement	-	-76	45	-106
Items that may not be reclassified to the income statement	-55	17	-6	73
Other comprehensive income	**-55**	**-59**	**39**	**-33**
Total comprehensive income for period	**231**	**-39**	**921**	**87**
Relating to:				
Parent Company shareholders	231	-40	918	84
Non-controlling interest	-	1	3	3

Consolidated balance sheet, summary

MSEK	31 Dec 2016	31 Dec 2015
ASSETS		
Intangible assets	9,103	8,907
Tangible assets	2,977	2,638
Financial fixed assets	67	63
Total fixed assets	**12,147**	**11,608**
Current assets	929	1,044
Cash and cash equivalents	1,068	248
Total current assets	**1,997**	**1,292**
TOTAL ASSETS	**14,144**	**12,900**
EQUITY AND LIABILITIES		
Equity attributable to owners of the Parent Company	7,072	6,177
Non-controlling interest	31	28
Total equity	**7,103**	**6,205**
Interest-bearing liabilities	3,778	3,603
Other long-term liabilities	1,153	916
Total long-term liabilities	**4,931**	**4,519**
Derivative instruments	20	77
Other current liabilities	2,090	2,099
Total current liabilities	**2,110**	**2,176**
TOTAL EQUITY AND LIABILITIES	**14,144**	**12,900**
Equity per share, SEK	68.7	60.0
Total number of shares outstanding, end of period	102,985,075	102,985,075
Working capital	-1,181	-1,132
Interest-bearing net liabilities	2,710	3,355
Interest-bearing net liabilities/adjusted EBITDA	1.8	2.7
Pledged assets	-	45
Contingent liabilities	221	207

Changes in Group equity

MSEK	Share capital	Share premium reserve	Translation reserve	Retained earnings			
Opening balance 01/01/2016	**26**	**7,865**	**-71**	**-1,643**	**6,177**	**28**	**6,205**
Profit/loss for the year	**-**	**-**	**-**	**879**	**879**	**3**	**882**
Other comprehensive income							
Actuarial gains and losses during the year,	-	-	-	-6	-6	-	-6
Currency fluctuations from translation of foreign operations	-	-	*166*	-	*166*	*3*	*169*
Hedge of net investment in foreign operations, net after tax	-	-	-124	-	-124	-	-124
Total other comprehensive income, net after tax	-	-	*42*	*-6*	*36*	*3*	*39*
Total comprehensive income for the yea	**-**	**-**	**42**	**873**	**915**	**6**	**921**
Bonus issue	-	-	-	-	-	-	-
Transactions with shareholders							
Dividend	-	-	-	-	-	-3	-3
Share-based payments	-	-	-	5	5	-	5
Forward contracts to repurchase own	-	-	-	-25	-25	-	-25
Total transactions with shareholders	-	-	-	*-20*	*-20*	*-3*	*-23*
Closing balance 12/31/2016	**26**	**7,865**	**-29**	**-790**	**7,072**	**31**	**7,103**
Opening balance 01/01/2015	**0**	**5,294**	**35**	**-1,742**	**3,587**	**27**	**3,614**
Profit/loss for the year	-	-	-	117	117	3	120
Other comprehensive income							
Actuarial gains and losses during the year, net after tax	-	-	-	73	73	-	73
Profit/loss for period	-	-	-145	-	-145	-	-145
Currency fluctuations from translation of foreign operations	-	-	39	-	39	-	39
Total other comprehensive income, net after tax	-	-	*-106*	*73*	*-33*	-	*-33*
Total comprehensive income for the yea	**-**	**-**	**-106**	**190**	**84**	**3**	**87**
Bonus issue	20	-	-	-20	-	-	-
Transactions with shareholders							
Share issue and share issue costs	6	1,535	-	-49	1,492	-	1,492
Shareholders' contribution received	-	1,036	-	-	1,036	-	1,036
Dividend	-	-	-	-	-	-2	-2
Share-based payments	-	-	-	0	0	-	0
Forward contracts to repurchase own shares	-	-	-	-22	-22	-	-22
Total transactions with shareholders	*6*	*2,571*	-	*-71*	*2,506*	*-2*	*2,504*
Closing balance 12/31/2015	**26**	**7,865**	**-71**	**-1,643**	**6,177**	**28**	**6,205**

