Scandic

The largest hotel company in the Nordics

January–September 2017

SOLID DEVELOPMENT IN SALES & PROFITS

THIRD QUARTER IN SUMMARY

- Net sales increased by 11.1% to 3,974 MSEK (3,577) primarily due to higher RevPAR and more rooms in operation.
- Adjusted EBITDA totaled 622 MSEK (547), corresponding to a margin of 15.7% (15.3).
- An agreement was signed to acquire a 293-room hotel in central Frankfurt, which will open in early 2018.
- Agreements were signed for two new hotels in Copenhagen, totaling 989 rooms, which will open in 2020 and 2021 respectively.
- 17 MSEK in capital gain from the sale of a hotel in Finland.
- Earnings per share amounted to 3.65 SEK (4.22). Excluding currency effects related to the revaluation of loans and items affecting comparability, earnings per share amounted to 3.53 SEK (2.86).

THE PERIOD IN SUMMARY

- Net sales increased by 12.7% to 10,839 MSEK (9,618). The increase was due to higher RevPAR, more rooms in operation and positive currency effects.
- Adjusted EBITDA totaled 1,237 MSEK (1,056), corresponding to a margin of 11.4% (11.0).
- Earnings per share amounted to 5.33 SEK (5.78). Excluding currency effects related to the revaluation of loans and items affecting comparability, earnings per share totaled 5.51 SEK (3.96).
- Acquisition of Relstel's hotel portfolio in Finland, that is expected to close by the end of 2017.

EVENTS AFTER THE REPORTING DATE

- On October 16, Scandic announced that CCO Thomas Engelhart would leave the company.
- Agreement signed for take-over of hotel in Turku, Finland, with some 300 rooms which will open in 2021.
- Decision regarding additional assessment in Finland for the 2008 tax year amounting to approx. 93 MSEK. The decision will be appealed.

GROUP KEY RATIOS

MSEK	Jul-Sep 2017	Jul-Sep 2016	% change	Jan-Sep 2017	Jan-Sep 2016	% change	Jan-Dec 2016	Oct-Sep 2016/2017
Financial key ratios								
Net sales	3,974	3,577	*11.1%*	10,839	9,618	*12.7%*	13,082	14,303
Adjusted EBITDA	622	547	*13.7%*	1,237	1,056	*17.1%*	1,513	1,694
Adjusted EBITDA margin, %	15.7	15.3		11.4	11.0		11.6	11.8
EBITDA	625	542	*15.3%*	1,194	1,009	*18.3%*	1,462	1,647
EBIT (Operating profit/loss)	493	387	*27.4%*	800	608	*31.6%*	925	1,118
Profit/loss before taxes	470	557	*-15.6%*	694	764	*-9.2%*	1,057	988
Net profit/loss for the period	377	434	*-13.1%*	552	596	*-7.4%*	882	839
Earnings per share, SEK	3.65	4.22	*-13.6%*	5.33	5.78	*-7.9%*	8.58	8.13
Net debt/Adjusted EBITDA, LTM				1.7	2.4		1.8	1.7
Hotel-related key ratios								
RevPAR (SEK)	758	728	*4.1%*	693	645	*7.5%*	643	680
ARR (Average Room Rate), SEK	993	956	*3.8%*	1,008	962	*4.8%*	976	1,011
OCC (Occupancy), %	76.4	76.1		68.8	67.0		65.9	67.3
Total number of rooms at reporting date	43,149	41,551	*3.8%*	43,149	41,551	*3.8%*	41,572	43,149

CEO'S COMMENTS

Good growth during the quarter

I am pleased to present my first interim report as President & CEO of Scandic and I can affirm that we saw continued good growth during the third quarter. Net sales rose 11 percent, driven by growth in comparable units and continued development in our hotel portfolio. RevPAR for comparable units rose by 3.8 percent with a positive growth trend in Finland and Norway and a slightly lower increase in Sweden and Denmark. Adjusted EBITDA for the quarter amounted to 622 MSEK (547), corresponding to a margin of 15.7 percent (15.3).

Exciting additions to our pipeline

During the third quarter, we have added three hotels to our pipeline. In July, we announced the takeover of the operation of a newly-renovated and centrally-located hotel in Frankfurt. This will be our fourth hotel in Germany and the investment is very much in line with our strategy to grow selectively in the German market. In addition, we presented two new hotel projects in Copenhagen, Scandic Spectrum in central Copenhagen, which with its 632 rooms will be the largest in Scandic's portfolio, and Scandic Copenhagen Airport in the emerging Scanport area next to Kastrup Airport.

Our pipeline now has 4,443 rooms, corresponding to 10 percent of our existing portfolio, laying the groundwork for continued growth in the coming years.

A solid foundation for continued development

During my first months at Scandic, I visited more than 70 hotels and I am impressed by the quality of our portfolio. Scandic has a unique network and a strong distribution capacity. This, together with our proven strategy with variable leases and a high share of returning corporate customers, gives us good opportunities to continue growing faster than the Nordic market.

We will not, however, settle for the position we have today. In an increasingly dynamic travel industry, we need to respond quickly to changes and new opportunities. Scandic will strive for profitability that fully leverages the economies of scale we enjoy. This includes ensuring that we have effective support functions and that we work to optimize our hotel portfolio and offering.

We expect that the acquisition of Restel in Finland will be completed before the end of the year following the review by the Finnish Competition Authority and we look forward to starting the integration of the Restel hotels in full.

For the fourth quarter, we expect sales to continue to grow, although at a slower pace than during the third quarter.

Even Frydenberg
President & CEO

"Continued good growth during the third quarter."

4,443

Number of rooms in the pipeline

"Scandic will strive for profitability that fully leverages the economies of scale we enjoy."

NORDIC HOTEL MARKET DEVELOPMENT

Demand for hotel nights remained high in the Nordic region during the quarter. RevPAR rose in all markets mainly due to higher average room rates. Development remained strong, primarily in Norway and Finland.

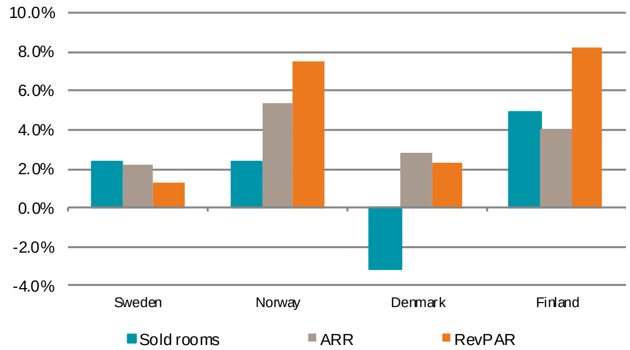
In the Swedish market, the number of available rooms increased during the quarter, mainly due to an increase in the Stockholm region. This resulted in a slight decrease in the occupancy rate. The number of sold rooms increased by 2.4% in the quarter while RevPAR increased by 1.3% with a slight increase in average room rates compensating for the decreased occupancy rate.

The number of sold rooms in the Norwegian market rose by 2.4% in the third quarter. The total number of available rooms remained more or less unchanged compared with the previous year. An increase in the supply in Bergen was offset by a reduction in other regions. RevPAR in the market increased by 7.5%, mainly due to a higher average room rate but to a certain extent also due to higher occupancy.

