

Scandic Hotel A/S

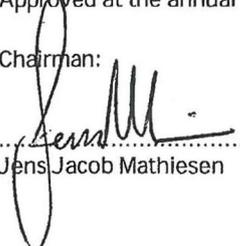
Nansensgade 19, 7., 1366 København K

CVR no. 12 59 67 74

Annual report 2016

Approved at the annual general meeting of shareholders on 12 June 2017

Chairman:


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Jens Jacob Mathiesen

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Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Scandic Hotel A/S for the financial year 1 January - 31 December 2016.

The annual report is prepared in accordance with the Danish Financial Statements Act.

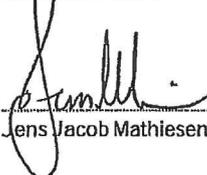
In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 12 June 2017

Executive Board:

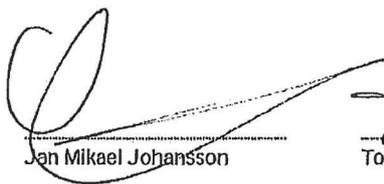


Jens Jacob Mathiesen

Board of Directors:



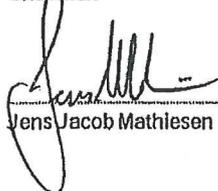
Frank Fiskers
Chairman



Jan Mikael Johansson



Tonny Poulsen



Jens Jacob Mathiesen

Independent auditor's report

To the shareholder of Scandic Hotel A/S

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2016, and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

We have audited the financial statements of Scandic Hotel A/S for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet, statement of changes in equity and notes, including summary of significant accounting policies ("financial statements").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on our procedures, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Independent auditor's report

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- ▶ Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hellerup, 12 June 2017
PRICEWATERHOUSECOOPERS
Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 31


Bo Schou Jacobsen
State Authorised Public Accountant


Leif Ulbæk Jensen
State Authorised Public Accountant

Management's review

Company details

Name	Scandic Hotel A/S
Address, Postal code, City	Nansensgade 19, 7., 1366 København K
CVR no.	12 59 67 74
Established	15 December 1988
Registered office	København
Financial year	1 January - 31 December
Website	www.scandichotels.dk
Telephone	+45 33 48 04 50
Telefax	+45 33 91 76 00
Board of Directors	Frank Fiskers, Chairman Jan Mikael Johansson Tonny Poulsen Jens Jacob Mathiesen
Executive Board	Jens Jacob Mathiesen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44, DK-2900 Hellerup
Bankers	Danske Bank A/S

Management's review

Financial highlights

DKK'000	2016	2015	2014	2013	2012
Key figures					
Revenue	1,104,471	1,002,093	970,281	928,734	874,605
Profit before interest, tax and amortisation of goodwill (EBITA)	70,823	34,246	4,241	-57,234	-80,708
Operating profit/loss	70,823	34,246	4,241	-57,234	-80,708
Net financials	-2,236	-2,723	-3,101	-1,747	-1,763
Profit/loss for the year	63,785	47,392	-3,410	-58,981	-84,203
Balance sheet					
Total assets	355,056	356,165	301,663	321,093	343,488
Investment in property, plant and equipment	-50,844	-50,799	-22,180	-31,030	-34,202
Equity	142,965	79,180	31,788	35,198	94,179
Financial ratios					
Operating margin	6.4%	3.4%	0.4%	-6.2%	-9.2%
Gross margin	43.6%	43.0%	40.8%	36.8%	36.5%
Return on assets	19.9%	10.4%	1.4%	-17.2%	-23.5%
Solvency ratio	40.3%	22.2%	10.5%	11.0%	27.4%
Return on equity	57.4%	85.4%	-10.2%	-91.2%	-320.4%
Other					
Average number of employees	1,030	985	979	1,000	1,010

Financial ratios are calculated in accordance with the Danish Finance Society's recommendations on the calculation of financial ratios "Recommendations and Financial Ratios 2015". For terms and definitions, please see the accounting policies.

Management commentary

Business review

The company carries on hotel and restaurant activities in Denmark.

Recognition and measurement uncertainties

Recognition and measurement in the Financial Statements have not been subject to any uncertainty.

Financial review

In 2016, the Company's revenue came in at DKK 1,104,471 thousand against DKK 1,002,093 thousand last year. The income statement for 2016 shows a profit of DKK 63,785 thousand against DKK 47,392 thousand last year, and the balance sheet at 31 December 2016 shows equity of DKK 142,965 thousand.