Consolidated cash flow statement

	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
OPERATING ACTIVITIES				
EBIT (Operating profit/loss)	317	153	925	613
Depreciation	136	117	537	502
Items not included in cash flow	2	19		19
Paid tax	1	0	-3	-1
Change in working capital	399	433	150	54
Cash flow from operating activities	**855**	**722**	**1,609**	**1,186**
INVESTING ACTIVITIES				
Net investments	-251	-261	-719	-623
Business combinations		-64		-162
Cash flow from investing operations	**-251**	**-325**	**-719**	**-785**
OPERATIVE CASH FLOW	**604**	**397**	**890**	**401**
FINANCING OPERATIONS				
Interest payments	-26	-55	-101	-221
Dividend			-3	
Refinancing of loans	-	-1	-	-98
Share issue, net after issuing costs		1,517		1,517
Borrowing	-	-	475	4,742
Amortization	-	-1,901	-475	-6,801
Cash flow from financing operations	**-26**	**-440**	**-104**	**-861**
CASH FLOW FOR PERIOD	**578**	**-43**	**786**	**-460**
	-	-	-	-
Cash and cash equivalents at beginning of period	440	297	248	716
Translation difference in cash and cash equivalents	50	-6	34	-8
Cash and cash equivalents at end of the period	1,068	248	1,068	248

Parent Company income statement, summary

MSEK	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Net sales	10	8	29	21
Expenses	-11	-39	-36	-52
EBIT (Operating profit/loss)	**-1**	**-31**	**-7**	**-31**
Financial income	68	26	114	99
Financial expenses	-23	-37	-97	-112
Net financial items	**45**	**-11**	**17**	**-13**
Appropriations	66	574	66	574
EBT (profit/loss before tax)	**110**	**532**	**76**	**531**
Tax	-18	-116	-11	-116
PROFIT/LOSS FOR PERIOD	**92**	**416**	**65**	**415**

Consolidated statement of comprehensive income

MSEK	Oct-Dec 2,016	Oct-Dec 2,015	Jan-Dec 2,016	Jan-Dec 2,015
Profit/loss for period	**92**	**416**	**65**	**415**
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	**92**	**416**	**65**	**415**

Parent Company balance sheet, summary

MSEK	31 Dec 2016	31 Dec 2015
ASSETS		
Investments in subsidiaries	4,590	3,536
Group company receivables	5,067	6,778
Deferred tax assets	71	82
Total fixed assets	**9,728**	**10,396**
Current receivables	6	2
Group company receivables	66	-
Cash and cash equivalents	790	2
Total current assets	**862**	**4**
TOTAL ASSETS	**10,590**	**10,400**
EQUITY AND LIABILITIES		
Equity	**6,672**	**6,648**
Liabilities to credit institutions	3,839	3,679
Liabilities to affiliated companies	-	8
Other liabilities	47	-
Total long-term liabilities	**3,886**	**3,687**
Other liabilities	8	2
Accrued expenses and prepaid income	24	63
Total current liabilities	**32**	**65**
TOTAL EQUITY AND LIABILITIES	**10,590**	**10,400**

Changes in Parent Company's equity

	Share capital	Share premium reserve	Translation reserve	Retained earnings	Total equity
MSEK					
Opening balance 01/01/2016	26	1,534	-	5,088	6,648
Profit/loss for period	-	-	-	65	65
Other comprehensive income	-	-	-	-	-
Total other comprehensive income	-	-	-	65	65
Transactions with shareholders					
Share-based payments	-	-	-	5	5
Forward contracts to repurchase own shares	-	-	-	*-46*	*-46*
Total transactions with shareholders	-	-	-	-41	-41
Closing balance 12/31/2016	26	1,534	-	5,112	6,672
Opening balance 01/01/2015	***0***	**-**	**-**	3,706	3,706
Profit/loss for period	-	-	-	415	415
Other comprehensive income	-	-	-	-	-
Total other comprehensive income	-	-	-	415	415
Bonus issue	20	-	-	-20	-
Transactions with shareholders					
Shareholders' contribution received	-	-	-	1,036	1,036
Share issue and share issue costs	6	1,534	-	-49	1,491
Share-based payments	-	-	-	*0*	*0*
Total transactions with shareholders	6	1,534	-	987	2,527
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 29 MSEK (21). Operating profit totaled -7 MSEK (-31).

Net financial items for the period totaled 17 MSEK (-13). The Parent Company's profit before tax was 76 MSEK (531).

