



## STRONG RESULTS IN THE FIRST HALF OF THE YEAR

### SECOND QUARTER IN SUMMARY

- RevPAR LFL grew by 10.9%, driven by higher occupancy and increased average room rates. Total RevPAR increased by 8.8%.
- Net sales LFL increased by 9.8% due to continued good underlying demand and the fact that this year's Easter holiday fell entirely within the first quarter.
- Net sales rose by 8.8% to 3,447 MSEK (3,169).
- Adjusted EBITDA grew by 31.3% to 470 MSEK (358) corresponding to a margin of 13.6% (11.3%). The improved margin is the result of strong revenue growth and efficiency gains from the Rica acquisition.
- EBITDA increased to 444 MSEK (323).
- Earnings per share amounted to 2.53 SEK (0.81) before dilution and 2.52 SEK (0.81) after dilution.
- The strike in the Norwegian hotel sector had a marginal effect on the adjusted EBITDA.
- Two new lease agreements were signed: Scandic Falconer in Copenhagen and Scandic Vaasa in Finland, resulting in approximately 440 additional rooms.
- Jan Johansson will start as the new CFO on September 1, and Ann-Charlotte Johansson, VP Communications & IR, will leave no later than the month of December.

### THE PERIOD IN SUMMARY

- RevPAR LFL for January-June grew by 6.7% driven by both higher occupancy and increased average room rates. Total RevPAR increased by 4.1%.
- Net sales LFL for January-June increased by 6.3% as a result of strong demand.
- Net sales increased during the same period by 3.6% to 6,041 MSEK (5,833). Adjusted for exchange rate fluctuations, net sales increased by 6.9%.
- Adjusted EBITDA grew by 20.0% to 509 MSEK (424) corresponding to a margin of 8.4% (7.3%). The improved margin is the result of strong revenue growth and efficiency gains from the Rica acquisition.
- EBITDA increased to 466 MSEK (368).
- Earnings per share amounted to 1.55 SEK (-0.07) before dilution and 1.54 SEK (-0.07) after dilution.
- Five hotels opened during the period: Scandic Gällivare, Scandic Continental, Scandic Aalborg City, Scandic Vaasa and Haymarket by Scandic, corresponding to 1,113 rooms.
- Three new lease agreements were signed, corresponding to 608 rooms.

### EVENTS AFTER THE REPORTING DATE

- There were no significant events to report.

### GROUP KEY RATIOS

MSEK	Apr-Jun 2016	Apr-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Jan-Dec 2015	Jul-Jun 2015/2016
<b>Financial key ratios</b>						
Net sales	3,447	3,169	6,041	5,833	12,192	12,400
Net sales growth, %	8.8	8.1	3.6	22.1	12.6	4.4
Net sales growth LFL, %	9.8	6.1	6.3	5.3	7.3	7.1
Adjusted EBITDAR	1,344	1,173	2,087	1,957	4,406	4,536
Adjusted EBITDA	470	358	509	424	1,246	1,331
Adjusted EBITDA margin, %	13.6	11.3	8.4	7.3	10.2	10.7
EBITDA	444	323	466	368	1,114	1,212
EBIT (Operating profit/loss)	319	192	220	112	613	720
<b>Hotel-related key ratios</b>						
RevPAR (Average Revenue Per Available Room), SEK	688.3	632.4	601.7	578.0	601.3	613.0
ARR (Average Room Rate), SEK	1,010.4	963.8	965.3	952.2	933.9	940.4
OCC (Occupancy), %	68.1	65.6	62.3	60.7	64.4	65.2
Total number of rooms	41,551	41,667	41,551	41,667	40,920	41,551

## CEO'S COMMENTS

### Strong first six months

Scandic continued its strong performance with improved margins in the second quarter, confirming our growth strategy and great momentum within the Group. Adjusted EBITDA grew by 31.3 percent during the quarter. The market remains good in general, but it is also evident that our commercial strategies are effective and we are gaining market shares. RevPAR LFL increased by 10.9 percent in the second quarter and by 6.7 percent in the first six months of the year, and improved occupancy also had a positive effect on our room rates. The implementation of our operating model in the acquired Rica hotels continues to generate positive effects as planned. The strength in our operating model also became evident in connection with the Norwegian hotel strike, which had only a marginal effect on the adjusted EBITDA.

### Growth well in line with expectations

Our proactive and successful approach to identifying and realizing new hotel and revenue opportunities has made us a primary and long-term partner for property owners. Our strategic and selective growth, combined with a continual, methodical development plan spanning many years, has resulted in our current well-diversified, high-quality hotel portfolio with a strong pipeline of significant hotel projects in the near future. Consequently, we are well aligned with our objective of growing by two to four hotels per year. We opened five new hotels already in the first six months of the year, two of which are prominent hotels in Stockholm. One of these also represented the launch of our first signature hotel – Haymarket by Scandic. During the same period, three non-strategic Norwegian partner hotels were phased out. In April, we also added one of the largest hotels in Copenhagen to our pipeline. The quarter ended with the signing of another agreement with Pandox for a renovation program that we expect will be just as successful as our previous joint program.

### Market conditions remain favorable in 2016

Demand in all our markets was strong in the first six months and the summer season. We continue to take the positive view that market demand will remain favorable during the rest of the year.

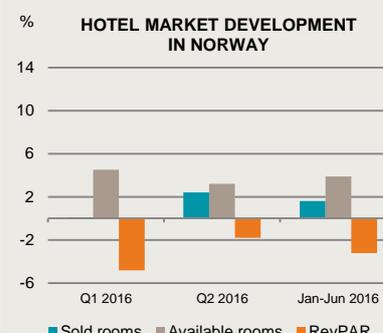
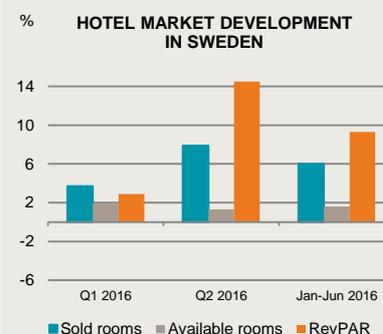
**Frank Fiskers, President & CEO**

## NORDIC HOTEL MARKET DEVELOPMENT

Demand for hotel nights in the Nordic market remained strong in the quarter, with a positive effect from the Easter holiday, which fell entirely within the first quarter of 2016. In the second quarter, the number of rooms sold increased by 7.9% in Sweden, and RevPAR in the Swedish market increased by 14.5%, driven by both increased occupancy and higher average room rates. In Norway, the number of rooms sold rose as well, but increased room capacity and the strike in the hotel sector in April and May caused RevPAR in the Norwegian market to decline by 1.8% during the quarter. RevPAR in the Finnish and Danish markets grew by 10.8% and 13.6% respectively, driven by both increased occupancy and higher average room rates. In the period January-June 2016, RevPAR in the Swedish market went up by 9.3% due to both higher occupancy and average room rates. RevPAR in the Norwegian market dropped by 3.2%, negatively affected by increased room capacity and the strike. RevPAR in the Finnish and Danish markets grew by 9.3% and 9.1% respectively, driven by both increased occupancy and higher average room rates. Source: Benchmarking Alliance & STR Global.)



“The first six months were strong, thanks to our great momentum and demand in the market.”



## 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. In 2016, the Easter holiday fell during the first quarter. When making comparisons with 2015, this needs to be taken into consideration since in 2015, the Easter holiday fell in both the first and second quarters. Approximately 70 percent of Scandic's revenues come from business travel and conferences, while the remaining 30 percent comes from leisure travel.

## HOTEL PORTFOLIO

### Existing hotel portfolio

At the end of the period, Scandic had 41,551 rooms in operation at 223 hotels, of which 192 hotels with lease agreements. In the first six months of the year, the hotel portfolio grew by 631 rooms net, consisting of an increase of 1,007 rooms operated through lease agreements and a reduction of 376 rooms operated through partnership agreements.

New hotels in operation include Haymarket by Scandic (405 rooms), Scandic Continental (392 rooms), Scandic Aalborg City (168 rooms), Scandic Vaasa (68 rooms) and Scandic Gällivare (80 rooms). The cooperation with the three Norwegian partner hotels Norge Kristiansand (172 rooms), Victoria Stavanger (107 rooms) and Skifer Oppdal (177 rooms) was terminated during the period.

