

Scandic Hotel A/S

Nansensgade 19, 7., 1366 København K

CVR no. 12 59 67 74

Annual report 2020

Approved at the Company's annual general meeting on 31 May 2021

Chair of the meeting:

.....
Søren Faerber

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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 2020.

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 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020.

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, 31 May 2021
Executive Board:

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Søren Faerber

Board of Directors:

.....
Jens Jacob Mathiesen
Chairman

.....
Jan Mikael Johansson

.....
Tonny Poulsen

.....
Søren Faerber

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 2020, and of the results of the Company's operations for the financial year 1 January - 31 December 2020 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 2020, which comprise income statement, balance sheet, statement of changes in equity and notes, including a 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.

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 these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment 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.

Independent auditor's report

- ▶ 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 conclusions are 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 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.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover 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 Management's Review and, in doing so, consider whether 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 Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Hellerup, 31 May 2021
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 31

Leif Ulbæk Jensen
State Authorised Public Accountant
mne23327

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	Jens Jacob Mathiesen, Chairman Jan Mikael Johansson Tonny Poulsen Søren Faerber
Executive Board	Søren Faerber
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44, DK-2900 Hellerup
Bankers	Nordea Bank

Management's review

Financial highlights

DKK'000	2020	2019	2018	2017	2016
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Key figures

Revenue	546,287	1,389,748	1,256,232	1,179,989	1,104,471
Profit before interest and tax (EBITA)	-225,753	19,866	57,086	71,540	70,820
Net financials	-4,510	-2,623	-1,950	-2,172	-2,236
Profit/loss for the year	-230,264	15,769	53,487	65,635	63,785

Total assets	556,743	610,540	494,659	388,916	355,056
Investment in property, plant and equipment	0	-151,034	-136,371	-61,436	-50,844
Equity	197,592	277,856	262,087	208,600	142,965

Financial ratios

Operating margin	-41.3%	1.4%	4.5%	6.1 %	6.4 %
Gross margin	42.1%	42.6%	44.4%	44.2%	43.6%
Return on assets	-72.7%	2.7%	11.8%	19.2%	19.9%
Equity ratio	35.5%	45.5%	53.0%	53.6%	40.3%
Return on equity	-96.9%	5.8%	22.7%	37.3%	57.4%

Average number of employees	730	1,397	1,280	1,106	1,030
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Financial ratios are calculated in accordance with the Danish Finance Society's recommendations on the calculation of financial ratios "Recommendations and Financial Ratios". For terms and definitions, please see the accounting policies.

Management's review

Business review

The company carries on hotel and restaurant activities in Denmark.

Financial review

The income statement for 2020 shows a loss of DKK 230,264 thousand against a profit of DKK 15,769 thousand last year, and the balance sheet at 31 December 2020 shows equity of DKK 197,592 thousand.

As a result of the COVID-19 crisis in the financial year 2020 and the partial closure of Denmark the activity level is lower than expected. Both the revenue and net profit for the year do not meet the expectations expressed in the outlook section in the 2020 annual report.

The company has made use of the Covid-19 compensation schemes regarding 2020 where the company fulfills the criteria for applying and receiving the compensation. The total Covid-19 compensation recognised as income amounts to DKK 195,029.

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 in and around Copenhagen. As at 31 December 2020 Scandic had 4,955 rooms at 27 hotels.

- ▶ 17 May 2021 Scandic CPH Strandpark opened with 357 rooms.
- ▶ In the autumn 2021 one hotel in Copenhagen will open with 100 rooms.
- ▶ In the spring 2022 one hotel in Copenhagen will open with 632 rooms.
- ▶ In 2025 one hotel in Aarhus will open with 500 rooms.

Special risks

The Company has not drawn up any separate Risk 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 www.scandichotelsgroup.com/en/financial-reports/.

Recognition & measurements uncertainties

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. Increased capacity can initially lead to lower occupancy in the short term, but in the long term, it can also help stimulate interest in business and leisure destinations, which in turn can have a positive effect on the number of hotel nights.

If the recover of the hotel market Denmark not is realised as expected this would affect expected cash flow negatively, and consequently, the value of tangible assets.

Reference is made to note 5 for more details.

Statutory CSR report

The Company has not drawn up any separate 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 www.scandichotelsgroup.com/en/financial-reports/.