Compared to the expressed expectations in the outlook section in the 2015 annual report, both revenue and net profit has been met. Management consider this net profit as satisfying.

In 2015 the profit was affected by an income of DKK 21 million relating to capitalization of deferred tax asset.

Non-financial matters

Scandic is the largest hotel operator and market leader in Denmark. Scandic has destinations in many cities in Denmark with a majority of the hotels located in and around Copenhagen. As at 31. December 2016 Scandic had 3.874 rooms at 23 hotels. One hotel will open in the Copenhagen area May 2017 with 215 Rooms; in October 2018 one more hotel will open in Copenhagen with 370 rooms and in March 2019 one more hotel in Copenhagen will open with 332 rooms.

Management's review

Management commentary

Statutory CSR report

The Company has not drawn up any CSR report, as the parent company has done so for the entire Group. The report is rendered in the parent company's annual report and may be downloaded from the site <http://www.scandichotelsgroup.com/en/wp-content/uploads/sites/2/2016/02/scandic-annual-report-2016.pdf>.

Account of the gender composition of Management

The board of directors of Scandic Hotel A/S currently consists of 4 males. This does not correspond to the company's target for the Board of Directors which is at least 1 of underrepresented gender of the Board of Directors.

As a Scandinavian group Scandic wants to promote diversity and prefer to ensure equal distribution of women and men in Scandic Management. The target is that the underrepresented gender should constitute at least 40%. In order to achieve this target, Scandic seeks to prioritize the target in the event of equally qualified candidates.

At 31 December 2016, the distribution of women and men in Scandic Hotel A/S was as follows:

Board of Directors:

Women:	0%
Men:	100%
Target:	25%

Country Management:

Women:	22%
Men:	78%
Target:	40%

Hotel Management groups:

Women:	50%
Men:	50%
Target:	40%

To download Scandic Group's Code of Conduct in its entirety, go to:
www.scandichotelsgroup.com/en/sustainability

Outlook

The Company's revenue for 2017 is expected to increase by 9,5 %. On this basis, a profit before tax, in the range of DKK 90-100 million is expected for 2017.

Unusual events

The financial position at 31 December 2016 of the Company and the results of the activities of the Company for the financial year for 2016 have not been affected by any unusual events.

Financial statements for the period 1 January - 31 December

Income statement

Note	DKK'000	2016	2015
4	Revenue	1,104,471	1,002,093
	Cost of sales	-79,315	-73,188
	Other operating income	4,913	4,867
	Other external expenses	-548,123	-502,506
	Gross margin	481,946	431,266
5	Staff costs	-374,135	-360,781
6	Amortisation/depreciation of property, plant and equipment	-36,988	-36,239
	Profit before net financials	70,823	34,246
7	Financial income	36	33
8	Financial expenses	-2,272	-2,756
	Profit before tax	68,587	31,523
9	Tax for the year	-4,802	15,869
	Profit for the year	63,785	47,392

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK'000	<u>2016</u>	<u>2015</u>
	ASSETS		
	Fixed assets		
10	Property, plant and equipment		
	Buildings	0	0
	Fixtures and fittings, other plant and equipment	213,334	209,856
	Property, plant and equipment under construction	<u>15,499</u>	<u>5,122</u>
		<u>228,833</u>	<u>214,978</u>
11	Investments		
	Deposits, investments	<u>14,902</u>	<u>15,020</u>
		<u>14,902</u>	<u>15,020</u>
	Total fixed assets	<u>243,735</u>	<u>229,998</u>
	Non-fixed assets		
	Inventories		
	Finished goods and goods for resale	<u>5,710</u>	<u>5,597</u>
		<u>5,710</u>	<u>5,597</u>
	Receivables		
	Trade receivables	52,149	57,752
	Deferred tax assets	21,000	21,000
	Other receivables	9,172	13,694
	Prepayments	<u>23,007</u>	<u>27,765</u>
		<u>105,328</u>	<u>120,211</u>
	Cash	<u>283</u>	<u>359</u>
	Total non-fixed assets	<u>111,321</u>	<u>126,167</u>
	TOTAL ASSETS	<u>355,056</u>	<u>356,165</u>