### High-quality pipeline

2,263 rooms were under development at the end of the period, distributed over six major hotel projects and some extensions to eight hotels already in operation. In the first six months, three new lease agreements were added to the pipeline: Scandic Falconer in Copenhagen, Scandic Aalborg City in Denmark and Scandic Vaasa in Finland. The latter two hotels began operating in June 2016. Scandic Falconer will open in the second half of 2018 following extensive renovations and extensions.

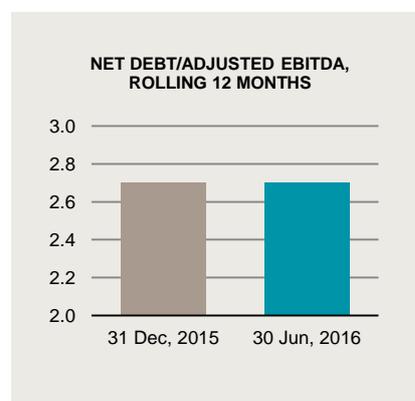
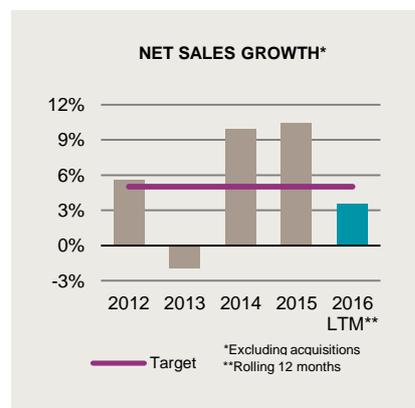
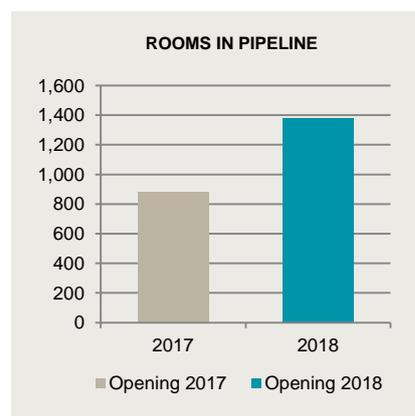
At the end of June 2016, Scandic and Pandox entered into an agreement to begin a new renovation program from 2017 to 2019. The program includes 17 hotels and approximately 1,600 hotel rooms and bathrooms, meeting and restaurant areas and extensions that will add 73 rooms at three hotels.

Scandic's share of the investment in the program is estimated to total 235 MSEK and fits into the regular investment budget of 3 to 4 percent of the Group's annual net sales. See the table on page 23 for more detailed information regarding the hotel portfolio.

## FINANCIAL TARGETS

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

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



## RESULTS FOR THE QUARTER

### Second quarter 2016

COMPARED WITH 2015	Q2 2015	Currency effects	New hotels	Exits	LFL	Q2 2016
RevPAR (SEK)	632.4	-17.0	8.7	-2.6	66.8	688.3
RevPAR growth		-3.1%	1.4%	-0.4%	10.9%	8.8%
Net sales (MSEK)	3,169	-88	99	-20	287	3,447
Net sales growth		-3.5%	3.1%	-0.6%	9.8%	8.8%
Adjusted EBITDA (MSEK)	358	-9	6	-4	119	470
Adjusted EBITDA growth		-7.0%	1.6%	-1.1%	37.8%	31.2%

Net sales LFL increased by 9.8% driven by continued favorable demand within accommodations as well as restaurant and conference operations. Net sales were positively affected due to the fact that April was a full business month since the Easter holiday fell entirely within the first quarter. The Group's reported net sales rose by 8.8% to 3,447 MSEK (3,169). The hotels that were opened in Stockholm during the quarter, Scandic Continental and Haymarket by Scandic, got off to an excellent start and all in all, new hotels contributed 3.1% to revenue growth. Net sales were impacted negatively by 3.5% from exchange rate fluctuations caused mainly from the weakened Norwegian krona and by 0.6% from divested hotels. RevPAR LFL grew by 10.9%, driven both by higher occupancy and increased average room rates. Total RevPAR increased by 8.8% during the quarter, with a positive impact from new hotels while exchange rate effects and divested hotels had a negative impact on RevPAR.

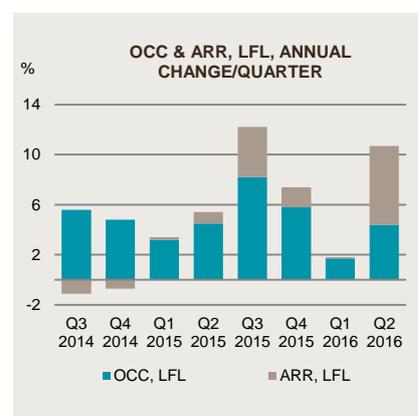
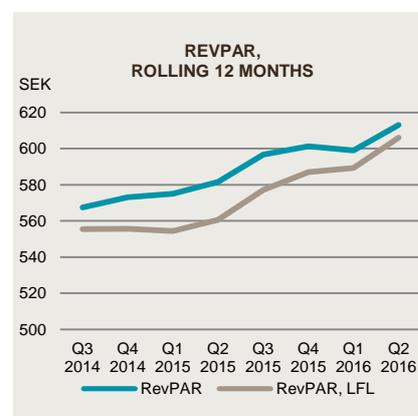
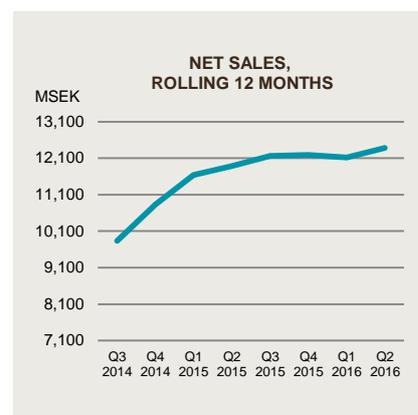
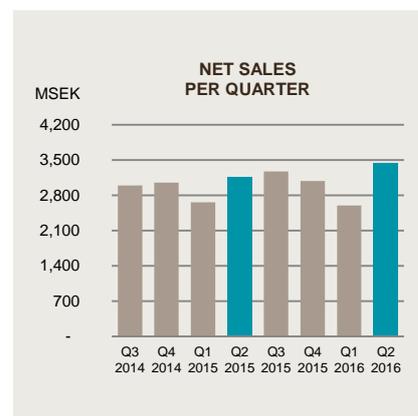
Revenue from restaurant and conference operations grew by 5.8% and the share of total net sales amounted to 31.2% (32.1%).

Rental costs accounted for 25.4% (25.7%) of net sales. Fixed and guaranteed rental costs represented 16.1% (16.9%) of net sales. The decrease is explained by the revenue growth resulting in an increased share of variable rent.

Adjusted EBITDA before pre-opening costs for new hotels and non-recurring items increased with 31.3% to 470 MSEK (358). The adjusted EBITDA margin rose to 13.6% (11.3%) and the improved margin was a result of strong revenue growth, largely driven by higher average room rates, a guest mix with a high proportion of business travelers and efficiency gains from the integration of the former Rica hotels. Pre-opening costs for new hotels totaled -26 MSEK (-3) and mainly refer to Haymarket by Scandic. EBITDA was 444 MSEK (323). The profit for the previous year was affected by non-recurring items of -32 MSEK, of which -25 MSEK was attributable to the integration of Rica Hotels and -7 MSEK referred to costs in connection with the IPO, restructuring and other items.

The Group reported a net financial income of 15 MSEK (-122). Interest expenses dropped to -35 MSEK (-123) as a result of the refinancing and repayment of debt that occurred in connection with the company's IPO in December 2015. Exchange rate fluctuations from the revaluation of loans and investments amounted to 42 MSEK (-7). The revaluation of derivatives had positive impact on the net financial income of 6 MSEK (6).

Reported tax includes standard tax of -73 MSEK (-5).



## JANUARY-JUNE 2016

COMPARED WITH 2015	Jan-Jun 2015	Currency effects	New hotels	Exits	LFL	Jan-Jun 2016
RevPAR (SEK)	578.0	-15.6	3.5	-1.7	37.5	601.7
RevPAR growth		-2.9%	0.6%	-0.3%	6.7%	4.1%
Net sales (MSEK)	5,833	-167	92	-60	342	6,041
Net sales growth		-3.3%	1.6%	-1.0%	6.3%	3.6%
Adjusted EBITDA (MSEK)	424	-10	-2	-4	101	509
Adjusted EBITDA growth		-5.4%	-0.5%	-1.0%	26.9%	20.0%

Net sales LFL increased by 6.3%, driven by strong demand in all Nordic markets except the oil destinations in Norway. The Group's reported net sales rose by 3.6% to 6,041 MSEK (5,833). The new hotels that opened over the year got off to an excellent start and all in all, new hotels contributed 1.6% to the revenue growth. Net sales were impacted negatively by 3.3% from exchange rate fluctuations, chiefly caused by the weakened Norwegian krona and by 1.0% from divested hotels. RevPAR LFL grew by 6.7%, driven both by higher occupancy and increased average room rates. Scandic's commercial efforts have been successful and Scandic has grown more than its competitors. Total RevPAR increased by 4.1%, with a positive impact from new hotels while exchange rate effects and divested hotels had a negative impact on RevPAR.