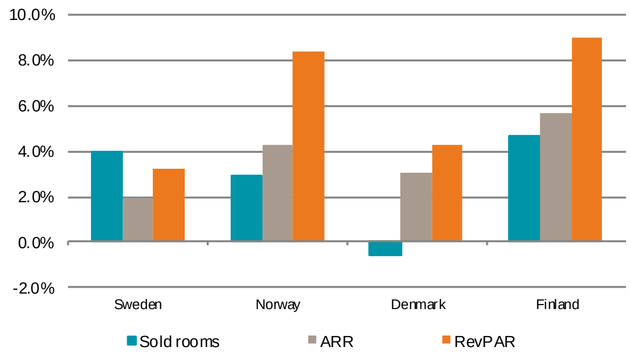
In Denmark, RevPAR increased by 2.3%. Average room rates increased while occupancy decreased slightly from high levels.

In Finland, the number of sold rooms increased by 4.9% in the quarter, while the number of available rooms in the market was largely unchanged. RevPAR in the Finnish market rose by 8.2% driven by increased occupancy and higher average room rates.

MARKET DEVELOPMENT JULY–SEPTEMBER 2017
CHANGE YEAR-ON-YEAR



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



Source: Benchmarking Alliance & STR Global.

HOTEL PORTFOLIO

Existing hotel portfolio

At the end of the period, Scandic had 43,149 rooms in operation at 224 hotels, of which 201 had lease agreements. On September 1, Scandic opened Downtown Camper by Scandic which is Scandic's third signature hotel in Stockholm. By the end of the period, the hotel had 326 rooms in operation with the remaining 168 rooms coming into operation during the fourth quarter.

Portfolio changes	Number of rooms
Opening balance June 30, 2017	42,768
New hotels	
Downtown Camper by Scandic	326
Total	**326**
Extensions	**55**
Total change during the quarter	**381**
Closing balance September 30, 2017	**43,149**

Number of hotels in operation and in pipeline

	Operational on Sep 30, 2017				Pipeline	
		of which		of which	30 Sep, 2017	
	Hotels	Leased	Rooms	Leased	Hotels	Rooms
Sweden	86	79	17,255	16,384	2	894
Norway	81	67	14,910	12,938	3	848
Denmark	24	23	4,089	3,879	4	1,695
Finland	27	26	5,370	5,303	2	703
Rest of Europe	6	6	1,525	1,525	1	293
Total	**224**	**201**	**43,149**	**40,029**	**12**	**4,433**
Change during the quarter	*1*	*1*	*381*	*381*	*2*	*904*

High-quality pipeline

During the quarter, Scandic announced an agreement to take over a hotel in central Frankfurt (293 rooms) that is expected to open at the beginning of 2018. The hotel will be Scandic's fourth in the German market.

Scandic also presented two new hotel projects in Copenhagen during the period: Scandic Spectrum in central Copenhagen, which with its 632 rooms will be the largest in Scandic's portfolio, and Scandic Copenhagen Airport (357 rooms) in the developing Scanport area near Kastrup Airport.

In addition, an agreement was signed for a new franchise hotel in Elverum in Norway that will be opened during Q1 2018.

At the end of the period, Scandic had twelve hotels with a total of 4,433 rooms in the pipeline. In addition, there will be around 7,600 additional rooms from the acquisition of Restel, that is expected to close by the end of the fourth quarter.

After the end of the third quarter, Scandic signed an agreement with the real estate owner LocalTapiola Life regarding operation of a hotel in central Turku in Finland. The hotel, with approximately 300 rooms, will be fully renovated when Scandic takes over operations in early 2021.

NET SALES AND RESULTS

Group

	Jul-Sep 2017	Jul-Sep 2016	%	Jan-Sep 2017	Jan-Sep 2016	%
Net sales (MSEK)	**3,974**	**3,577**	**11.1%**	**10,839**	**9,618**	**12.7%**
Currency effects	11		0.3%	168		1.7%
New hotels	234		6.5%	601		6.2%
Exits	-14		-0.4%	-50		-0.5%
LFL	166		4.6%	502		5.2%
Adjusted EBITDA	**622**	**547**	**13.7%**	**1,237**	**1,056**	**17.1%**
% margin	15.7%	15.3%		11.4%	11.0%	
RevPAR (SEK)	**758**	**728**	**4.1%**	**693**	**645**	**7.5%**
Currency effects	3		0.4%	11		1.7%
New hotels/exits	-1		-0.1%	3		0.4%
LFL	28		3.8%	35		5.4%

Third quarter

Net sales rose by 11.1% to 3,974 MSEK (3,577). For comparable entities, the increase was 4.6%. All markets contributed to the growth. Currency effects impacted net sales positively by 0.3%. Net changes in the hotel portfolio contributed 6.1% or 220 MSEK to the increase in sales. The greatest contribution to sales was from the eight hotels that were added in the Pandox and Eiendomsspar transaction that was completed during Q2 2017.

Average Revenue Per Available Room (RevPAR) increased by 3.7% in fixed currencies compared with the previous year. RevPAR for comparable units grew by 3.8%.

Revenue from restaurant and conference operations grew by 10.7% and the share of total net sales amounted to 28.8% (28.9).

Rental costs accounted for 25.9% (26.1) of net sales. Fixed and guaranteed rental costs were 57.4% (60.9) of total rental costs. The reduction is a result of increased sales and additional contracts with lower or no guarantee levels.

Central costs and Group adjustments grew to -85 MSEK (-80). This includes a revaluation of power supply hedging, which had a positive effect of 7 MSEK on the profit, and costs associated with the change of President & CEO of approximately 10 MSEK.

Adjusted EBITDA before opening costs for new hotels increased to 622 MSEK (547). The adjusted EBITDA margin rose to 15.7% (15.3).

Pre-opening costs for new hotels amounted to -14 MSEK (-5).

Non-recurring items amounted to 17 MSEK (0) and consisted of capital gains from the sale of the hotel operations of Scandic Vierumäki in Finland.

Consequently, EBITDA was 625 MSEK (542).

EBIT amounted to 493 MSEK (387). The EBIT margin was 12.4% (10.8) and depreciation and amortization totaled -132 MSEK (-155).

The Group's net financial expense amounted to -23 MSEK (170). The interest expense amounted to -25 MSEK (-31), positively impacted by the new loan agreement that was concluded on June 22, 2017. The result of exchange rate fluctuations from the revaluation of loans and investments amounted to -1 MSEK (179).

Reported tax totaled -93 MSEK (-123).

Net profit dropped to 377 MSEK (434). Earnings per share after dilution totaled 3.65 SEK per share (4.22). Excluding currency effects related to the revaluation of loans and items affecting comparability, earnings per share after dilution amounted to 3.53 SEK per share (2.86).

The period January–September

Net sales rose by 12.7% to 10,839 MSEK (9,618). For comparable units, the increase was 5.2%, driven by great demand in all markets. Currency effects affected net sales positively by 1.7%. Net changes in the hotel portfolio contributed 5.7% or 551 MSEK to the increase in sales. The greatest contribution to sales was from the eight hotels that were added in the Pandox and Eiendomsspar transaction, which was completed in Q2 2017, and the hotels that were opened in Stockholm in 2016: Scandic Continental and Haymarket by Scandic.