Transactions between related parties

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 11 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

Oct-Dec	Sweden		Norway		Other Nordic countries & Europe		Central functions		Group	
MSEK	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Net sales	1,521	1,337	976	872	966	876	-	-	3,463	3,085
Other income	3	4	-	-	-	-	-	-	3	4
Internal transactions	-	-	-	-	-	-	10	9	10	9
Group eliminations	-	-	-	-	-	-	-10	-9	-10	-9
Total income	**1,524**	**1,341**	**976**	**872**	**966**	**876**	**-**	**-**	**3,466**	**3,089**
Expenses	-1,195	-1,104	-886	-789	-825	-768	-103	-96	-3,009	-2,756
Adjusted EBITDA	**329**	**237**	**90**	**83**	**141**	**108**	**-103**	**-96**	**457**	**332**
Adjusted EBITDA margin, %	21.6	17.7	9.2	9.5	14.6	12.3	-	-	13.2	10.8
EBITDA	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**453**	**270**
EBITDA margin, %	-	-	-	-	-	-	-	-	13.1	8.7
Depreciation and amortization	-	-	-	-	-	-	-	-	-136	-117
EBIT (Operating profit/loss)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**317**	**153**
Net financial items	-	-	-	-	-	-	-	-	-24	-134
EBT (Profit/loss before tax)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**293**	**19**

Jan-Dec	Sweden		Norway		Other Nordic countries & Europe		Central functions		Group	
MSEK	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Net sales	5 637	5 065	3 744	3 716	3 701	3 411	-	-	13 082	12 192
Other income	13	16	-	-	-	-	-	-	13	16
Internal transactions	-	-	-	-	-	-	29	21	29	21
Group eliminations	-	-	-	-	-	-	-29	-21	-29	-21
Total income	**5 650**	**5 081**	**3 744**	**3 716**	**3 701**	**3 411**	**-**	**-**	**13 095**	**12 208**
Expenses	-4 675	-4 253	-3 381	-3 395	-3 179	-3 011	-347	-303	-11 582	-10 962
Adjusted EBITDA	**975**	**828**	**363**	**321**	**522**	**400**	**-347**	**-303**	**1 513**	**1 246**
Adjusted EBITDA margin, %	17,3	16,3	9,7	8,6	14,1	11,7			11,6	10,2
EBITDA	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1 462**	**1 114**
EBITDA margin, %	-	-	-	-	-	-	-	-	11,2	9,1
Depreciation and amortization	-	-	-	-	-	-	-	-	-537	-502
EBIT (Operating profit/loss)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**925**	**613**
Net financial items	-	-	-	-	-	-	-	-	132	-497
EBT (Profit/loss before tax)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1 057**	**115**

Assets and investments by segment

31 Dec	Sweden		Norway		Other Nordic countries & Europe		Central functions		Group	
MSEK	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Fixed assets	5,095	5,512	3,658	3,372	1,203	835	2,191	1,889	12,147	11,608
Investments in fixed assets	341	267	210	170	131	159	37	43	719	639

RevPAR development by segment

	OCC LFL		ARR LFL		RevPAR LFL		RevPAR	
	Oct-Dec		Oct-Dec		Oct-Dec		Oct-Dec	
SEK	2016	vs 2015	2016	vs 2015	2016	vs 2015	2016	vs 2015
Sweden	66.9%	1.6 pp	1,014.9	2.1%	679.4	4.7%	698.7	7.9%
Norway	53.5%	1.6 pp	1,019.8	8.5%	546.0	11.7%	545.0	13.0%
Other Nordic countries & Europe	65.1%	0.4 pp	990.0	12.5%	644.3	13.3%	646.5	12.9%
Total	62.5%	1.3 pp	1,008.7	6.6%	630.0	8.9%	638.7	10.8%

	Jan-Dec		Jan-Dec		Jan-Dec		Jan-Dec	
SEK	2016	vs 2015	2016	vs 2015	2016	vs 2015	2016	vs 2015
Sweden	68.5%	1.9 pp	991.6	3.8%	679.4	5.8%	693.0	7.5%
Norway	59.4%	3.8 pp	936.0	-2.1%	556.4	1.6%	559.4	1.5%
Other Nordic countries & Europe	68.6%	2.4 pp	956.3	8.4%	656.1	10.9%	658.8	11.1%
Total	65.8%	2.6 pp	966.2	3.4%	636.0	6.1%	643.3	7.0%

Revenue by country

MSEK	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Sweden	1,524	1,340	5,650	5,081
Norway	976	872	3,744	3,716
Denmark	370	322	1,412	1,264
Finland	458	416	1,750	1,601
Germany	115	107	444	406
Poland	17	16	73	64
Belgium	6	16	22	76
Total countries	**3,466**	**3,089**	**13,095**	**12,208**
Other	10	8	29	21
Group eliminations	-10	-8	-29	-21
Group	**3,466**	**3,089**	**13,095**	**12,208**