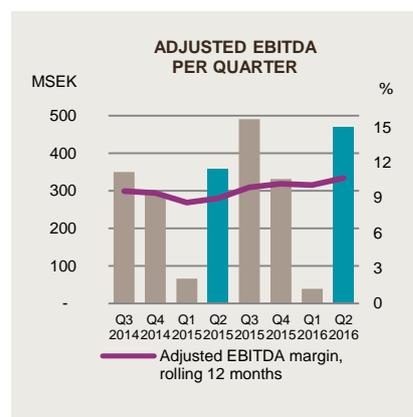
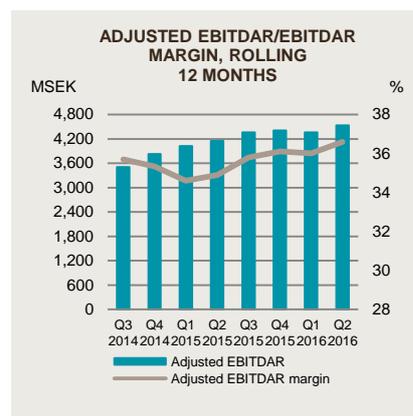
Revenue from restaurant and conference operations grew by 0.8% and the share of total net sales amounted to 32.8% (33.7%).

Rental costs accounted for 26.1% (26.3%) of net sales. Fixed and guaranteed rental costs represented 17.7% (18.0%) of net sales. The decrease is explained by the revenue growth resulting in an increased share of the variable rent.

Synergies from the Rica acquisition were realized in line with expectations. The merger of the head offices, along with purchasing synergies, generated annual savings of 80 MSEK that were fully realized in 2015. The annual EBITDA contribution from sales and cost synergies and efficiency measures within Norwegian operations, is expected to total 100-140 MSEK with full effect in 2017. Approximately one third was realized in 2015. The implementation of Scandic's operational model in the former Rica hotels, which was carried out in 2015, resulted in reduced operating costs during the first six months of 2016. Due to sales synergies, Scandic had a stronger RevPAR than its competitors, resulting in increased market shares.

Adjusted EBITDA before pre-opening costs for new hotels and non-recurring items increased with 20.0% to 509 MSEK (424). The adjusted EBITDA margin rose to 8.4% (7.3%); the improved margin was a result of strong revenue growth and efficiency gains from the integration of the former Rica hotels. Pre-opening costs for new hotels amounted to -43 MSEK (-6). EBITDA amounted to 466 MSEK (368). The profit for the previous year was affected by non-recurring items of -50 MSEK, of which -39 MSEK was attributable to the integration of Rica Hotels and -11 MSEK referred to costs in connection with the IPO, restructuring and other items.

The Group reported a net financial expense of -14 MSEK (-114). Interest expenses dropped to -69 MSEK (-237) as a result of the refinancing and repayment of debt that occurred in connection with the company's IPO in December 2015. Exchange rate fluctuations from the revaluation of debt and investments amounted to 61 MSEK (115).



The revaluation of derivatives had a negative impact on the net financial expense of -10 MSEK (6).

Reported tax includes standard tax of -45 MSEK (-2).

**COMMENTS TO THE BALANCE SHEET**

On December 31, 2015, the balance sheet total was 14,026 MSEK compared with 12,900 MSEK on December 31, 2015. Interest-bearing net liabilities increased from 3,355 MSEK on December 31, 2015 to 3,543 MSEK on June 30, 2016 due to seasonally higher working capital during the first half year. Of the interest-bearing liabilities of 3,853 MSEK, loans to credit institutions account for 3,850 MSEK and financial leasing represents 3 MSEK. The net debt on the reporting date corresponded to 2.7 times adjusted EBITDA (2.7 times on December 31, 2015). The Group’s financial goal is to have net debt in relation to adjusted EBITDA of 2-3 times on December 31 of each year.

On June 30, 2015, the total number of shares and votes was 102,985,075. On December 31, 2015, total equity was 6,355 MSEK compared with 6,205 MSEK on December 31, 2015.

**CASH FLOW AND LIQUIDITY**

Operating cash flow amounted to -27 MSEK (-152) for the period, due to the increased operating profit. The change in working capital was -200 MSEK (-182). The first half of the year is seasonally weaker than the second half due to lower levels of business travel, which has a negative impact on working capital compared to December 31. Working capital is negative since most of the revenue are settled via bank and credit cards. Working capital on the reporting date in relation to net sales from the last 12 months was -6.9% (-6.8%).

Net investments during the period amounted to -292 MSEK (-240) of which hotel renovations accounted for -170 MSEK (-175) and IT for -20 MSEK (-26). Investments in new hotels and increased room capacity totaled -102 MSEK (-39).

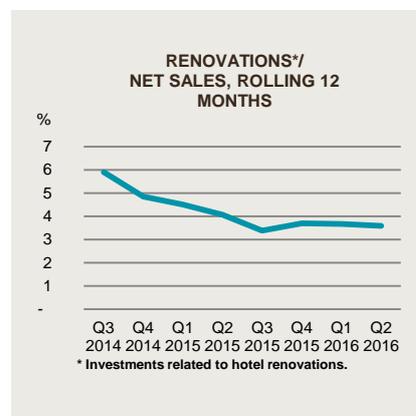
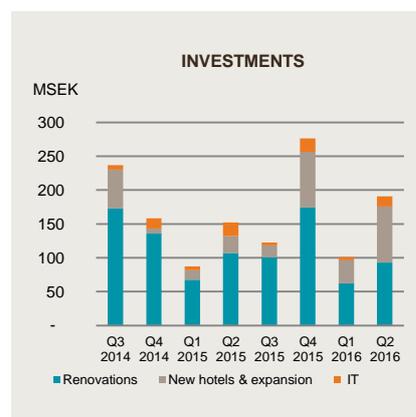
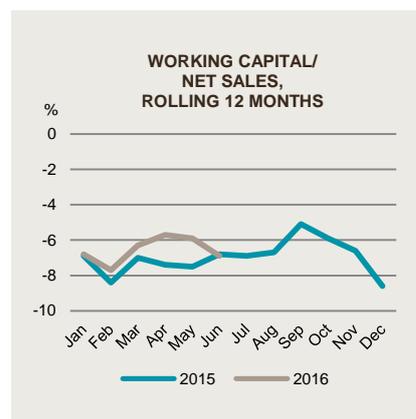
Cash flow from financing operations during the period increased to 98 MSEK (-53) due to lower interest rate payments and the utilization of a 150 MSEK credit facility to bridge seasonal variations in working capital.

At the end of the period, the Group had 310 MSEK (506) in cash and cash equivalents.

Unused credit facilities totaled 850 MSEK (122). During the quarter, the Group’s revolving credit facility was extended from 600 MSEK to 1,000 MSEK to adapt the amount to the company’s business volume.

**EMPLOYEES**

The number of full-time employees (FTEs) increased to 10,380 (10,266) during the period. The average number of employees in the Group was 9,046 on June 30, 2016 compared to 8,490 on June 30, 2015.



## COMMENTS PER SEGMENT, SECOND QUARTER

### Sweden

MSEK	Apr-Jun 2016	Apr-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Jan-Dec 2015	Jul-Jun 2015/2016
Net sales	1,514	1,269	2,619	2,354	5,065	5,330
Net sales growth, %	19.3	7.8	11.3	11.2	11.9	11.9
Net sales growth LFL, %	12.7	8.0	8.2	7.3	9.7	13.5
Adjusted EBITDA	274	201	355	310	828	873
Adjusted EBITDA margin, %	18.1	15.8	13.6	13.2	16.3	16.4
RevPAR, SEK	760.1	654.4	659.5	601.3	644.4	673.2
ARR, SEK	1,080.1	970.4	1,020.8	958.1	957.0	986.8
OCC, %	70.4	67.4	64.6	62.8	67.3	68.2

The strong market development continued during the quarter with many events and congresses, primarily in May, and with positive impact by the fact that April was a full business month since the Easter holiday fell entirely within the first quarter this year. The new hotels, Scandic Continental, which opened in April, and Haymarket by Scandic, which opened in May, got off an excellent start with high demand and were received favorably by guests.