Average Revenue Per Available Room (RevPar) increased by 5.8% in fixed currencies compared with the previous year. For comparable units, RevPAR increased by 5.4% and all main markets contributed positively to the development, led by Norway and Finland with an increase of over 8%.

Revenue from restaurant and conference operations grew by 13.8% and the share of total net sales amounted to 31.7% (31.3%).

Rental costs accounted for 26.0% (26.1) of net sales. Fixed and guaranteed rental costs were 61.9% (65.2) of the total rental costs. The reduction is a result of increased sales and additional contracts with lower or no guarantee levels.

Central costs and Group adjustments grew somewhat to -261 MSEK (-243). This includes a revaluation of power supply hedging, which had a positive effect of 3 MSEK on profits. The increased costs were partly due to a reinforcement of the central IT and Commercial functions, increased investments in digital development and costs associated with the change of President & CEO.

Adjusted EBITDA before opening costs for new hotels increased to 1,237 MSEK (1,056). The adjusted EBITDA margin rose to 11.4% (11.0). RevPAR growth affected the margin positively, while hotels that were added in the period initially contributed a margin below the Group average.

Pre-opening costs for new hotels totaled -48 MSEK (-47).

Non-recurring items amounted to 5 MSEK (0), comprising -12 MSEK in transaction costs related to the agreement to acquire Restel's hotel operations in Finland and 17 MSEK in capital gains from the sale of the Scandic Vierumäki hotel operations in Finland.

Consequently, EBITDA was 1,194 MSEK (1,009).

EBIT totaled 800 MSEK (608), corresponding to an EBIT margin of 7.4% (6.3). Depreciation and amortization dropped marginally in the period to -394 MSEK (-401).

The Group's net financial expense amounted to -106 MSEK (156). Interest expense was -83 MSEK (-100). The lower interest expense is the result of lower levels of debt and the effects of the new loan agreement that was concluded on June 22, 2017. The result of exchange rate fluctuations from the revaluation of loans and investments amounted to -29 MSEK (240).

Reported tax amounted to -142 MSEK (-168).

Net profit dropped to 552 MSEK (596). Earnings per share after dilution totaled 5.33 SEK per share (5.78). Excluding currency effects related to the revaluation of loans and items affecting comparability, earnings per share after dilution amounted to 5.51 SEK per share (3.96).

Segment reporting

Quarterly, Jul-Sep	Net sales		Adjusted EBITDA		Adjusted EBITDA margin	
MSEK	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Sweden	1,550	1,498	283	291	18.3%	19.4%
Norway	1,333	1,063	213	154	16.0%	14.5%
Other Nordics & Europe	1,091	1,016	211	182	19.3%	17.9%
Central costs and group adjustments	-	-	-85	-80	-	-
Total Group	**3,974**	**3,577**	**622**	**547**	**15.7%**	**15.3%**

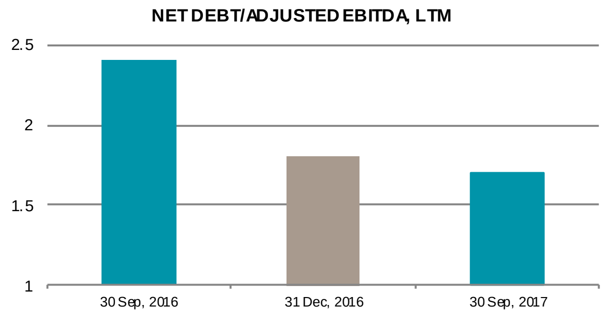
Jan-Sep	Net sales		Adjusted EBITDA		Adjusted EBITDA margin	
MSEK	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Sweden	4,399	4,116	672	646	15.3%	15.7%
Norway	3,439	2,767	377	272	11.0%	9.8%
Other Nordics & Europe	3,001	2,735	449	381	15.0%	13.9%
Central costs and group adjustments	-	-	-261	-243	-	-
Total Group	**10,839**	**9,618**	**1,237**	**1,056**	**11.4%**	**11.0%**

BALANCE SHEET AND CASH FLOW

The balance sheet total on September 30, 2017 was 13,942 MSEK, compared with 14,144 MSEK on December 31, 2016. Interest-bearing net liabilities increased in the period from 2,710 MSEK on December 31, 2016 to 2,840 MSEK on September 30, 2017.

The increase in net debt in the first nine months was caused by seasonally higher working capital tied up in the period and the payment of dividends to shareholders. Loans to credit institutions totaled 2,961 MSEK at the end of the period. Net debt on September 30, 2017 corresponded to 1.7 times adjusted EBITDA for the past twelve months (1.8 per December 31, 2016).

On September 30, 2017, the average number of shares and votes was 103,028,202 after dilution. Total equity was 7,235 MSEK compared with 7,103 MSEK on December 31, 2016.



Operating cash flow amounted to 207 MSEK (287) in the first nine months of 2017. The improved operating profit/loss did not fully offset the increased working capital tied up and increased investments. The cash flow contribution from the change in working capital amounted to -386 MSEK (-248). The Group has negative operating capital as the majority of revenue is paid in advance or in direct connection with stays.

Net investments during the period amounted to -576 MSEK (-468), of which hotel renovations accounted for -372 MSEK (-247) and IT for -32 MSEK (-28). Investments in new hotels and increased room capacity totaled -172 MSEK (-193).

Cash flow from financing activities was -1,146 MSEK over the year (-78). The change was chiefly due to 322 MSEK in dividends paid to shareholders in May and a net amortization of 789 MSEK made in connection with the refinancing in June.

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

When the loan entered into force on June 30, the company ceased to apply hedge accounting aimed at hedging net investments in its foreign subsidiaries in Finland, Denmark and Norway. Only minor currency effects are expected in net financial items from this time. In the third quarter, currency effects were -1 MSEK.

At the end of the period, the Group had 121 MSEK (440) in cash and cash equivalents.

Unused credit facilities totaled 1,986 MSEK (1,000).

Cash flow

MSEK	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016
Cash flow before changes in working capital	613	537	1,167	1,003
Changes in working capital	-191	-48	-386	-248
Investments	-210	-176	-574	-468
Operating cash flow	**212**	**313**	**207**	**287**

EMPLOYEES

The average number of employees in the Group was 9,907 as at September 30, 2017 compared with 9,339 as at September 30, 2016.

SEGMENT REPORTING

Sweden

	Jul-Sep 2017	Jul-Sep 2016	%	Jan-Sep 2017	Jan-Sep 2016	%
Net sales (MSEK)	**1,550**	**1,498**	**3.5%**	**4,399**	**4,116**	**6.9%**
New hotels	37		2.5%	218		5.3%
Exits	-9		-0.6%	-25		-0.6%
LFL	24		1.6%	90		2.2%
Adjusted EBITDA	**283**	**291**	**-2.8%**	**672**	**646**	**4.1%**
% margin	18.3%	19.4%		15.3%	15.7%	
RevPAR (SEK)	**761**	**752**	**1.3%**	**717**	**691**	**3.7%**
New hotels/Exits	-2		-0.2%	9		1.3%
LFL	11		1.5%	16		2.4%
ARR (SEK)	991	972	2.0%	1,021	1,002	1.9%
OCC %	76.8%	77.4%		70.2%	69.0%	

Third quarter

Net sales rose by 3.5% to 1,550 MSEK (1,498). Net sales for comparable units grew by 1.6%. Market capacity in Stockholm increased by around 5% in the third quarter while the number of sold rooms rose more slowly. Market occupancy and Scandic's occupancy in Stockholm were affected negatively, which slowed RevPAR in Sweden.