Revenue by type of agreement

MSEK	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Lease agreements	3,450	3,070	13,029	12,135
Management agreements	3	2	11	11
Franchise and partner agreements	3	6	18	24
Owned	10	11	37	38
Total	**3,466**	**3,089**	**13,095**	**12,208**
Other	10	8	29	21
Group eliminations	-10	-8	-29	-21
Group	**3,466**	**3,089**	**13,095**	**12,208**

Quarterly data

MSEK	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
RevPAR, SEK	638.7	728.0	688.3	512.9	576.3	671.5
Net sales	3,463	3,577	3,447	2,594	3,085	3,275
Adjusted EBITDAR	1,330	1,480	1,344	744	1,105	1,344
Adjusted EBITDA	457	547	470	40	332	491
EBITDA	453	542	444	24	270	475
Adjusted EBIT	321	392	345	-82	215	362
EBIT (Operating profit/loss)	317	387	319	-98	153	347
EBT (Profit/loss before tax)	293	557	334	-128	19	98
Adjusted EBITDAR margin, %	38.4	41.4	39.0	28.7	35.8	41.0
Adjusted EBITDA margin, %	13.2	15.3	13.6	1.5	10.7	15.0
EBITDA margin, %	13.1	15.1	12.9	0.9	8.8	14.5
Adjusted EBIT margin, %	9.3	11.0	10.0	neg	7.0	11.1
EBIT margin, %	9.2	10.8	9.3	neg	5.0	10.6
Earnings per share after dilution, SEK	2.79	4.22	2.52	-0.97	0.23	1.29

Quarterly data per segment

	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Net sales						
Sweden	1,521	1,498	1,514	1,104	1,337	1,373
Norway	976	1,063	963	742	872	974
Other Nordic countries & Europe	966	1,016	970	748	876	928
Total net sales	**3,463**	**3,577**	**3,447**	**2,594**	**3,085**	**3,275**
Adjusted EBITDA						
Sweden	329	291	274	81	237	281
Norway	90	154	118	1	83	119
Other Nordic countries & Europe	141	182	170	30	107	152
Central functions	-103	-80	-92	-72	-95	-61
Total adj EBITDA	**457**	**547**	**470**	**40**	**332**	**491**

Hotels and rooms in operation and under development

	Operational										Under development	
	Lease agreements		Management agreements		Franchise and partner agreements		Owned		Total		Total	
31 Dec, 2016	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
Sweden	77	15,781	1	145	6	726	-	-	84	16,652	1	700
Norway	61	11,344	-	-	20	2,522	1	135	82	14,001	4	1,366
Denmark	22	3,664	1	210	-	-	-	-	23	3,874	2	670
Finland	26	5,303	-	-	2	233	-	-	28	5,536	-	70
Rest of Europe	6	1,509	-	-	-	-	-	-	6	1,509	-	16
Total	**192**	**37,601**	**2**	**355**	**28**	**3,481**	**1**	**135**	**223**	**41,572**	**7**	**2,822**

Exchange rates

SEK/EUR	Jan-Dec 2016	Jan-Dec 2015
Income statement (average)	9.4704	9.3562
Balance sheet (at end of period)	9.5669	9.1350
SEK/NOK		
Income statement (average)	1.0199	1.0465
Balance sheet (at end of period)	1.0540	0.9556
SEK/DKK		
Income statement (average)	1.2720	1.2544
Balance sheet (at end of period)	1.2869	1.2242

Alternative performance measures

Interest-bearing net liabilities	31 Dec 2016	31 Dec 2015
Interest-bearing liabilities	3,778	3,603
Cash and cash equivalents	-1,068	-248
Interest-bearing net liabilities	2,710	3,355

Working capital	31 Dec 2016	31 Dec 2015
Current assets, excl cash and bank balances	929	1,044
Current liabilities	-2,110	-2,176
Working capital [1]	-1,181	-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.

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 5 for the year 2016, including social security contributions. The maximum cost of the program, including social security contributions, is estimated to be 36 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.

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 10 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 2 during 2016, including social security contributions. The maximum cost of the program, including social security contributions, is estimated to be 29 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 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, February 22, 2017

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' REVIEW

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

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.

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 close to 240 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 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)

- **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
- **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
- **2016.11-17** Scandic receives damages in dispute with Folkets Hus & Park in Sundsvall
- **2016-11-07** Scandic expands in Drammen, Norway
- **2016-10-11** Scandic Hotels' Lena Bjurner nominated for HR Director of the Year award 2017
- **2016-10-11** New Nomination Committee for Scandic Hotels Group

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Contac

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

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

Scandic