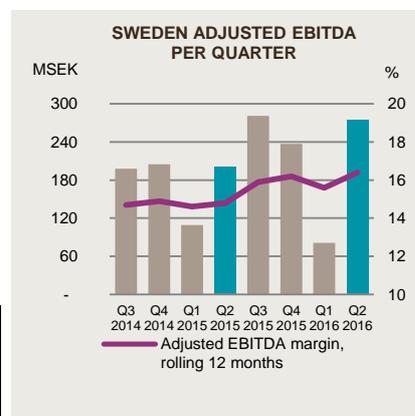
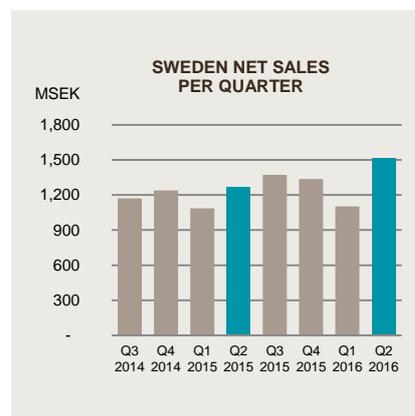
Net sales increased by 19.3% (12.7% LFL) during the quarter to 1,514 MSEK (1,269).

RevPAR increased by 16.1% (14.9% LFL), partially driven by higher occupancy but chiefly by increased average room rates.

Adjusted EBITDA and the adjusted EBITDA margin improved compared to the previous year as a result of strong revenue growth, largely driven by increased average room rates and an advantageous guest mix with a high proportion of business travelers.

Performance in the quarter was affected by higher personnel costs of approximately 8 MSEK as a result of the abolishment of reduced social security contributions for employees under 26, known as the “youth discount”. For 2016, the effect of this is expected to be approximately 29 MSEK for the entire year.

**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 translated.



## Norway

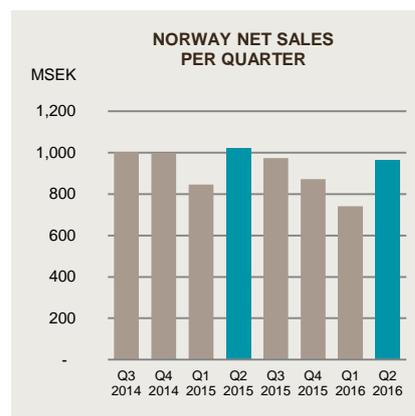
MSEK	Apr-Jun 2016	Apr-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Jan-Dec 2015	Jul-Jun 2015/2016
Net sales	963	1,023	1,705	1,869	3,716	3,552
Net sales growth, %	-5.9	8.9	-8.8	58.0	16.7	-8.2
Net sales growth LFL, %	2.9	5.0	1.1	0.8	1.3	-2.3
Adjusted EBITDA	118	110	119	118	321	322
Adjusted EBITDA margin, %	12.3	10.8	7.0	6.3	8.6	9.1
RevPAR, SEK	576.0	613.3	513.1	561.5	551.0	527.0
ARR, SEK	933.3	1,011.0	918.4	1,011.9	956.6	912.2
OCC, %	61.7	60.7	55.9	55.5	57.6	57.8

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

Net sales LFL rose by 2.9% during the quarter, with a positive Easter effect but with a negative impact from the strike within the hotel sector between April 23 and May 21. The strike resulted in a loss of revenue of approximately 60 MSEK. Scandic's operational model with variable costs and rental agreements with variable rent, combined with compensation from the Norwegian employers' organization, meant that the effect on adjusted EBITDA was marginal. Reported net sales dropped by 5.9% to 963 MSEK (1,023) where exchange rate effects from the weakened Norwegian krone had a negative effect of 8.5% on net sales.

RevPAR went down by 6.1% due to exchange rate fluctuations. RevPAR LFL grew by 2.2%, primarily driven by higher occupancy and despite negative impact from the strike. 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.

Adjusted EBITDA and the adjusted EBITDA margin improved compared with the previous year, despite lower revenues, chiefly as a result of 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	Apr-Jun 2016	Apr-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Jan-Dec 2015	Jul-Jun 2015/2016
Net sales	970	877	1,717	1,610	3,412	3,519
Net sales growth, %	10.6	7.6	6.6	8.9	9.5	8.3
Net sales growth LFL, %	12.7	4.2	9.1	4.1	6.1	6.6
Adjusted EBITDA	170	123	200	141	401	460
Adjusted EBITDA margin, %	17.5	14.0	11.6	8.8	11.8	13.1
RevPAR, SEK	702.0	621.0	611.7	561.8	592.7	617.5
ARR, SEK	979.0	909.0	927.4	887.7	879.5	898.4
OCC, %	71.7	68.3	66.0	63.3	67.4	68.7

Demand continued to be strong in Finland, Denmark and Germany with high conference volumes in Copenhagen and Helsinki and a positive effect from the fact that the Easter holiday fell entirely within the first quarter. Net sales increased by 10.6% (12.7% LFL) to 970 MSEK (877) from both increased room revenues and revenue from restaurant and conference operations.

RevPAR grew by 13.0% (13.3% LFL) driven by both higher occupancy and increased average rates.

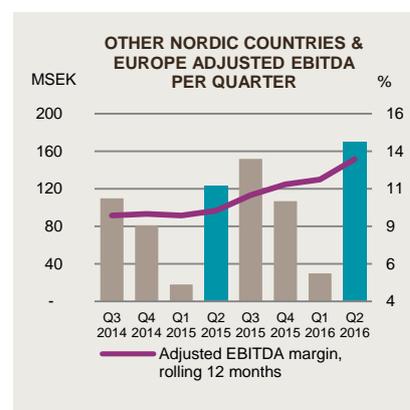
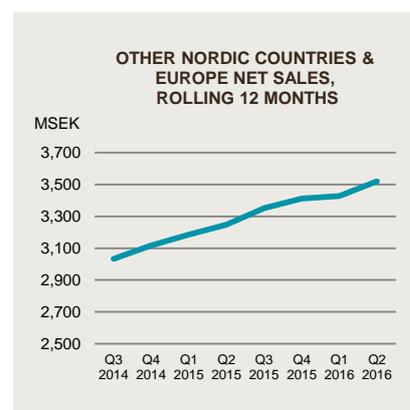
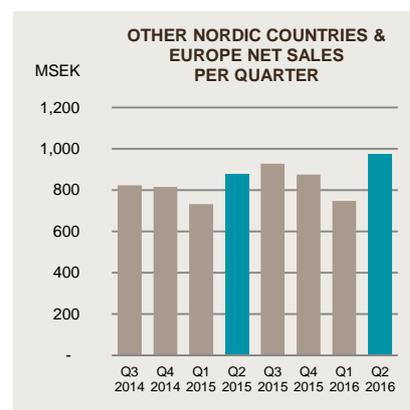
Scandic Vaasa in Finland and Scandic Aalborg City in Denmark opened in June 2016.

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, mainly as a result of higher revenues in all countries and cost synergies in Germany.

### Central functions

Adjusted EBITDA for central functions amounted to -92 MSEK (-77) during the quarter of which central costs totaled -88 MSEK (-70) and Group adjustments for pension costs and the loyalty program amounted to -4 MSEK (-7). Central costs increased mainly due to higher expenses for Investor Relations and other costs due to the company being listed since December 2015 and strengthening of the Group's commercial organization and IT.



## EVENTS AFTER THE REPORTING DATE

There were no significant events to report.

## REPORT PRESENTATION

The report presentation that will take place at 09.00 CET on August 16, 2016 with President & CEO Frank Fiskers and CFO Gunilla Rudebjer will be available at +46 8 5664 2695 (Sweden) and +44 20 3008 9810 (UK). Please call in 5 minutes before the start. The presentation will also be available afterwards at [www.scandichotelsgroup.com](http://www.scandichotelsgroup.com)

## FOR MORE INFORMATION

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## FINANCIAL CALENDAR

2016-09-29 Capital Markets Day in Stockholm

2016-11-08 Interim Report Q3 2016 (silent period begins October 9, 2016)

2017-02-23 Year-end Report 2016 (silent period begins January 24, 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. These 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. Exchange rate fluctuations in the Group arise from the revaluation of Scandic's foreign subsidiaries' income statements and balance sheets to SEK. By currency, 43 percent of the Group's revenue during the period was in SEK, 28 percent was in NOK and 29 percent was in EUR and other currencies. The Group's external loans are denominated in SEK, NOK and EUR, which reduces currency exposure in foreign net assets.