Changes in the hotel portfolio contributed 1.9% or 28 MSEK to the increase in sales. The greatest contribution to sales was from Downtown Camper by Scandic, which was opened in Stockholm on September 1, 2017.

Average Revenue Per Available Room (RevPar) increased by 1.3% compared with the same quarter the previous year. RevPAR for comparable units grew by 1.5%. RevPAR is growing in all regions except Stockholm, driven by a strong trend in region West.

Adjusted EBITDA before opening costs for new hotels dropped to 283 MSEK (291) due to lower results in Stockholm. The adjusted EBITDA margin declined from 19.4% to 18.3%.

The period January–September

Net sales rose by 6.9% to 4,399 MSEK (4,116). Net sales for comparable units grew by 2.2%. Market capacity in Stockholm has increased gradually over the year, which has had a dampening effect on RevPAR in Sweden.

Changes in the hotel portfolio contributed 4.7% or 193 MSEK to the increase in sales. The greatest contribution to sales was from Haymarket by Scandic, which opened in Stockholm on May 10, 2016, and Scandic Continental, which opened on April 1, 2016.

Average Revenue Per Available Room (RevPAR) increased by 3.7% compared with the same period the previous year. RevPAR for comparable units grew by 2.4%.

Adjusted EBITDA before opening costs for new hotels increased to 672 MSEK (646). The adjusted EBITDA margin dropped somewhat to 15.3 (15.7).

Norway

	Jul-Sep 2017	Jul-Sep 2016	%	Jan-Sep 2017	Jan-Sep 2016	%
Net sales (MSEK)	**1,333**	**1,063**	**25.5%**	**3,439**	**2,767**	**24.3%**
Currency effects	4		0.4%	105		3.8%
New hotels	176		16.5%	320		11.6%
Exits	-7		-0.6%	-25		-0.9%
LFL	97		9.1%	272		9.8%
Adjusted EBITDA	**213**	**154**	**38.7%**	**377**	**272**	**38.4%**
% margin	16.0%	14.5%		11.0%	9.8%	
RevPAR (SEK)	**720**	**663**	**8.6%**	**641**	**564**	**13.6%**
Currency effects	4		0.6%	21		3.8%
New hotels/Exits	5		0.8%	2		0.4%
LFL	48		7.2%	53		9.5%
ARR (SEK)	973	909	7.1%	988	915	8.1%
OCC %	74.0%	73.0%		64.9%	61.7%	

Third quarter

Net sales rose by 25.5% to 1,333 MSEK (1,063). Net sales for comparable units grew by 9.1%.

Changes in the hotel portfolio contributed 15.9% or 169 MSEK to the increase in sales. The greatest contributors were Grand Hotel Oslo and an additional four hotels that were added in the Pandox and Eiendomsspar transaction that was completed in Q2 2017. Scandic Flesland Airport in Bergen, which opened on April 3, 2017, also contributed.

Average Revenue Per Available Room (RevPAR) increased by 8.0% in local currency compared with the same quarter the previous year. RevPAR for comparable units grew by 7.2%.

Adjusted EBITDA before opening costs for new hotels increased to 213 MSEK (154).

The adjusted EBITDA margin rose to 16.0% (14.5). Higher RevPAR impacted the margin positively. New hotels that initially contributed a lower margin developed positively in the third quarter, approaching the average for the hotel portfolio in Norway.

The period January–September

Net sales rose by 24.3% to 3,439 MSEK (2,767). Net sales for comparable units grew by 9.8%.

Changes in the hotel portfolio contributed 10.7% or 295 MSEK to the increase in sales. During the period, Ambassadeur Drammen and Grand Hotel Oslo opened along with four hotels that were added in the Pandox and Eiendomsspar transaction that was completed in Q2 2017. Additionally, Scandic Flesland Airport opened in Bergen on April 3, while a hotel in Tromsø was exited in the end of 2016.

Average Revenue Per Available Room (RevPAR) increased by 9.8% in local currency compared with the same period the previous year. RevPAR for comparable units grew by 9.5%.

Adjusted EBITDA before opening costs for new hotels increased to 377 MSEK (272).

The adjusted EBITDA margin rose to 11.0% (9.8). RevPAR growth affected the margin positively, while new hotels initially contributed a margin below the average for the hotel portfolio in Norway. A positive trend of new hotels in the third quarter reduced the difference in margin compared with the average.

Other Nordic countries & Europe

	Jul-Sep 2017	Jul-Sep 2016	%	Jan-Sep 2017	Jan-Sep 2016	%
Net sales (MSEK)	**1,091**	**1,016**	**7.3%**	**3,001**	**2,735**	**9.7%**
Currency effects	7		0.7%	63		2.3%
New hotels	22		2.1%	62		2.3%
Exits	1		0.1%	1		0.0%
LFL	45		4.4%	140		5.1%
Adjusted EBITDA	**211**	**182**	**16.0%**	**449**	**381**	**17.8%**
% margin	19.3%	17.9%		15.0%	13.9%	
RevPAR (SEK)	**799**	**763**	**4.7%**	**719**	**663**	**8.5%**
Currency effects	6		0.8%	15		2.3%
New hotels/Exits	-1		-0.1%	-1		-0.2%
LFL	31		4.0%	42		6.4%
ARR (SEK)	1,017	981	3.6%	1,009	948	6.5%
OCC %	78.5%	77.7%		71.3%	70.0%	

Third quarter

Net sales rose by 7.3% to 1,091 MSEK (1,016). Net sales for comparable units grew by 4.4%. All markets contributed positively to the increase in sales, driven by Finland with a 5.7% increase in local currency.

Changes in the hotel portfolio contributed 2.2% or 23 MSEK to the increase in sales. Scandic Sluseholmen in Copenhagen accounted for the largest share of the increase.

Average Revenue Per Available Room (RevPAR) increased by 5.5% in local currency compared with the same quarter the previous year. RevPAR for comparable units grew by 4.0%. The trend was strong in Finland and Germany while the trend in Denmark was marginally positive.

Adjusted EBITDA before opening costs for new hotels increased to 211 MSEK (182).

The adjusted EBITDA margin rose to 19.3% (17.9).

The period January–September

Net sales rose by 9.7% to 3,001 MSEK (2,735). Net sales for comparable units grew by 5.1%.

Changes in the hotel portfolio contributed 2.3% or 63 MSEK to the increase in sales. Scandic Sluseholmen in Copenhagen and the hotels opened in 2016, Scandic Vaasa in Finland and Scandic Aalborg City in Denmark accounted for the largest share of the increase.

Average Revenue Per Available Room (RevPAR) increased by 6.2% in local currency compared with the same period during the previous year. RevPAR for comparable units grew by 6.4%.