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. The Board of Directors consist of CEO and CFO from the Parent Company and CEO and CFO from the Company and currently can not fulfilled its gender ambition. Scandic Hotel A/S analyzes and acts to achieve gender balance and historically the Management group is represented equally of both genders.

Management's review

As a Scandinavian group Scandic wants to promote diversity. For two year in a row (2018 and 2019) Scandic Denmark received the honors "Denmark's Best Workplace at Inclusion". Moreover Scandic wants to ensure equal distribution of women and men in Scandic Management. The target is that the underrepresented gender should constitute at least 40% in 2024. In order to achieve this target, Scandic seeks to priority the target in the event of equally qualified candidates. When recruiting new employee's job postings are drafted in gender neutral languages to attract applicants of both genders. Yearly all Scandic team members have a perform dialogue with the manager and ongoing talent reviews in order to motivate and develop. Scandic runs yearly programs "Future Leader" and "Talent at Scandic", which are programs focusing on business and leadership development to fulfilled its ambitions to develop equal distribution of women and men in Scandic Management.

At 31 December 2020, 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:	17%
Men:	83%
Target:	40%

Hotel Management groups:

Women:	53%
Men:	47%
Target:	40%

To download Scandic Group's Code of Conduct in its entirety, go to:
<https://www.scandichotelsgroup.com/sustainability/reports--policies/>

Events after the balance sheet date

Reference is made to note 4 for more details.

Outlook

Scandic expects the hotel market to partly recover in 2021. As infection and death rates decrease due to vaccinations being carried out, restrictions are expected to be lifted which will make meetings, sports and cultural events possible again. Initially, Scandic estimates that demand will be driven by intra-Nordic travel, which normally accounts for just over 70 percent of Scandic's total guest nights. In the short term, demand will be entirely determined by the pace at which restrictions are eased. As occupancy increases, cash outflow will decrease and Scandic expects to reach positive cash flow at an average occupancy rate of around 50 percent. Scandic estimates that occupancy during the summer will be higher than it was during the corresponding period last year (33 percent in July 2020).

The completed convertible issue and extension of credit facilities are expected to cover Scandic's liquidity needs until the market has normalized and Scandic has a positive cash flow.

Even if it is still highly uncertain how long the Covid-19 pandemic will continue and how Scandic's business will be impacted, it is highly likely that combined with continued good business practices regarding managing revenue, expenses and cash flow, the measures described above will suffice to ensure liquidity and continuity both this year and the next.

With a sharply reduced cost level combined with an efficient operational model, Scandic has all the prerequisites to reach a good level of profitability when demand returns, even though occupancy in the coming year is expected to be lower than it was just before the pandemic.

Reference is made to note 2 and 3 for more details.

Management's review

Unusual events

The financial position at 31 December 2020 of the Company and the results of the activities of the Company for the financial year for 2020 have not been affected by any unusual events except the negative effect of the Covid-19 pandemic.

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2020	2019
6	Revenue	546,287	1,389,748
	Cost of sales	-38,744	-94,485
7	Other operating income	198,408	4,785
	Other external expenses	-475,900	-707,819
	Gross profit	230,051	592,229
8	Staff costs	-392,449	-516,746
9	Depreciation of property, plant and equipment	-63,356	-55,618
	Profit/loss before net financials	-225,754	19,865
10	Financial income	0	108
11	Financial expenses	-4,510	-2,731
	Profit/loss before tax	-230,264	17,242
12	Tax for the year	0	-1,473
	Profit/loss for the year	-230,264	15,769

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2020	2019
	ASSETS		
	Fixed assets		
13	Property, plant and equipment		
	Buildings	0	0
	Fixtures and fittings, other plant and equipment	355,950	402,526
	Fixtures and fittings, other plant and equipment under construction	68,365	35,524
		<u>424,315</u>	<u>438,050</u>
14	Investments		
	Deposits, investments	15,185	15,080
		<u>15,185</u>	<u>15,080</u>
	Total fixed assets	<u>439,500</u>	<u>453,130</u>
	Non-fixed assets		
	Inventories		
	Finished goods and goods for resale	4,058	6,800
		<u>4,058</u>	<u>6,800</u>
	Receivables		
	Trade receivables	43,631	81,079
15	Deferred tax assets	21,000	21,000
	Other receivables	7,017	11,265
	Prepayments	41,344	36,974
		<u>112,992</u>	<u>150,318</u>
	Cash	193	292
	Total non-fixed assets	<u>117,243</u>	<u>157,410</u>
	TOTAL ASSETS	<u>556,743</u>	<u>610,540</u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2020	2019
	EQUITY AND LIABILITIES		
	Equity		
16	Share capital	11,000	11,000
	Retained earnings	186,592	266,856
	Total equity	<u>197,592</u>	<u>277,856</u>
	Liabilities other than provisions		
17	Non-current liabilities other than provisions		
	Other payables	22,902	7,969
		<u>22,902</u>	<u>7,969</u>
	Current liabilities other than provisions		
	Prepayments received from customers	16,987	18,755
	Trade payables	77,164	157,007
	Payables to group enterprises	159,527	72,307
	Corporation tax payable	0	1,473
	Other payables	82,571	75,173
		<u>336,249</u>	<u>324,715</u>
	Total liabilities other than provisions	<u>359,151</u>	<u>332,684</u>
	TOTAL EQUITY AND LIABILITIES	<u><u>556,743</u></u>	<u><u>610,540</u></u>

