
Scandic Hotel A/S

Nansensgade 19, 7., DK-1366 København K

Annual Report for 1 January - 31 December 2015

CVR No 12 59 67 74

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
31/5 2016

Jens Jacob Mathiesen
Chairman



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Management's Statement

The Executive and Board of Directors have today considered and adopted the Annual Report of Scandic Hotel A/S for the financial year 1 January - 31 December 2015.

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 at 31 December 2015 of the Company and of the results of the Company operations for 2015.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

København, 31 May 2016

Executive Board

Jens Jacob Mathiesen

Board of Directors

Frank Fiskers
Chairman

Jens Jacob Mathiesen

Tonny Poulsen

Majken Gunilla Rudebjer
Blomqvist

Independent Auditor's Report on the Financial Statements

To the Shareholder of Scandic Hotel A/S

Report on the Financial Statements

We have audited the Financial Statements of Scandic Hotel A/S for the financial year 1 January - 31 December 2015, which comprise income statement, balance sheet, statement of changes in equity, notes and summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of Financial Statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2015 and of the results of the Company operations for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

Independent Auditor's Report on the Financial Statements

Statement on Management's Review

We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Financial Statements. On this basis, in our opinion, the information provided in Management's Review is in accordance with the Financial Statements.

Hellerup, 31 May 2016

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Bo Schou-Jacobsen
statsautoriseret revisor

Leif Ulbæk Jensen
statsautoriseret revisor

Company Information

The Company

Scandic Hotel A/S
Nansensgade 19, 7.
DK-1366 København K

Telephone: +45 33 48 04 50
Facsimile: +45 33 91 76 00

CVR No: 12 59 67 74
Financial period: 1 January - 31 December
Financial year: 27th financial year
Municipality of reg. office: København

Board og Directors

Frank Fiskers, Chairman
Jens Jacob Mathiesen
Tonny Poulsen
Majken Gunilla Rudebjer Blomqvist

Executive Board

Jens Jacob Mathiesen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Bankers

Danske Bank A/S

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2015 TDKK	2014 TDKK	2013 TDKK	2012 TDKK	2011 TDKK
Key figures					
Profit/loss					
Revenue	1,006,962	970,281	928,734	874,605	793,198
Profit/loss before financial income and expenses	34,247	4,241	-57,234	-80,708	-66,797
Net financials	-2,724	-3,101	-1,747	-1,763	-3,779
Net profit/loss for the year	47,392	-3,410	-58,981	-84,203	-70,576
Balance sheet					
Balance sheet total	356,164	301,663	321,093	350,063	416,917
Equity	79,180	31,788	35,198	94,179	-41,618
Investment in property, plant and equipment	-50,799	-22,180	-31,030	-34,202	-104,914
Number of employees	985	979	1,000	1,010	954
Ratios					
Gross margin	42.8%	40.8%	36.8%	36.5%	36.8%
Profit margin	3.4%	0.4%	-6.2%	-9.2%	-8.4%
Return on assets	9.6%	1.4%	-17.8%	-23.1%	-16.0%
Solvency ratio	22.2%	10.5%	11.0%	26.9%	-10.0%
Return on equity	85.4%	-10.2%	-91.2%	-320.4%	1,115.0%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's Review

Main activity

The company carries on hotel and restaurant activities in Denmark.

Development in the year

The income statement of the Company for 2015 shows a profit of TDKK 47,392, and at 31 December 2015 the balance sheet of the Company shows equity of TDKK 79,180.

Profit for the year was affected by an income of DKK 21 million as a consequence of capitalized deferred tax, which management believes can be utilized within a reasonable period.

Statutory report on corporate social responsibility

We refer to a separate corporate social responsibility report for the Scandic Group Company's Annual Report 2015 for Scandic Hotels Group AB.

<http://www.scandichotelsgroup.com/en/wp-content/uploads/sites/2/2016/04/Scandic-Annual-Report-2015-C.pdf>

Statutory information regarding the underrepresented gender

The board of directors in Scandic Hotel A/S currently consists of one female and 3 male. This corresponds to the company's target for the board of directors.

As a Scandinavian group Scandic wants to promote diversity and provide equal opportunities for all, regardless of gender, age, ethnicity and political and religious orientation. A policy has been prepared 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 2015, the distribution of women and men in Scandic Hotel A/S was as follows:

	Women	Men
Board of Directors	25%	75%
Country Management	22%	78%
Hotel Management groups	50%	50%

To download Scandic Group's Code of Conduct in its entirety, go to:

www.scandichotelsgroup.com/en/sustainability

Management's Review

Uncertainty relating to recognition and measurement

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

Unusual events

The financial position at 31 December 2015 of the Company and the results of the activities of the Company for the financial year for 2015 have not been affected by any unusual events.

Subsequent events

No events materially affecting the assessment of Financial Statements have occurred after the balance sheet date.