Adjusted EBITDA before opening costs for new hotels increased to 449 MSEK (381).

The adjusted EBITDA margin grew to 15.0% (13.9), mainly due to positive margin development in Finland.

Central functions

Adjusted EBITDA for central functions and Group adjustments amounted to -85 MSEK (-80) during the quarter and -261 MSEK (-243) for the first nine months of the year. The increase in costs is largely related to strengthening the Group's central IT and Commercial functions, greater investments in digital development and costs associated with the change of President & CEO.

The revaluation of power supply hedging had a positive impact of 7 MSEK on EBITDA in the quarter and a positive impact of 3 MSEK for the first nine months of the year.

EVENTS AFTER THE REPORTING DATE

On October 16, Scandic announced that Chief Commercial Officer Thomas Engelhart would leave the company. Scandic's President & CEO, Even Frydenberg, will assume temporary responsibility for the commercial organization.

On October 18 it was announced that Scandic has signed an agreement with the real estate owner Local Tapiola Life regarding operation of a hotel in the iconic building Hamburger Börs in central Turku in Finland. The hotel will be fully renovated when Scandic takes over operation in early 2021.

On October 19, Scandic announced the Finnish Tax Administration has decided to make an additional assessment for the 2008 tax year. The Tax Administration is of the opinion that Scandic's Finnish operations shall be subject to additional taxes, fees and interest totaling 93 MSEK as the deduction of intra-group loans has been denied.

Scandic and its tax advisors are of the opinion that the company has acted correctly and in compliance with the applicable legislation and, accordingly, believe that the Finnish Tax Administration's decision is incorrect. The company will appeal the decision and request that the tax decision be rejected in its entirety.

In its 2016 Annual report, Scandic recognized a contingent liability of 142 MSEK. According to a preliminary assessment, the total exposure in the years 2008-2016 is approximately 390 MSEK excluding interest. Scandic will not report any tax expense for the taxes imposed.

FINANCIAL TARGETS

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

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

SEASONAL VARIATIONS

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

PRESENTATION OF THE REPORT

The presentation of Scandic's Interim Report will take place at 9:00 CET on October 26, 2017 with President & CEO Even Frydenberg and CFO Jan Johansson available by phone. To participate, just dial +46 8 5664 2665 or +44 20 3008 9813. Please call in five minutes before the start. The presentation will also be available afterwards at scandichotelsgroup.com

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FINANCIAL CALENDAR

2018-02-20	Year-end report 2017 (silent period from January 20, 2018)
2018-04-26	Interim report Q1 2018 (silent period from March 26, 2018)
2018-04-26	Annual General Meeting
2018-07-20	Interim report Q2 2018 (silent period from June 20, 2018)
2018-10-25	Interim report Q3 2018 (silent period from September 25, 2018)

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 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 offset by reduced rental costs. Scandic's other costs also include a high share of variable costs where above all, staffing flexibility is important to be able to adapt cost levels to variations in demand. Together, this means that by having a flexible cost structure, Scandic can lessen the effects of seasonal and economic fluctuations.

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

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

SENSITIVITY ANALYSIS

A change in RevPAR due to variable rental costs and variable costs will have an impact of approximately 40-60 percent on EBITDA. Based on Group results and assuming that all other factors except RevPAR remain unchanged, Scandic assesses that an increase or decrease of one percent in RevPAR will have an impact of approximately 30–50 MSEK on EBITDA on an annual basis, where the higher value relates to a change driven entirely by average room rate and the lower value refers to a change driven solely by occupancy.

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

Consolidated income statement

MSEK	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Jan-Dec 2016	Oct-Sep 2016/2017
INCOME						
Room revenue	2,725	2,466	7,180	6,394	8,530	9,316
Restaurant and conference revenue*	1,144	1,033	3,433	3,017	4,299	4,715
Franchise and management fees	8	9	20	22	29	27
Other hotel-related revenue	97	69	206	185	224	245
Net sales	***3,974***	***3,577***	***10,839***	***9,618***	***13,082***	***14,303***
Other income	-	4	1	10	13	4
TOTAL OPERATING INCOME	**3,974**	**3,581**	**10,840**	**9,628**	**13,095**	**14,307**
OPERATING COSTS						
Raw materials and consumables	-338	-306	-939	-818	-1,138	-1,259
Other external costs	-800	-753	-2,328	-2,129	-2,850	-3,049
Personnel costs	-1,186	-1,042	-3,514	-3,114	-4,211	-4,611
Adjusted EBITDAR	**1,650**	**1,480**	**4,059**	**3,567**	**4,896**	**5,388**
Fixed and guaranteed rental charges	-590	-568	-1,746	-1,638	-2,203	-2,311
Variable rental charges	-438	-365	-1,076	-873	-1,180	-1,383
Adjusted EBITDA	**622**	**547**	**1,237**	**1,056**	**1,513**	**1,694**
Pre-opening costs	-14	-5	-48	-47	-51	-52
Non-recurring items	17	-	5	-	-	5
EBITDA	**625**	**542**	**1,194**	**1,009**	**1,462**	**1,647**
Depreciation and amortization	-132	-155	-394	-401	-537	-530
TOTAL OPERATING COSTS	**-3,481**	**-3,194**	**-10,040**	**-9,020**	**-12,170**	**-13,190**
Adjusted EBIT	490	392	843	655	976	1,165
EBIT (Operating profit/loss)	**493**	**387**	**800**	**608**	**925**	**1,118**
Financial income	2	201	7	256	265	16
Financial expenses	-25	-31	-113	-100	-133	-146
Net financial items	**-23**	**170**	**-106**	**156**	**132**	**-130**
EBT (Profit/loss before taxes)	**470**	**557**	**694**	**764**	**1,057**	**988**
Taxes	-93	-123	-142	-168	-175	-149
PROFIT/LOSS FOR PERIOD	**377**	**434**	**552**	**596**	**882**	**839**
Profit/loss for period relating to:						
Parent Company shareholders	376	433	549	593	879	835
Non-controlling interest	1	1	3	3	3	3
Profit/loss for period	**377**	**434**	**552**	**596**	**882**	**838**
Average number of outstanding shares before dilution	102,985,075	102,491,170	102,985,075	102,491,170	102,428,053	102,629,031
Average number of outstanding shares after dilution	103,028,202	102,516,514	103,028,202	102,516,514	102,457,837	102,672,550
Earnings per share before dilution, SEK	**3.65**	**4.22**	**5.33**	**5.79**	**8.58**	**8.14**
Earnings per share after dilution, SEK	**3.65**	**4.22**	**5.33**	**5.78**	**8.58**	**8.13**
Adjusted EBITDAR margin, %	41.5	41.4	37.4	37.1	37.4	37.7
Adjusted EBITDA margin, %	15.7	15.3	11.4	11.0	11.6	11.8
EBITDA margin, %	15.7	15.1	11.0	10.5	11.2	11.5
Adjusted EBIT margin, %	12.3	11.0	7.8	6.8	7.5	8.1
EBIT margin, %	12.4	10.8	7.4	6.3	7.1	7.8
Fixed and guaranteed rental charges, % of net sales	14.8	15.9	16.1	17.0	16.8	16.2
Variable rental charges, % of net sales	11.0	10.2	9.9	9.1	9.0	9.7
Total rental charges, % of net sales	25.9	26.1	26.0	26.1	25.9	25.8