## Consolidated income statement

MSEK	Apr-Jun 2016	Apr-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Jan-Dec 2015	Jul-Jun 2015/2016
<b>INCOME</b>						
Room revenue	2,281	2,076	3,928	3,749	7,869	8,048
Restaurant and conference revenue*	1,077	1,018	1,984	1,968	4,068	4,084
Franchise and management fees	7	10	13	18	35	30
Other hotel-related revenue	82	65	116	98	220	238
<b>Net sales</b>	<b>3,447</b>	<b>3,169</b>	<b>6,041</b>	<b>5,833</b>	<b>12,192</b>	<b>12,400</b>
Other income	6	5	8	9	16	15
<b>TOTAL OPERATING INCOME</b>	<b>3,453</b>	<b>3,174</b>	<b>6,049</b>	<b>5,842</b>	<b>12,208</b>	<b>12,415</b>
<b>OPERATING COSTS</b>						
Raw materials and consumables	-279	-274	-513	-517	-1,180	-1,176
Other external costs	-736	-663	-1,377	-1,314	-2,668	-2,731
Personnel costs	-1,094	-1,064	-2,072	-2,054	-3,954	-3,972
<b>Adjusted EBITDAR</b>	<b>1,344</b>	<b>1,173</b>	<b>2,087</b>	<b>1,957</b>	<b>4,406</b>	<b>4,536</b>
Fixed and guaranteed rental charges	-554	-536	-1,071	-1,049	-2,091	-2,113
Variable rental charges	-320	-279	-507	-484	-1,069	-1,092
<b>Adjusted EBITDA</b>	<b>470</b>	<b>358</b>	<b>509</b>	<b>424</b>	<b>1,246</b>	<b>1,331</b>
Pre-opening costs	-26	-3	-43	-6	-28	-65
Non-recurring items	-	-32	-	-50	-104	-54
<b>EBITDA</b>	<b>444</b>	<b>323</b>	<b>466</b>	<b>368</b>	<b>1,114</b>	<b>1,212</b>
Depreciation and amortization	-125	-131	-246	-256	-502	-492
<b>TOTAL OPERATING COSTS</b>	<b>-3,134</b>	<b>-2,982</b>	<b>-5,829</b>	<b>-5,730</b>	<b>-11,596</b>	<b>-11,695</b>
Adjusted EBIT**	345	227	263	168	745	838
<b>EBIT (Operating profit/loss)</b>	<b>319</b>	<b>192</b>	<b>220</b>	<b>112</b>	<b>613</b>	<b>720</b>
Financial income	50	7	64	123	3	-56
Financial expenses	-35	-129	-78	-237	-500	-341
<b>Net financial items</b>	<b>15</b>	<b>-122</b>	<b>-14</b>	<b>-114</b>	<b>-497</b>	<b>-397</b>
<b>EBT (Profit/loss before taxes)</b>	<b>334</b>	<b>70</b>	<b>206</b>	<b>-2</b>	<b>115</b>	<b>323</b>
Taxes	-73	-5	-45	-2	5	-38
<b>PROFIT/LOSS FOR PERIOD</b>	<b>261</b>	<b>65</b>	<b>161</b>	<b>-4</b>	<b>120</b>	<b>285</b>
Profit/loss for period relating to:						
Parent Company shareholders	260	64	159	-6	117	282
Non-controlling interest	1	1	2	2	3	3
<b>Profit/loss for period</b>	<b>261</b>	<b>65</b>	<b>161</b>	<b>-4</b>	<b>120</b>	<b>285</b>
Average number of outstanding shares before dilution***	102,618,097	80,000,000	102,618,097	80,000,000	81,826,211	93,068,472
Average number of outstanding shares after dilution***	102,985,075	80,000,000	102,985,075	80,000,000	81,826,211	93,250,959
<b>Earnings per share before dilution, SEK</b>	<b>2.53</b>	<b>0.81</b>	<b>1.55</b>	<b>-0.07</b>	<b>1.43</b>	<b>3.03</b>
<b>Earnings per share after dilution, SEK</b>	<b>2.52</b>	<b>0.81</b>	<b>1.54</b>	<b>-0.07</b>	<b>1.43</b>	<b>3.02</b>
Adjusted EBITDAR margin, %	39.0	37.0	34.5	33.6	36.1	36.6
Adjusted EBITDA margin, %	13.6	11.3	8.4	7.3	10.2	10.7
EBITDA margin, %	12.9	10.2	7.7	6.3	9.1	9.8
Adjusted EBIT margin, %	10.0	7.2	4.4	2.9	6.1	6.8
EBIT margin, %	9.3	6.1	3.6	1.9	5.0	5.8
Fixed and guaranteed rental charges, % of net sales	16.1	16.9	17.7	18.0	17.2	17.0
Variable rental charges, % of net sales	9.3	8.8	8.4	8.3	8.8	8.8
Total rental charges, % of net sales	25.4	25.7	26.1	26.3	25.9	25.8

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

\*\*\*) 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	Apr-Jun 2016	Apr-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Jan-Dec 2015	Jul-Jun 2015/2016
Profit/loss for period	261	65	161	-4	120	285
Items that may be reclassified to the income statement	29	-28	66	-52	-106	12
Items that may not be reclassified to the income statement	-16	15	-51	15	73	7
<b>Other comprehensive income</b>	<b>13</b>	<b>-13</b>	<b>15</b>	<b>-37</b>	<b>-33</b>	<b>19</b>
<b>Total comprehensive income for period</b>	<b>274</b>	<b>52</b>	<b>176</b>	<b>-41</b>	<b>87</b>	<b>304</b>
Relating to:						
Parent Company shareholders	275	51	176	-43	84	303
Non-controlling interest	-1	1	0	2	3	1

## Consolidated balance sheet, summary

MSEK	30 Jun 2016	30 Jun 2015	31 Dec 2015
<b>ASSETS</b>			
Intangible assets	9,024	9,104	8,907
Tangible assets	2,775	2,540	2,638
Financial fixed assets	401	162	63
<b>Total fixed assets</b>	<b>12,200</b>	<b>11,806</b>	<b>11,608</b>
Current assets	1,516	1,388	1,044
Cash and cash equivalents	310	506	248
<b>Total current assets</b>	<b>1,826</b>	<b>1,894</b>	<b>1,292</b>
<b>TOTAL ASSETS</b>	<b>14,026</b>	<b>13,700</b>	<b>12,900</b>
<b>EQUITY AND LIABILITIES</b>			
Equity attributable to owners of the Parent Company	6,330	3,544	6,177
Non-controlling interest	25	29	28
<b>Total equity</b>	<b>6,355</b>	<b>3,573</b>	<b>6,205</b>
Interest-bearing liabilities	3,853	6,815	3,603
Other long-term liabilities	1,371	1,067	916
<b>Total long-term liabilities</b>	<b>5,224</b>	<b>7,882</b>	<b>4,519</b>
Derivative instruments	64	34	77
Other current liabilities	2,383	2,211	2,099
<b>Total current liabilities</b>	<b>2,447</b>	<b>2,245</b>	<b>2,176</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>14,026</b>	<b>13,700</b>	<b>12,900</b>
Equity per share, SEK	61.7	44.3	75.5
Working capital	-856	-814	-1,047
Interest-bearing net liabilities	3,543	6,309	3,355
Interest-bearing net liabilities/adjusted EBITDA, rolling 12 months	2.7	5.9	2.7
Pledged assets	47	6,986	45
Contingent liabilities	215	220	207