During the first 5 months of 2016, Scandic has entered into 3 new rent agreements. One hotel will open in Aalborg City, June 1st 2016, and two more hotels will open in the Copenhagen area, October 2018. The rent agreements have differing terms up to 20 years. The rental obligations are included in note 11 in this annual report.

Outlook

2016 is expected to show higher activity levels and an improved result compared to 2015. The result is expected to be positive in 2016.

Income Statement 1 January - 31 December

	Note	2015 TDKK	2014 TDKK
Revenue, Denmark	2	1,006,962	970,281
Expenses for raw materials and consumables		-73,186	-72,783
Other external expenses		-502,511	-501,200
Gross profit/loss		431,265	396,298
Staff expenses	3	-360,779	-350,338
Depreciation, amortisation and impairment of property, plant and equipment	4	-36,239	-41,719
Profit/loss before financial income and expenses		34,247	4,241
Financial income	5	33	321
Financial expenses	6	-2,757	-3,422
Profit/loss before tax		31,523	1,140
Tax on profit/loss for the year	7	15,869	-4,550
Net profit/loss for the year		47,392	-3,410

Distribution of profit

Proposed distribution of profit

Retained earnings		47,392	-3,410
		47,392	-3,410

Balance Sheet 31 December

Assets

	Note	2015 TDKK	2014 TDKK
Land and buildings		0	0
Other fixtures and fittings, tools and equipment		209,856	191,114
Property, plant and equipment in progress		5,122	9,328
Property, plant and equipment	8	214,978	200,442
Other investments		0	30
Deposits		15,020	15,074
Fixed asset investments	9	15,020	15,104
Fixed assets		229,998	215,546
Inventories		5,597	5,119
Trade receivables		57,752	43,579
Other receivables		13,693	10,692
Deferred tax asset		21,000	0
Prepayments		27,765	26,406
Receivables		120,210	80,677
Cash at bank and in hand		359	321
Currents assets		126,166	86,117
Assets		356,164	301,663

Balance Sheet 31 December

Liabilities and equity

	Note	2015 TDKK	2014 TDKK
Share capital		11,000	11,000
Retained earnings		68,180	20,788
Equity	10	79,180	31,788
Payables to group enterprises		9,874	0
Long-term debt		9,874	0
Trade payables		81,583	91,430
Payables to group enterprises		114,452	118,434
Corporation tax		5,226	4,550
Other payables		65,849	55,461
Short-term debt		267,110	269,875
Debt		276,984	269,875
Liabilities and equity		356,164	301,663
Capital position	1		
Contingent assets, liabilities and other financial obligations	11		
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Statement of Changes in Equity

	<u>Share capital</u> TDKK	<u>Retained earnings</u> TDKK	<u>Total</u> TDKK
Equity at 1 January	11,000	20,788	31,788
Net profit/loss for the year	0	47,392	47,392
Equity at 31 December	11,000	68,180	79,180

Notes to the Annual Report

1 Capital position

The Company has received a financial support 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 2016.

	2015 TDKK	2014 TDKK
2 Revenue, Denmark		
Geographical segments		
Revenue, Denmark	1,006,962	970,281
	1,006,962	970,281
Business segments		
Hotel and conference	702,292	674,449
Revenue, restaurants	289,145	280,327
Other	15,525	15,505
	1,006,962	970,281
3 Staff expenses		
Wages and salaries	326,623	317,252
Pensions	26,730	25,819
Other social security expenses	7,426	7,267
	360,779	350,338
Average number of employees	985	979
Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.		
4 Depreciation, amortisation and impairment of property, plant and equipment		
Depreciation of property, plant and equipment	36,239	41,719
	36,239	41,719

Notes to the Annual Report

	2015 TDKK	2014 TDKK
5 Financial income		
Other financial income	33	72
Exchange adjustments	0	249
	<u>33</u>	<u>321</u>
6 Financial expenses		
Interest paid to group enterprises	1,648	2,784
Other financial expenses	1,087	638
Exchange loss	22	0
	<u>2,757</u>	<u>3,422</u>
7 Tax on profit/loss for the year		
Current tax for the year	5,131	4,550
Deferred tax for the year	-21,000	0
	<u>-15,869</u>	<u>4,550</u>

At 31 December 2015 the Company has an unrecognized tax asset. The basis for the calculation of the unrecognized tax asset is DKK 295 million (31 December 2014 DKK 305 million), whereof DKK 95 million is recognized in the Financial Statement 2015.