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

Consolidated statement of comprehensive income

MSEK	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Jan-Dec 2016	Oct-Sep 2016/2017
Profit/loss for period	377	434	552	596	882	839
Items that may be reclassified to the income statement	-2	-21	-63	45	45	-63
Items that may not be reclassified to the income statement	-9	-10	-36	-61	-6	19
Other comprehensive income	**-11**	**-31**	**-99**	**-16**	**39**	**-44**
Total comprehensive income for period	**366**	**403**	**453**	**580**	**921**	**795**
Relating to:						
Parent Company shareholders	362	399	448	574	918	792
Non-controlling interest	4	4	5	6	3	2

Consolidated balance sheet, summary

MSEK	30 Sep 2017	30 Sep 2016	31 Dec 2016
ASSETS			
Intangible assets	8,986	9,141	9,103
Tangible assets	3,158	2,877	2,977
Financial fixed assets	64	76	67
Total fixed assets	**12,208**	**12,094**	**12,147**
Current assets	1,613	1,467	929
Cash and cash equivalents	121	440	1,068
Total current assets	**1,734**	**1,907**	**1,997**
TOTAL ASSETS	**13,942**	**14,001**	**14,144**
EQUITY AND LIABILITIES			
Equity attributable to owners of the Parent Company	7,202	6,730	7,072
Non-controlling interest	33	31	31
Total equity	**7,235**	**6,761**	**7,103**
Interest-bearing liabilities	2,961	3,796	3,778
Other long-term liabilities	1,259	1,139	1,153
Total long-term liabilities	**4,220**	**4,935**	**4,931**
Derivative instruments	11	88	20
Other current liabilities	2,476	2,217	2,090
Total current liabilities	**2,487**	**2,305**	**2,110**
TOTAL EQUITY AND LIABILITIES	**13,942**	**14,001**	**14,144**
Equity per share, SEK	69.9	65.3	68.7
Total number of shares outstanding, end of period	102,985,075	102,985,075	102,985,075
Working capital	-874	-838	-1,181
Interest-bearing net liabilities	2,840	3,356	2,710
Interest-bearing net liabilities/adjusted EBITDA	1.7	2.4	1.8

Changes in Group equity

MSEK	Share capital	Share premium reserve	Translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
OPENING BALANCE 01/01/2016	**26**	**7,865**	**-71**	**-1,643**	**6,177**	**28**	**6,205**
Profit/loss for the period	**-**	**-**	**-**	**593**	**593**	**3**	**596**
Total other comprehensive income, net after tax	*-*	*-*	*42*	*-61*	*-19*	*3*	*-16*
Total comprehensive income for the year	**-**	**-**	**42**	**532**	**574**	**6**	**580**
Total transactions with shareholders	*-*	*-*	*-*	*-21*	*-21*	*-3*	*-24*
CLOSING BALANCE 09/30/2016	**26**	**7,865**	**-29**	**-1,132**	**6,730**	**31**	**6,761**
Profit/loss for the period	**-**	**-**	**-**	**286**	**286**	**-**	**286**
Total other comprehensive income, net after tax	*-*	*-*	*-*	*55*	*55*	*-*	*55*
Total comprehensive income for the year	**-**	**-**		**341**	**341**		**341**
Total transactions with shareholders	*-*	*-*	*-*	*1*	*1*	*-*	*1*
OPENING BALANCE 01/01/2017	**26**	**7,865**	**-29**	**-790**	**7,072**	**31**	**7,103**
Profit/loss for the period	**-**	**-**	**-**	**549**	**549**	**3**	**552**
Total other comprehensive income, net after tax	*-*	*-*	*-65*	*-36*	*-101*	*2*	*-99*
Total comprehensive income for the year	**-**	**-**	**-65**	**513**	**448**	**5**	**453**
Total transactions with shareholders	*-*	*-*	*-322*	*4*	*-318*	*-3*	*-321*
CLOSING BALANCE 09/30/2017	**26**	**7,865**	**-416**	**-273**	**7,202**	**33**	**7,235**

Consolidated cash flow statement

	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Jan-Dec 2016	Oct-Sep 2016/2017
OPERATING ACTIVITIES						
EBIT (Operating profit/loss)	493	387	800	608	925	1,117
Depreciation	132	155	394	401	537	530
Items not included in cash flow	-8	-2	-5	-2	-	-3
Paid tax	-4	-3	-22	-4	-3	-21
Change in working capital	-191	-48	-386	-248	150	12
Cash flow from operating activities	**422**	**489**	**781**	**755**	**1,609**	**1,635**
INVESTING ACTIVITIES						
Net investments	-212	-176	-576	-468	-719	-827
Sale of operations	2	-	2	-	-	2
Cash flow from investing operations	**-210**	**-176**	**-574**	**-468**	**-719**	**-825**
OPERATIVE CASH FLOW	**212**	**313**	**207**	**287**	**890**	**810**
FINANCING OPERATIONS						
Interest payments	-17	-23	-64	-75	-101	-90
Dividends	-	-3	-322	-3	-3	-322
Refinancing of loans	-	-	-6	-	-	-6
Dividend, share swap agreement	-	-	35	-	-	35
Net Borrowing/Amortization	-445	-150	-789	-	-	-789
Cash flow from financing operations	**-462**	**-176**	**-1,146**	**-78**	**-104**	**-1,172**
CASH FLOW FOR PERIOD	**-250**	**137**	**-939**	**209**	**786**	**-362**
Cash and cash equivalents at beginning of period	371	310	1,068	248	248	440
Translation difference in cash and cash equivalents	-	-7	-8	-17	34	43
Cash and cash equivalents at end of the period	121	440	121	440	1,068	121

Parent Company income statement, summary

MSEK	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Jan-Dec 2016	Oct-Sep 2016/2017
Net sales	8	6	21	19	29	31
Expenses	-26	-13	-40	-26	-36	-50
EBIT (Operating profit/loss)	**-18**	**-7**	**-19**	**-7**	**-7**	**-19**
Financial income	30	3	82	46	114	150
Financial expenses	-27	-23	-95	-70	-97	-122
Net financial items	**3**	**-20**	**-13**	**-24**	**17**	**28**
Appropriations	-	-	-	-	66	66
EBT (profit/loss before tax)	**-15**	**-27**	**-32**	**-31**	**76**	**75**
Tax	3	6	7	7	-11	-11
PROFIT/LOSS FOR PERIOD	**-12**	**-21**	**-25**	**-24**	**65**	**64**

Consolidated statement of comprehensive income

MSEK	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Jan-Dec 2016	Oct-Sep 2016/2017
Profit/loss for period	**-12**	**-21**	**-25**	**-24**	**65**	**64**
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	**-12**	**-21**	**-25**	**-24**	**65**	**64**