## Changes in Group equity

MSEK	Share capital	Other paid-in capital	Translation reserve	Retained earnings	Equity attributable to owners of the Parent Company	Non-controlling interest	Total equity
<b>Opening balance 01/01/2015</b>	<b>0</b>	<b>5,294</b>	<b>35</b>	<b>-1,742</b>	<b>3,587</b>	<b>27</b>	<b>3,614</b>
Profit/loss for period	-	-	-	-6	-6	2	-4
<i>Other comprehensive income</i>							
Actuarial gains and losses during the year	-	-	-	15	15	-	15
Currency fluctuations from translation of foreign operations	-	-	-52	-	-52	-	-52
<b>Closing balance 06/30/2015</b>	<b>0</b>	<b>5,294</b>	<b>-17</b>	<b>-1,733</b>	<b>3,544</b>	<b>29</b>	<b>3,573</b>
Bonus issue	20	-	-	-20	-	-	-
Share issue and share issue costs	6	1,534	-	-49	1,491	-	1,491
Shareholders' contribution received	-	1,037	-	-	1,037	-	1,037
Dividend	-	-	-	-	-	-2	-2
Share-based payments	-	-	-	0	0	-	0
Forward to repurchase own shares	-	-	-	-22	-22	-	-22
Profit/loss for period	-	-	-	123	123	1	124
<i>Other comprehensive income</i>							
Actuarial gains and losses during the year, net after tax	-	-	-	58	58	-	58
Currency fluctuations from translation of foreign operations	-	-	-93	-	-93	0	-93
Hedge of net investment in a foreign operation, net after tax	-	-	39	-	39	-	39
<b>Opening balance 01/01/2016</b>	<b>26</b>	<b>7,865</b>	<b>-71</b>	<b>-1,643</b>	<b>6,177</b>	<b>28</b>	<b>6,205</b>
Dividend	-	-	-	-	-	-3	-3
Share-based payments	-	-	-	2	2	-	2
Forward to repurchase own shares	-	-	-	-25	-25	-	-25
Profit/loss for period	-	-	-	159	159	2	161
<i>Other comprehensive income</i>							
Actuarial gains and losses during the year, net after tax	-	-	-	-51	-51	-	-51
Currency fluctuations from translation of foreign operations	-	-	100	-	100	-2	98
Hedge of net investment in a foreign operation, net after tax	-	-	-32	-	-32	-	-32
<b>Closing balance 06/30/2016</b>	<b>26</b>	<b>7,865</b>	<b>-3</b>	<b>-1,558</b>	<b>6,330</b>	<b>25</b>	<b>6,355</b>

## Consolidated cash flow statement

	Apr-Jun 2016	Apr-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Jan-Dec 2015	Jul-Jun 2015/2016
<b>OPERATING ACTIVITIES</b>						
EBIT (Operating profit/loss)	319	192	220	112	613	720
Depreciation	125	131	246	256	502	492
Items not included in cash flow	5	-	-	-	19	19
Paid tax	-1	0	-1	0	-1	-2
Change in working capital	61	51	-200	-182	54	36
<b>Cash flow from operating activities</b>	<b>509</b>	<b>374</b>	<b>265</b>	<b>186</b>	<b>1,186</b>	<b>1,265</b>
<b>INVESTING ACTIVITIES</b>						
Net investments	-191	-152	-292	-240	-623	-675
Business combinations	-	-71	-	-98	-162	-64
<b>Cash flow from investing operations</b>	<b>-191</b>	<b>-223</b>	<b>-292</b>	<b>-338</b>	<b>-785</b>	<b>-739</b>
<b>OPERATIVE CASH FLOW</b>	<b>318</b>	<b>151</b>	<b>-27</b>	<b>-152</b>	<b>401</b>	<b>526</b>
<b>FINANCING OPERATIONS</b>						
Interest payments	-28	-105	-52	-112	-220	-160
Refinancing of loans	-	-2	-	-4	-99	-96
Share issue, net after issuing costs	-	-	-	-	1,517	1,517
Borrowing	-100	293	150	293	4,742	4,599
Amortization	-	-230	-	-230	-6,801	-6,571
<b>Cash flow from financing operations</b>	<b>-128</b>	<b>-44</b>	<b>98</b>	<b>-53</b>	<b>-861</b>	<b>-711</b>
<b>CASH FLOW FOR PERIOD</b>	<b>190</b>	<b>107</b>	<b>71</b>	<b>-205</b>	<b>-460</b>	<b>-185</b>
Cash and cash equivalents at beginning of period	121	401	248	716	716	506
Translation difference in cash and cash equivalents	-1	-2	-9	-5	-8	-11
<b>Cash and cash equivalents at end of the period</b>	<b>310</b>	<b>506</b>	<b>310</b>	<b>506</b>	<b>248</b>	<b>310</b>

## Parent Company income statement, summary

MSEK	Apr-Jun 2016	Apr-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Jan-Dec 2015	Jul-Jun 2015/2016
Net sales	6	4	13	4	21	30
Expenses	-9	-4	-13	-3	-52	-62
<b>EBIT (Operating profit/loss)</b>	<b>-3</b>	<b>0</b>	<b>-</b>	<b>1</b>	<b>-31</b>	<b>-32</b>
Financial income	3	24	43	49	99	93
Financial expenses	-23	-24	-47	-49	-112	-110
<b>Net financial items</b>	<b>-20</b>	<b>0</b>	<b>-4</b>	<b>0</b>	<b>-13</b>	<b>-17</b>
<b>EBT (profit/loss before tax)</b>	<b>-23</b>	<b>0</b>	<b>-4</b>	<b>1</b>	<b>530</b>	<b>525</b>
Tax	1	-	1	-	-116	-115
<b>PROFIT/LOSS FOR PERIOD</b>	<b>-22</b>	<b>0</b>	<b>-3</b>	<b>1</b>	<b>415</b>	<b>410</b>

## Consolidated statement of comprehensive income

MSEK	Apr-Jun 2016	Apr-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Jan-Dec 2015	Jul-Jun 2015/2016
<b>Profit/loss for period</b>	<b>-22</b>	<b>0</b>	<b>-3</b>	<b>1</b>	<b>415</b>	<b>410</b>
Items that may be reclassified to the income statement	-	-	-	-	-	-
Items that may not be reclassified to the income statement	-	-	-	-	-	-
<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for period</b>	<b>-22</b>	<b>0</b>	<b>-3</b>	<b>1</b>	<b>415</b>	<b>410</b>

## Parent Company balance sheet, summary

MSEK	30 Jun 2016	30 Jun 2015	31 Dec 2015
<b>ASSETS</b>			
Investments in subsidiaries	4,590	3,532	3,536
Group company receivables	5,822	975	6,778
Deferred tax assets	83	192	82
<b>Total fixed assets</b>	<b>10,495</b>	<b>4,699</b>	<b>10,396</b>
Current receivables	5	-	2
Cash and cash equivalents	91	4	2
<b>Total current assets</b>	<b>96</b>	<b>4</b>	<b>4</b>
<b>TOTAL ASSETS</b>	<b>10,591</b>	<b>4,703</b>	<b>10,400</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>6,599</b>	<b>3,706</b>	<b>6,648</b>
Liabilities to credit institutions	3,920	-	3,679
Liabilities to affiliated companies	-	37	8
Shareholders' loans	-	957	-
<b>Total long-term liabilities</b>	<b>3,920</b>	<b>994</b>	<b>3,687</b>
Other liabilities	57	1	2
Accrued expenses and prepaid income	15	2	63
<b>Total current liabilities</b>	<b>72</b>	<b>3</b>	<b>65</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>10,591</b>	<b>4,703</b>	<b>10,400</b>

## Changes in Parent Company's equity

MSEK	Share capital	Share premium reserve	Retained earnings	Total equity
<b>Opening balance 01/01/2015</b>	<b>0</b>	<b>-</b>	<b>3,706</b>	<b>3,706</b>
Profit/loss for period	-	-	0	0
Other comprehensive income	-	-	-	-
<b>Closing balance 06/30/2015</b>	<b>0</b>	<b>-</b>	<b>3,706</b>	<b>3,706</b>
Shareholders' contribution received	-	-	1,036	1,036
Bonus issue	20	-	-20	-
Share issue and share issue costs	6	1,534	-49	1,491
Share-based payments	-	-	0	0
Profit/loss for period	-	-	415	415
Other comprehensive income	-	-	-	-
<b>Opening balance 01/01/2016</b>	<b>26</b>	<b>1,534</b>	<b>5,088</b>	<b>6,648</b>
Profit/loss for period	-	-	-3	-3
Share-based payments	-	-	2	2
Forward to repurchase own shares	-	-	-48	-48
Other comprehensive income	-	-	-	-
<b>Closing balance 06/30/2016</b>	<b>26</b>	<b>1,534</b>	<b>5,039</b>	<b>6,599</b>

### 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 13 MSEK (4). Operating profit totaled - MSEK (1).

The net financial income for the period was -4 MSEK (0). The Parent Company's profit before taxes was -4 MSEK (1).