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK'000	2016	2015
	EQUITY AND LIABILITIES		
	Equity		
12	Share capital	11,000	11,000
	Retained earnings	131,965	68,180
	Total equity	<u>142,965</u>	<u>79,180</u>
	Liabilities		
	Non-current liabilities other than provisions		
	Payables to group enterprises	16,437	9,874
		<u>16,437</u>	<u>9,874</u>
	Current liabilities		
	Prepayments received from customers	7,813	6,355
	Trade payables	91,260	74,178
	Payables to group enterprises	34,185	114,450
	Corporation tax payable	4,802	5,226
	Other payables	57,594	66,902
		<u>195,654</u>	<u>267,111</u>
	Total liabilities other than provisions	212,091	276,985
	TOTAL EQUITY AND LIABILITIES	<u>355,056</u>	<u>356,165</u>

- 1 Accounting policies
- 2 Capital position
- 3 Events after the balance sheet date
- 13 Contractual obligations and contingencies, etc.
- 14 Collateral
- 15 Related parties
- 16 Fee to the auditors appointed by the Company in general meeting

Financial statements for the period 1 January - 31 December

Statement of changes in equity

Note	DKK'000	Share capital	Retained earnings	Total
	Equity at 1 January 2016	11,000	68,180	79,180
17	Transfer, see "Appropriation of profit"	0	63,785	63,785
	Equity at 31 December 2016	11,000	131,965	142,965

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Scandic Hotel A/S for 2016 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

Changes to presentation and disclosures only

Effective 1 January 2016, the Company has implemented act no. 738 of 1 June 2015 with amendments to the Danish Financial Statements Act. As the implementation of the amendment act has no impact in terms of value on the income statement or the balance sheet in the financial year, nor on the comparative figures, the financial statements have been prepared based on the same accounting policies as last year.

The amendment act has solely implied new or changed presentation and disclosure requirements, which have been incorporated in the financial statements.

Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are reflected in the consolidated cash flow statement for the higher-ranking parent company Scandic Hotels AB.

Basis of recognition and measurement

Revenue is recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet at cost. Subsequently, assets and liabilities are measured as described for each item below.

Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Income statement

Revenue

Revenue from the sale of services is recognised in the income statement when delivery and transfer of risk to the buyer have been made before year end.

Revenue is recognised exclusive of VAT and net of discounts relating to sales.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including gains or losses on the sale of non-current assets.

Cost of sales

Cost of sales includes the cost of goods used in generating the year's revenue.

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Depreciation

The item comprises depreciation of property, plant and equipment.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Buildings	15 years
Fixtures and fittings, other plant and equipment	3-10 years

The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised. In case of changes in the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The entity is jointly taxed with Scandic Hotels Holding A/S. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

Balance sheet

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Impairment of fixed assets

The carrying amount of property, plant and equipment is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

Goods for resale are measured at cost, which comprises the cost of acquisition plus delivery costs as well as other expenses directly attributable to the acquisition.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Equity

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Other payables

Other payables are measured at net realisable value.

Segment information

Information is disclosed by activity and geographical market. Segment information is based on the Company's accounting policies, risks and internal financial management.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Financial ratios

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

The financial ratios stated under "Financial highlights" have been calculated as follows:

Operating margin	$\frac{\text{Operating profit} \times 100}{\text{Revenue}}$
Gross margin ratio	$\frac{\text{Gross margin} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit/loss from operating activities} \times 100}{\text{Average assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total equity and liabilities at year end}}$
Return on equity	$\frac{\text{Profit/loss for the year after tax} \times 100}{\text{Average equity}}$

2 Capital position

The company has received a financial support letter from the parent company Scandic Hotels AB which will ensure that the Company's capital position is sufficient, taking into account the planned activities and expected capital needs. The financial support declaration covers until 31 December 2017.

3 Events after the balance sheet date

On 18 January 2017, Scandic signed an agreement with property owner Pandox to take over operation of one hotel 1 May 2017.

DKK'000	<u>2016</u>	<u>2015</u>
4 Segment information		
Breakdown of revenue by business segment:		
Hotel and conference	788,070	699,152
Restaurants (food and beverage)	299,368	287,441
Other	17,033	15,500
	<u>1,104,471</u>	<u>1,002,093</u>
Breakdown of revenue by geographical segment:		
Revenue, Denmark	<u>1,104,471</u>	<u>1,002,093</u>
	<u>1,104,471</u>	<u>1,002,093</u>

Segment information is represented in respect of business segments and geographical segments based on the Company's risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