Parent Company balance sheet, summary

MSEK	30 Sep 2017	30 Sep 2016	31 Dec 2016
ASSETS			
Investments in subsidiaries	4,590	4,590	4,590
Group company receivables	4,778	5,742	5,067
Deferred tax assets	78	89	71
Total fixed assets	**9,446**	**10,421**	**9,728**
	-	-	-
Current receivables	19	6	6
Group company receivables	-	-	66
Cash and cash equivalents	-	91	790
Total current assets	**19**	**97**	**862**
TOTAL ASSETS	**9,465**	**10,518**	**10,590**
EQUITY AND LIABILITIES			
Equity	**6,329**	**6,580**	**6,672**
	-	-	-
Liabilities to credit institutions	3,009	3,859	3,839
Other liabilities	-	-	47
Total long-term liabilities	**3,009**	**3,859**	**3,886**
	-	-	-
Other liabilities	103	49	8
Accrued expenses and prepaid income	24	30	24
Total current liabilities	**127**	**79**	**32**
TOTAL EQUITY AND LIABILITIES	**9,465**	**10,518**	**10,590**

Changes in Parent Company's equity

MSEK	Share capital	Share premium reserve	Retained earnings	Total equity
OPENING BALANCE 01/01/2016	**26**	**1,534**	**5,088**	**6,648**
Profit/loss for period	**-**	**-**	**-24**	**-24**
Total other comprehensive income, net after tax	-	-	-	-
Total other comprehensive income			**-24**	**-24**
Total transactions with shareholders	**-**	**-**	**-44**	**-44**
CLOSING BALANCE 09/30/2016	**26**	**1,534**	**5,020**	**6,580**
Profit/loss for period	**-**	**-**	**89**	**89**
Total other comprehensive income, net after tax	-	-	-	-
Total other comprehensive income	**-**	**-**	**89**	**89**
Total transactions with shareholders	**-**	**-**	**3**	**3**
OPENING BALANCE 01/01/2017	**26**	**1,534**	**5,112**	**6,672**
Profit/loss for period	**-**	**-**	**-25**	**-25**
Total other comprehensive income, net after tax	-	-	-	-
Total other comprehensive income	**-**	**-**	**-25**	**-25**
Total transactions with shareholders	**-**	**-**	**-318**	**-318**
CLOSING BALANCE 09/30/2017	**26**	**1,534**	**4,769**	**6,329**

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 21 MSEK (19). The operating profit was -19 MSEK (-7).

Net financial items for the period totaled -13 MSEK (-24). The Parent Company's profit before tax was -32 MSEK (-31).

Transactions between related parties

The Braganza AB Group is considered to be a related party in terms of participating interest and Board representation during the year. Accommodation revenues from related parties amounted to 7 MSEK for the period. For transactions with subsidiaries, the OECD's recommendations for Transfer Pricing are applied.

ACCOUNTING PRINCIPLES

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

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

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

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

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

ALTERNATIVE PERFORMANCE MEASURES

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

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

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

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

CALCULATION OF FAIR VALUE

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

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

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

SEGMENT DISCLOSURES

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

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

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

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

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

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

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

The division of revenues between segments is based on the location of the business activities and segment disclosure is determined after eliminating inter-group transactions. Revenues derive from a large number of customers in all segments.

Segment results are analyzed based on adjusted EBITDA.

Segment disclosures

Jul-Sep	Sweden		Norway		Other Nordic countries & Europe		Central functions		Group	
MSEK	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Net sales	1,550	1,498	1,333	1,063	1,091	1,016	-	-	3,974	3,577
Other income	-	4	-	-	-	-	-	-	-	4
Internal transactions	-	-	-	-	-	-	8	6	8	6
Group eliminations	-	-	-	-	-	-	-8	-6	-8	-6
Total income	**1,550**	**1,502**	**1,333**	**1,063**	**1,091**	**1,016**	**-**	**-**	**3,974**	**3,581**
Expenses	-1,267	-1,211	-1,120	-909	-880	-834	-85	-80	-3,352	-3,034
Adjusted EBITDA	**283**	**291**	**213**	**154**	**211**	**182**	**-85**	**-80**	**622**	**547**
Adjusted EBITDA margin, %	18.3	19.4	16.0	14.5	19.3	17.9	-	-	15.7	15.3
EBITDA	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**625**	**542**
EBITDA margin, %	-	-	-	-	-	-	-	-	15.7	15.1
Depreciation and amortization	-	-	-	-	-	-	-	-	-132	-155
EBIT (Operating profit/loss)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**493**	**387**
Net financial items	-	-	-	-	-	-	-	-	-23	170
EBT (Profit/loss before tax)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**470**	**557**

Jan-Sep	Sweden		Norway		Other Nordic countries & Europe		Central functions		Group	
MSEK	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Net sales	4,399	4,116	3,439	2,767	3,001	2,735	-	-	10,839	9,618
Other income	1	10	-	-	-	-	-	-	1	10
Internal transactions	-	-	-	-	-	-	21	19	21	19
Group eliminations	-	-	-	-	-	-	-21	-19	-21	-19
Total income	**4,400**	**4,126**	**3,439**	**2,767**	**3,001**	**2,735**	**-**	**-**	**10,840**	**9,628**
Expenses	-3,728	-3,480	-3,062	-2,495	-2,552	-2,354	-261	-243	-9,603	-8,572
Adjusted EBITDA	**672**	**646**	**377**	**272**	**449**	**381**	**-261**	**-243**	**1,237**	**1,056**
Adjusted EBITDA margin, %	15.3	15.7	11.0	9.8	15.0	13.9	-	-	11.4	11.0
EBITDA	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,194**	**1,009**
EBITDA margin, %	-	-	-	-	-	-	-	-	11.0	10.5
Depreciation and amortization	-	-	-	-	-	-	-	-	-394	-401
EBIT (Operating profit/loss)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**800**	**608**
Net financial items	-	-	-	-	-	-	-	-	-106	156
EBT (Profit/loss before tax)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**694**	**764**

Assets and investments by segment

30 Sep	Sweden		Norway		Other Nordic countries & Europe		Central functions		Group	
MSEK	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Fixed assets	5,188	5,162	3,558	3,685	3,175	3,078	287	170	12,208	12,094
Investments in fixed assets	260	222	136	154	147	64	33	28	576	468

Revenue by country

MSEK	**Jul-Sep 2017**	**Jul-Sep 2016**	**Jan-Sep 2017**	**Jan-Sep 2016**	**Jan-Dec 2016**	**Oct-Sep 2016/2017**
Sweden	1,550	1,502	4,399	4,126	5,650	5,924
Norway	1,333	1,063	3,440	2,767	3,744	4,416
Denmark	430	398	1,150	1,042	1,412	1,520
Finland	509	476	1,420	1,293	1,750	1,878
Germany	125	116	357	329	444	472
Poland	22	22	56	56	73	73
Belgium	5	4	18	15	22	24
Total countries	**3,974**	**3,581**	**10,840**	**9,628**	**13,095**	**14,307**
Other	8	6	21	19	29	31
Group eliminations	-8	-6	-21	-19	-29	-31
Group	**3,974**	**3,581**	**10,840**	**9,628**	**13,095**	**14,307**