### Transactions between related parties

Through companies, the fund EQT V owns the majority of the shares in the Parent Company. The fund and its holdings, Dometic Group AB, is considered to be a related party in terms of participating interest and Board representation during the year. The Braganza AB Group is also considered to be a related party in terms of participating interest and Board representation during the year. Accommodation revenues from related parties amounted to 2.7 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 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 the financial statements. As from the second quarter 2016 the company has applied ESMA's (European Securities and Markets Authority) new guidelines for alternative performance measures. Definition of these 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.  
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

Apr-Jun	Sweden		Norway		Other Nordic countries & Europe		Central functions		Group	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
MSEK										
Net sales	1,514	1,269	963	1,023	970	877	-	-	3,447	3,169
Other income	6	5	-	-	-	-	-	-	6	5
Internal transactions	-	-	-	-	-	-	6	4	6	4
Group eliminations	-	-	-	-	-	-	-6	-4	-6	-4
<b>Total income</b>	<b>1,520</b>	<b>1,274</b>	<b>963</b>	<b>1,023</b>	<b>970</b>	<b>877</b>	-	-	<b>3,453</b>	<b>3,174</b>
Expenses	-1,246	-1,073	-845	-913	-800	-754	-92	-77	-2,983	-2,817
<b>Adjusted EBITDA</b>	<b>274</b>	<b>201</b>	<b>118</b>	<b>110</b>	<b>170</b>	<b>123</b>	<b>-92</b>	<b>-77</b>	<b>470</b>	<b>358</b>
Adjusted EBITDA margin, %	18.1	15.8	12.3	10.8	17.5	14.0	-	-	13.6	11.3
<b>EBITDA</b>	-	-	-	-	-	-	-	-	<b>444</b>	<b>323</b>
EBITDA margin, %	-	-	-	-	-	-	-	-	12.9	10.2
Depreciation and amortization	-	-	-	-	-	-	-	-	-125	-131
<b>EBIT (Operating profit/loss)</b>	-	-	-	-	-	-	-	-	<b>319</b>	<b>192</b>
Net financial items	-	-	-	-	-	-	-	-	15	-122
<b>EBT (Profit/loss before tax)</b>	-	-	-	-	-	-	-	-	<b>334</b>	<b>70</b>

Jan-Jun	Sweden		Norway		Other Nordic countries & Europe		Central functions		Group	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
MSEK										
Net sales	2,619	2,354	1,705	1,869	1,717	1,610	-	-	6,041	5,833
Other income	8	9	-	-	-	-	-	-	8	9
Internal transactions	-	-	-	-	-	-	6	4	6	4
Group eliminations	-	-	-	-	-	-	-6	-4	-6	-4
<b>Total income</b>	<b>2,627</b>	<b>2,363</b>	<b>1,705</b>	<b>1,869</b>	<b>1,717</b>	<b>1,610</b>	-	-	<b>6,049</b>	<b>5,842</b>
Expenses	-2,272	-2,053	-1,586	-1,751	-1,517	-1,469	-165	-146	-5,540	-5,419
<b>Adjusted EBITDA</b>	<b>355</b>	<b>310</b>	<b>119</b>	<b>118</b>	<b>200</b>	<b>141</b>	<b>-165</b>	<b>-146</b>	<b>509</b>	<b>424</b>
Adjusted EBITDA margin, %	13.6	13.2	7.0	6.3	11.6	8.8	-	-	8.4	7.3
<b>EBITDA</b>	-	-	-	-	-	-	-	-	<b>466</b>	<b>368</b>
EBITDA margin, %	-	-	-	-	-	-	-	-	7.7	6.3
Depreciation and amortization	-	-	-	-	-	-	-	-	-246	-256
<b>EBIT (Operating profit/loss)</b>	-	-	-	-	-	-	-	-	<b>220</b>	<b>112</b>
Net financial items	-	-	-	-	-	-	-	-	-14	-114
<b>EBT (Profit/loss before tax)</b>	-	-	-	-	-	-	-	-	<b>206</b>	<b>-2</b>

## Assets and investments by segment

30 Jun	Sweden		Norway		Other Nordic countries & Europe		Central functions		Group	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
MSEK										
Fixed assets	5,130	4,993	3,529	3,535	1,143	755	2,398	2,523	12,200	11,806
Investments in fixed assets	146	88	99	75	28	58	20	19	292	240

## RevPAR development by segment

	OCC LFL		ARR LFL		RevPAR LFL		RevPAR	
	Apr-Jun		Apr-Jun		Apr-Jun		Apr-Jun	
SEK	2016	vs 2015	2016	vs 2015	2016	vs 2015	2016	vs 2015
Sweden	70.7%	3.5 pp	1,056.2	9.3%	746.7	14.9%	760.1	16.1%
Norway	61.2%	1.2 pp	933.0	0.2%	571.2	2.2%	576.0	-6.1%
Europe	71.7%	3.8 pp	958.4	7.4%	687.2	13.3%	702.0	13.0%
<b>Total</b>	<b>68.1%</b>	<b>2.9 pp</b>	<b>993.9</b>	<b>6.3%</b>	<b>677.1</b>	<b>10.9%</b>	<b>688.3</b>	<b>8.8%</b>

	Jan-Jun		Jan-Jun		Jan-Jun		Jan-Jun	
	2016	vs 2015	2016	vs 2015	2016	vs 2015	2016	vs 2015
Sweden	64.7%	2.0 pp	1,008.0	5.5%	651.8	8.8%	659.5	9.7%
Norway	55.9%	0.7 pp	930.2	-0.5%	520.2	0.8%	513.1	-8.6%
Europe	65.8%	2.9 pp	905.8	4.3%	596.2	9.1%	611.7	8.9%
<b>Total</b>	<b>62.4%</b>	<b>1.9 pp</b>	<b>956.6</b>	<b>3.5%</b>	<b>596.8</b>	<b>6.7%</b>	<b>601.7</b>	<b>4.1%</b>

## Revenue by country

MSEK	Apr-Jun 2016	Apr-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Jan-Dec 2015	Jul-Jun 2015/2016
Sweden	1,520	1,274	2,627	2,363	5,081	5,345
Norway	963	1,023	1,705	1,869	3,716	3,551
Denmark	383	336	643	595	1,264	1,312
Finland	442	390	814	749	1,601	1,666
Germany	118	108	213	195	406	424
Poland	21	19	35	30	64	69
Belgium	6	24	12	41	76	47
<b>Total countries</b>	<b>3,453</b>	<b>3,174</b>	<b>6,049</b>	<b>5,842</b>	<b>12,208</b>	<b>12,415</b>
Other	6	4	6	4	21	23
Group eliminations	-6	-4	-6	-4	-21	-23
<b>Group</b>	<b>3,453</b>	<b>3,174</b>	<b>6,049</b>	<b>5,842</b>	<b>12,208</b>	<b>12,415</b>

## Revenue by type of agreement

MSEK	Apr-Jun 2016	Apr-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Jan-Dec 2015	Jul-Jun 2015/2016
Lease agreements	3,437	3,154	6,018	5,804	12,134	12,348
Management agreements	2	2	5	4	11	12
Franchise and partner agreements	4	8	8	13	24	19
Owned	10	10	18	21	39	36
<b>Total</b>	<b>3,453</b>	<b>3,174</b>	<b>6,049</b>	<b>5,842</b>	<b>12,208</b>	<b>12,415</b>
Other	6	4	6	4	21	23
Group eliminations	-6	-4	-6	-4	-21	-23
<b>Group</b>	<b>3,453</b>	<b>3,174</b>	<b>6,049</b>	<b>5,842</b>	<b>12,208</b>	<b>12,415</b>

## Quarterly data

MSEK	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
RevPAR, SEK	688.3	512.9	576.3	671.5	632.4	522.6
Net sales	3,447	2,594	3,085	3,275	3,169	2,664
Adjusted EBITDAR	1,344	744	1,105	1,344	1,173	784
Adjusted EBITDA	470	40	332	491	358	66
EBITDA	444	24	270	476	323	46
Adjusted EBIT	345	-82	214	362	227	-59
EBIT (Operating profit/loss)	319	-98	153	347	192	-79
EBT (Profit/loss before tax)	334	-128	19	98	70	-71
Adjusted EBITDAR margin, %	39.0	28.7	35.8	41.0	37.0	29.4
Adjusted EBITDA margin, %	13.6	1.5	10.7	15.0	11.3	2.5
EBITDA margin, %	12.9	0.9	8.8	14.5	10.2	1.7
Adjusted EBIT margin, %	10.0	neg	6.9	11.1	7.2	neg
EBIT margin, %	9.3	neg	5.0	10.6	6.1	neg
Earnings per share, SEK	2.52	-0.97	0.23	1.29	0.81	-0.87