Notes to the Annual Report

8 Property, plant and equipment

	Land and buildings	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress
	TDKK	TDKK	TDKK
Cost at 1 January	7,396	738,602	9,328
Additions for the year	0	45,677	5,122
Disposals for the year	0	-38,280	0
Transfers for the year	0	9,328	-9,328
Cost at 31 December	<u>7,396</u>	<u>755,327</u>	<u>5,122</u>
Impairment losses and depreciation at 1 January	7,396	547,488	0
Depreciation for the year	0	36,239	0
Reversal of impairment and depreciation of sold assets	0	-38,256	0
Impairment losses and depreciation at 31 December	<u>7,396</u>	<u>545,471</u>	<u>0</u>
Carrying amount at 31 December	<u>0</u>	<u>209,856</u>	<u>5,122</u>
Depreciated over	<u>15 years</u>	<u>3-10 years</u>	

9 Fixed asset investments

	Deposits
	TDKK
Cost at 1 January	15,074
Disposals for the year	-54
Cost at 31 December	<u>15,020</u>
Carrying amount at 31 December	<u>15,020</u>

Notes to the Annual Report

10 Equity

	<u>Number</u>	<u>Nominal value</u> TDKK
A-aktier á TDKK 10.000	1	10,000
A-aktier á TDKK 1.000	1	1,000
		<u>11,000</u>

There have been no changes in the share capital during the last 5 years.

11 Contingent assets, liabilities and other financial obligations

Rental agreements and leases

Lease obligations under operating leases. Total future lease payments:

Within 1 year	185,462	169,562
Between 1 and 5 years	916,633	662,363
After 5 years	3,526,599	1,693,100
	<u>4,628,694</u>	<u>2,525,025</u>

Operating leases with differing terms have been entered into concerning operating equipment. Annual payments amounts to approx. DKK 10.1 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 amount to approx. DKK 175.4 million.

During the first 5 months of 2016, Scandic has entered into 3 new rent agreements. One hotel will open in Aalborg City, June 1st 2016, and two more hotels will open in the Copenhagen area, October 2018. The rent agreements have differing terms up to 20 years.

Notes to the Annual Report

	2015	2014
	TDKK	TDKK
11 Contingent assets, liabilities and other financial obligations (continued)		

Security

The following assets have been placed as security with bankers:

The Company has put up a chattel mortgage of DKK 36,8 million as security for Scandic Hotels AB's loans, secured on office- and IT equipments. The carrying amount of the operating equipment of the location in question is:

58,990	67,427
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Bergen Energi AS is authorized to withdraw balances for electricity on Scandic Hotel's bank account. Deposits as of 31 December 2015 amounts to DKK 4.0 million.

Other

The Company is jointly taxed with Scandic Hotels Holding A/S. The Company has solidary liability for corporate income tax, withholding taxes on dividends, royalty tax and interest on the jointly taxed income, etc, for the joint taxation with Scandic Hotels Holding A/S as the administration Company.

12 Related parties and group information

Basis

Controlling interest

EQT V, St. Peter Port, Guernsey	Ultimate parent
Scandic Hotels AB, PO BOX 6197, SE-102 33, Sveavägen 167, Stockholm, Sverige	Controlling Shareholder for Scandic Hotels Holding A/S
Scandic Hotels Holding A/S, Nansensgade 19,7. 1366 København K	Controlling Shareholder

Notes to the Annual Report

12 Related parties and group information (continued)

Transactions

Transactions with the Board of Directors, the Executive Board, senior officers, group enterprises or other related parties has been entered into at arm's length.

Consolidated Financial Statements

The Company's immediate parent company is Scandic Hotels Holding A/S. The Company's ultimate parent company is EQT V.

There are published consolidated report for Scandic Hotels Group AB, a subsidiary of the ultimate parent company EQT V.

Scandic Hotels AB
Box 6197
Sveavägen 167
SE 102 33 Stockholm
Sweden

13 Fees to auditors appointed

Fee to auditors appointed at the general meeting has not been disclosed in accordance with section 96 (3) of the Danish Financial Statement Act. Reference is made to the Consolidated Financial Statements of Scandic Hotels AB.

Accounting Policies

Basis of Preparation

Financial Statements of Scandic Hotel A/S for 2015 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

Financial Statements for 2015 are presented in TDKK.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Scandic Hotels AB, the Company has not prepared a cash flow statement.

Recognition and measurement

Revenues are 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 when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Danish kroner is used as the measurement currency. All other currencies are regarded as foreign currencies.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Accounting Policies

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement.

Segment reporting

Segment information is presented 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.

Income Statement

Revenue, Denmark

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.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise expenses for premises, sales and distribution as well as office expenses, etc.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of property, plant and equipment.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Accounting Policies

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with all Danish group entities. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Balance Sheet

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Buildings	15	years
Other fixtures and fittings, tools and equipment	3-10	years

Impairment of fixed assets

The carrying amounts of property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale in the process of normal operations with deduction of . The net realisable value is determined allowing for marketability, obsolescence and development in expected sales sum.

The cost of goods for resale, raw materials equals landed cost.

Accounting Policies

Receivables

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

Financial debts

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Accounting Policies

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$