Revenue by type of agreement

MSEK	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Jan-Dec 2016	Oct-Sep 2016/2017
Lease agreements	3,956	3,562	10,788	9,578	13,029	14,239
Management agreements	4	4	8	9	11	10
Franchise and partner agreements	5	6	11	13	18	16
Owned	9	9	33	28	37	42
Total	**3,974**	**3,581**	**10,840**	**9,628**	**13,095**	**14,307**
Other	8	6	21	19	29	31
Group eliminations	-8	-6	-21	-19	-29	-31
Group	**3,974**	**3,581**	**10,840**	**9,628**	**13,095**	**14,307**

Quarterly data

MSEK	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
RevPAR, SEK	758	719	596	639	728	688
Net sales	3,974	3,770	3,095	3,463	3,577	3,447
Adjusted EBITDAR	1,650	1,434	975	1,330	1,480	1,344
Adjusted EBITDA	622	461	154	457	547	470
EBITDA	625	432	137	453	542	444
Adjusted EBIT	490	330	23	321	392	345
EBIT (Operating profit/loss)	493	301	6	317	387	319
EBT (Profit/loss before tax)	470	255	-31	293	557	334
Adjusted EBITDAR margin, %	41.5	38.0	31.5	38.4	41.4	39.0
Adjusted EBITDA margin, %	15.7	12.2	5.0	13.2	15.3	13.6
EBITDA margin, %	15.7	11.5	4.4	13.1	15.1	12.9
Adjusted EBIT margin, %	12.3	8.8	0.7	9.3	11.0	10.0
EBIT margin, %	12.4	8.0	0.2	9.2	10.8	9.3
Earnings per share after dilution, SEK	3.65	2.02	-0.35	2.79	4.22	2.52

Quarterly data per segment

	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Net sales						
Sweden	1,550	1,528	1,320	1,521	1,498	1,514
Norway	1,333	1,171	936	976	1,063	963
Other Nordic countries & Europe	1,091	1,071	839	966	1,016	970
Total net sales	**3,974**	**3,770**	**3,095**	**3,463**	**3,577**	**3,447**
Adjusted EBITDA						
Sweden	283	244	145	329	291	274
Norway	213	112	52	90	154	118
Other Nordic countries & Europe	211	182	56	141	182	170
Central functions	-85	-77	-99	-103	-80	-92
Total adj EBITDA	**622**	**461**	**154**	**457**	**547**	**470**
Adjusted EBITDA margin, %	*15.7%*	*12.2%*	*5.0%*	*13.2%*	*15.3%*	*13.6%*

Exchange rates

SEK/EUR	Jan-Sep 2017	Jan-Sep 2016	Jan-Dec 2016
Income statement (average)	9.5797	9.3731	9.4704
Balance sheet (at end of period)	9.5668	9.6320	9.5669

SEK/NOK			
Income statement (average)	1.0376	0.9997	1.0199
Balance sheet (at end of period)	1.0205	1.0652	1.0540

SEK/DKK			
Income statement (average)	1.2881	1.2585	1.2720
Balance sheet (at end of period)	1.2854	1.2925	1.2869

Alternative performance measures

Interest-bearing net liabilities	30 Sep 2017	30 Sep 2016	31 Dec 2016
Interest-bearing liabilities	2,961	3,796	3,778
Cash and cash equivalents	-121	-440	-1,068
Interest-bearing net liabilities	2,840	3,356	2,710

Working capital	30 Sep 2017	30 Sep 2016	31 Dec 2016
Current assets, excl cash and bank balances	1,613	1,467	929
Current liabilities	-2,487	-2,305	-2,110
Working capital [1]	-874	-838	-1,181

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

LONG-TERM INCENTIVE PROGRAM

In December 2015, Scandic implemented a share-based Long-term incentive program (LTIP 2015). A corresponding incentive program LTIP program was decided upon at the Annual General Meeting 2016 (LTIP 2016) and at the Annual General Meeting 2017 (LTIP 2017). The LTIP enables participants to receive matching shares and performance shares provided they make their own investments in shares or allocate shares already held to the program. For each such savings share, the participants in the LTIP 2015 can be assigned a matching share free of consideration. In the LTIP 2016 and LTIP 2017, the allocation of matching shares to 50 percent due to a requirement related to the total return on the shares (TSR) is being met and 50 percent are 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 (LTIP 2015), 2016-2018 (LTIP 2016) and 2017-2019 (LTIP 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, the first quarter of 2019 and the first quarter of 2020 respectively, subject to the participant remaining a permanent employee within the Group and retaining the savings shares.

Senior managers have invested in the program and may be allotted a maximum of 251,952 shares for LTIP 2015, 183,890 shares for LTIP 2016 and 188,510 shares for LTIP 2017 corresponding to approximately 0.60 percent of Scandic's share capital and votes. The expected costs for the program are estimated to be 37 MSEK, and the costs included in the income statement for the Group in accordance with IFRS 2 amounted to 7 MSEK for the first nine months of 2017, including social security contributions. The maximum cost of the program, including social security contributions, is estimated to be 102 MSEK. For more information about the program, see Note 6 in Scandic's Annual Report 2016.

The expected financial exposure to shares that may be allotted under LTIP 2015, LTIP 2016 and LTIP 2017 and the delivery of shares to the participants has been hedged by Scandic's entering into a share swap agreement with a third party on market terms.

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

Stockholm, October 26, 2017

Vagn Sørensen
Chairman

Ingalill Berglund
Member of the Board

Per G. Braathen
Vice Chairman

Grant Hearn
Member of the Board

Lottie Knutson
Member of the Board

Christoffer Lundström
Member of the Board

Eva Moen Adolfsson
Member of the Board

Martin Svalstedt
Member of the Board

Fredrik Wirdenius
Member of the Board

Marianne Sundelius
Employee representative

Even Frydenberg
President & CEO

AUDITORS’ REVIEW

Introduction

We have reviewed the condensed interim financial information (interim report) of Scandic Hotels Group AB as of September 30, 2017 and the nine-month period then ended. The Board of Directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

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

Conclusion

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

Stockholm, October 26, 2017

PricewaterhouseCoopers AB

Magnus Brändström
Authorized Public Accountant

Definitions

HOTEL-RELATED KEY RATIOS

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

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

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

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

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

FINANCIAL KEY RATIOS AND ALTERNATIVE PERFORMANCE MEASURES

EBT
Earnings before tax.

EBIT
Earnings before interest and taxes.

EBITDA
Earnings before interest, taxes, depreciation and amortization.

EBITDA margin
EBITDA as a percentage of net sales.

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

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

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

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

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

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

EQUITY-RELATED KEY RATIOS

Earnings per share
The profit/loss during the period related to the shareholders of the Parent Company, divided by the average number of shares.

Equity per share
Equity related to the shareholders of the Parent Company, divided by the number of shares outstanding at the end of the period.

Scandic Hotels Group

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

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

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

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

Press releases (selection)

2017-10-19 Decision regarding additional assessment in Finland for the 2008 tax year

2017-10-18 Agreement to operate hotel in Hamburger Börs in Turku.

2017-10-16 Thomas Engelhart to leave Scandic Hotels

2017-09-29 Divestment of Scandic Vierumäki in Finland

2017-09-20 Scandic continues to expand in Copenhagen

2017-08-24 Further proceedings of the proposed acquisition of Restel's hotel business

2017-08-24 Scandic growing in central Copenhagen

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

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

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

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

scandichotelsgroup.com

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