DKK'000	2016	2015
5 Staff costs		
Wages/salaries	340,654	326,626
Pensions	28,083	26,730
Other social security costs	5,398	7,425
	<u>374,135</u>	<u>360,781</u>
Average number of full-time employees	<u>1,030</u>	<u>985</u>
By reference to section 98b(3), (ii), of the Danish Financial Statements Act, remuneration to Management is not disclosed.		
6 Depreciation of property, plant and equipment		
Depreciation of property, plant and equipment	36,988	36,239
	<u>36,988</u>	<u>36,239</u>
7 Financial income		
Other financial income	36	33
	<u>36</u>	<u>33</u>
8 Financial expenses		
Interest expenses, group entities	1,163	1,648
Exchange losses	1	22
Other financial expenses	1,108	1,086
	<u>2,272</u>	<u>2,756</u>
9 Tax for the year		
Estimated tax charge for the year	4,802	5,131
Deferred tax adjustments in the year	0	-21,000
	<u>4,802</u>	<u>-15,869</u>

At 31 December 2016 the Company has an unrecognised tax asset. The basis for the calculation of the unrecognised tax asset is DKK 245 millions (2015: DKK 295 millions), whereof DKK 95 million is recognised in the balance sheet as of 31 December 2016 corresponding to a tax value of DKK 21 million. The tax asset recognised is expected to be utilized within a period of 3 years.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

10 Property, plant and equipment

DKK'000	Buildings	Fixtures and fittings, other plant and equipment	Property, plant and equipment under construction	Total
Cost at 1 January 2016	7,396	755,327	5,122	767,845
Additions	0	35,344	15,499	50,843
Disposals	0	-17,510	0	-17,510
Transferred	0	5,122	-5,122	0
Cost at 31 December 2016	7,396	778,283	15,499	801,178
Impairment losses and depreciation at 1 January 2016	7,396	545,471	0	552,867
Depreciation	0	36,988	0	36,988
Reversal of accumulated depreciation and impairment of assets disposed	0	-17,510	0	-17,510
Impairment losses and depreciation at 31 December 2016	7,396	564,949	0	572,345
Carrying amount at 31 December 2016	0	213,334	15,499	228,833
Amortised over	15 years	3-10 years		

11 Investments

DKK'000	Deposits, investments
Cost at 1 January 2016	15,020
Disposals	-118
Cost at 31 December 2016	14,902
Carrying amount at 31 December 2016	14,902

DKK'000	2016	2015
12 Share capital		
Analysis of the share capital:		
1 shares of DKK 10,000,000.00 nominal value each	10,000	10,000
1 shares of DKK 1,000,000.00 nominal value each	1,000	1,000
	11,000	11,000

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13 Contractual obligations and contingencies, etc.

Other contingent liabilities

DKK'000	2016	2015
Rent and lease obligations, within 1 year	201,759	184,495
Rent and lease obligations, between 1 and 5 years	774,943	693,664
Rent and lease obligations, after 5 years	1,516,600	1,533,821
	<u>2,493,302</u>	<u>2,411,980</u>

Operating leases with differing terms have been entered into account concerning operating equipment. Annual payments currently amounts to approx. DKK 16.1 million. Rental obligations have been entered into concerning properties with rent being partly fixed and partly based on revenue. The rent agreements have differing terms up to 20 years. Annual payments amounts to approx. DKK 182.9 million.

The Company is jointly taxed with its parent, Scandic Hotels Holding A/S, which acts as management company, and is jointly and severally liable with other jointly taxed group entities for payment of income as well as withholding taxes on interest, royalties and dividends.

14 Collateral

Kinect Energy Group AS is authorized to withdraw balances for electricity on Scandic Hotel's bank account. Deposits as of 31 December 2016 amounts to DKK 4.0 million.

15 Related parties

Scandic Hotel A/S' related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control
EQT V	St. Peter Port, Guersey	Ultimate parent
Scandic Hotels Group AB	PO BOX 6197, SE-102 33, Sveavägen 167, Stockholm, Sweden	Controlling shareholder for Scandic Hotels Holding A/S
Scandic Hotels Holding A/S	Nansensgade 19, 7., 1366 København K	Controlling shareholder

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Parent	Domicile
Scandic Hotels Group AB	PO BOX 6197, SE-102 33, Sveavägen 167, Stockholm, Sweden

Group enterprise transactions not carried through on normal market terms

There are no group enterprise transactions that have not been carried through on normal market terms.

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16 Fee to the auditors appointed by the Company in general meeting

Audit fees are not disclosed with reference to section 96(3) of the Danish Financial Statements Act.
The fee is specified in the consolidated financial statements for Scandic Hotels AB.

DKK'000	<u>2016</u>	<u>2015</u>
17 Appropriation of profit		
Recommended appropriation of profit	63,785	47,392
Retained earnings	<u>63,785</u>	<u>47,392</u>