## Quarterly data per segment

	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
<b>Net sales</b>						
Sweden	1,514	1,104	1,337	1,373	1,269	1,086
Norway	963	742	872	974	1,023	846
Other Nordic countries & Europe	970	748	876	928	877	732
<b>Total net sales</b>	<b>3,447</b>	<b>2,594</b>	<b>3,085</b>	<b>3,275</b>	<b>3,169</b>	<b>2,664</b>
<b>Adjusted EBITDA</b>						
Sweden	274	81	237	281	201	109
Norway	118	1	83	119	110	9
Other Nordic countries & Europe	170	30	107	152	123	18
Central functions	-92	-72	-95	-61	-76	-70
<b>Total adj EBITDA</b>	<b>470</b>	<b>40</b>	<b>332</b>	<b>491</b>	<b>358</b>	<b>66</b>

## Hotels and rooms in operation and under development

30 jun, 2016	I drift										Under utveckling	
	Hyresavtal		Management-avtal		Franchise- och partneravtal		Ägda		Totalt		Totalt	
	Hotell	Rum	Hotell	Rum	Hotell	Rum	Hotell	Rum	Hotell	Rum	Hotell	Rum
Sverige	77	15,780	1	145	6	726	-	-	84	16,651	1	538
Norge	61	11,342	-	-	20	2,522	1	135	82	13,999	3	969
Danmark	22	3,664	1	210	-	-	-	-	23	3,874	2	670
Finland	26	5,284	-	-	2	233	-	-	28	5,517	-	70
Övriga Europa	6	1,510	-	-	-	-	-	-	6	1,510	-	16
<b>Totalt</b>	<b>192</b>	<b>37,580</b>	<b>2</b>	<b>355</b>	<b>28</b>	<b>3,481</b>	<b>1</b>	<b>135</b>	<b>223</b>	<b>41,551</b>	<b>6</b>	<b>2,263</b>

## Exchange rates

	Jan-Jun 2016	Jan-Jun 2015	Jan-dec 2015
<b>SEK/EUR</b>			
Income statement (average)	9.2992	9.3404	9.3562
Balance sheet (at end of period)	9.4164	9.2173	9.1350
<b>SEK/NOK</b>			
Income statement (average)	0.9870	1.0797	1.0465
Balance sheet (at end of period)	1.0081	1.0435	0.9556
<b>SEK/DKK</b>			
Income statement (average)	1.2482	1.2528	1.2544
Balance sheet (at end of period)	1.2659	1.2355	1.2242

## Alternative performance measures

	30 Jun 2016	30 Jun 2015	31 Dec 2015
<b>Interest-bearing net liabilities</b>			
Interest-bearing liabilities	3,853	6,815	3,603
Cash and cash equivalents	-310	-506	-248
<b>Interest-bearing net liabilities</b>	<b>3,543</b>	<b>6,309</b>	<b>3,355</b>
<b>Working capital</b>			
Current assets excl current tax assets	1,516	1,379	1,042
Current liabilities excl accrued interest expenses	-2,372	-2,193	-2,089
<b>Working capital</b>	<b>-856</b>	<b>-814</b>	<b>-1,047</b>

## LONG-TERM INCENTIVE PROGRAM

In December 2015, Scandic implemented a share-based long-term incentive program (LTIP 2015) that enables participants to receive matching shares and performance shares provided they make their own investments in shares or allocate shares already held to the program. For each such savings share, the participant may be allotted one matching share, free of consideration. In addition, the participants may receive a number of performance shares, free of consideration, depending on the degree of meeting certain performance criteria adopted by the Board of Directors for the 2015-2017 financial years. Matching shares and performance shares will be allotted after the end of a vesting period until the date of publication of Scandic's interim report for the first quarter of 2018, subject to the participant remaining a permanent employee within the Group and retaining the savings shares during the entire vesting period.

A total of 34 senior managers have invested in the program and may be allotted a maximum of 286,886 shares (66,264 of which are shares to the CEO), corresponding to approximately 0.28 percent of Scandic's share capital and votes. The expected costs of the entire program are estimated to be 12.2 MSEK, and the costs included in the income statement for the Group in accordance with IFRS 2 amounted to MSEK 2.4 in for the first half year 2016, including social security contributions. The maximum cost of the program, including social security contributions, is estimated to be 35.6 MSEK. For more information about the Program, see Note 6 in Scandic's Annual Report 2015.

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

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

The expected financial exposure to shares that may be allotted under LTIP 2015 and LTIP 2016 and the delivery of shares to the participants of LTIP 2015 and LTIP 2016 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 assure that this interim report gives a true and fair view of the Parent Company and Group's operations, financial position and results of operations and that it also describes the significant risks and uncertainties to which the Parent Company and Group companies are exposed.

Stockholm, August 15th, 2016

Vagn Sørensen  
Chairman

Ingalill Berglund  
Member of the Board

Per G. Braathen  
Member of the Board

Albert Gustafsson  
Member of the Board

Grant Hearn  
Member of the Board

Lottie Knutson  
Member of the Board

Stephan Leithner  
Member of the Board

Christoffer Lundström  
Member of the Board

Eva Moen Adolfsson  
Member of the Board

Niklas Sloutski  
Member of the Board

Fredrik Wirdenius  
Member of the Board

Jan Wallmark  
Employee representative

Frank Fiskers  
President & CEO

#### **AUDITORS' REVIEW**

This interim 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 at unchanged exchange rates.

**OCC (Occupancy)**

Refers to sold rooms in relation to the number of available rooms. Expressed as a percentage.

**RevPAR (Revenue Per Available Room)**

Refers to the average room revenue per available room.

**Pre-opening costs**

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

**Full-time equivalents (FTEs)**

The number of full-time employees calculated as the total number of working hours for the period divided by annual working time.

**FINANCIAL KEY RATIOS AND ALTERNATIVE PERFORMANCE MEASURES****EBT**

Earnings before tax.

**EBIT**

Earnings before interest and taxes.

**EBITDA**

Earnings before interest, taxes, depreciation and amortization.

**EBITDA margin**

EBITDA as a percentage of net sales.

**Adjusted EBIT**

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

**Adjusted EBITDA**

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

**Adjusted EBITDAR**

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

**Non-recurring items**

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

**Interest-bearing net liabilities**

Interest-bearing assets minus interest-bearing liabilities.

**Working capital, net**

Current non-interest bearing receivables excluding current tax assets minus current non-interest bearing liabilities excluding accrued interest expenses.

**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 average number of shares.

## Scandic Hotels Group

Scandic is the largest hotel company in the Nordic countries with about 44,000 rooms at 230 hotels in operation and under development. In 2015, the Group had annual sales of SEK 12.2 billion.

We operate within the mid-market hotel segment under our industry-leading and well-loved Scandic brand. About 70 percent of our revenue comes from business travel and conferences and the remaining 30 percent from leisure travel. We have a high share of returning guests and our Scandic Friends loyalty program is the largest in the Nordic hospitality industry with more than 1.7 million members.

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

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

## Press releases (selection)

- 2016-06-30 Scandic enters another long-term strategic agreement with Pandox
- 2016-06-23 Scandic Hotels to enter strategic partnership with MCI Nordics
- 2016-06-22 Ann-Charlotte Johansson to leave Scandic
- 2016-06-09 Scandic's future leaders graduate with pomp and ceremony
- 2016-06-09 Scandic recruits new Director of e-commerce from eBay
- 2016-06-03 HTL hotels to change name to Scandic
- 2016-05-17 Jan Johansson new CFO at Scandic
- 2016-04-26 Scandic strengthens customer dialog through new digital platform
- 2016-04-26 Scandic to open hotel in Vaasa, Finland
- 2016-04-20 Frank Fiskers nominated for Hotelier of the World Awards
- 2016-04-12 Scandic to launch two more signature hotels in the Nordic region
- 2016-04-11 Scandic to open new conference hotel in Copenhagen in 2018
- 2016-04-08 Notice of the annual general meeting of Scandic Hotels Group AB
- 2016-04-07 Scandic Hotels cements position as best in the industry in sustainability
- 2016-04-04 Changes in the Nomination Committee of Scandic

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