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Financial statements 1 January - 31 December

Statement of changes in equity

Note	DKK'000	Share capital	Retained earnings	Total
	Equity at 1 January 2019	11,000	251,087	262,087
22	Transfer, see "Appropriation of profit/loss"	0	15,769	15,769
	Equity at 1 January 2020	11,000	266,856	277,856
22	Transfer, see "Appropriation of profit/loss"	0	-230,264	-230,264
	Contribution from group	0	150,000	150,000
	Equity at 31 December 2020	11,000	186,592	197,592

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Scandic Hotel A/S for 2020 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

Effective from the financial year 2020, the Company has implemented amending act no. 1716 of 27 December 2018 to the Danish Financial Statements Act. The implementation of the amending act has not affected the Company's accounting policies on recognition and measurement of assets and liabilities but has solely entailed a requirement for further disclosures. The accounting policies used in the preparation of the financial statements are consistent with those of last year.

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.

Derivative financial instruments

On initial recognition, derivative financial instruments are recognised at cost in the balance sheet and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are presented as separate items in the balance sheet.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Income statement

Revenue

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

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 on the sale of fixed assets. In operating income is included income is included government grants relating to Covid-19 compensations schemes.

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

Depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In the case of changes in the depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Financial statements 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.

Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of leases.

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

All incentives for the agreement of a new or renewed operating lease is recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments. The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term, on a straight-line basis.

Impairment of fixed assets

The carrying amount of property, plant and equipment is assessed for indication of impairment on an annual basis. If indication of impairment is identified impairment tests are conducted.

Impairment loss is recognised 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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

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 and expenses regarding subsequent financial reporting years.

Equity

Translation reserve

The translation reserve comprises the share of foreign exchange differences arising on translation of financial statements of entities that have a functional currency other than DKK, foreign exchange adjustments of assets and liabilities considered part of the Company's net investments in such entities and foreign exchange adjustments regarding hedging transactions that hedge the Company's net investments in such entities. The reserve is dissolved on the sale of foreign entities or if the conditions for effective hedging no longer exist. When equity investments in subsidiaries and associates in the parent company financial statements are subject to the limitation requirement in the net revaluation reserve according to the equity method, foreign exchange adjustments will be included in this equity reserve instead.

Hedging reserve

The hedging reserve comprises the cumulative net change in the fair value of hedging transactions that qualify for recognition as a cash flow hedge and where the hedged transaction has not yet been realised. The reserve is dissolved when the hedged transaction is realised, if the hedged cash flows are no longer expected to be realised or if the hedging relationship is no longer effective. The reserve does not represent a limitation under company law and may therefore be negative.

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".

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Grants without consideration within a group

Grants to a parent company without consideration are taken to equity as a dividend distribution, whereas grants received from the parent company are recognised under "Retained earnings in equity" in the balance sheet as a capital injection.

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 ratios

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines.

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 30 June 2022.

Financial statements 1 January - 31 December

Notes to the financial statements

3 Recognition and measurement uncertainties

Impairment of assets:

Due to the Covid-19 crisis and the material negative result for 2020 there is indications of impairment of assets and an impairment test of the company's assets have been performed. The impairment test is based on the expected development in the financial results and cash-flows for the next 5-years. The impairment test has not resulted in impairment of the Company's assets.

If the assumptions for the impairment test are not met and the hotel market in Denmark does not recover as expected, see the section "Outlook" in the Management Review, this will affect the expected cash flow negatively, and consequently, the value of tangible assets.

Covid-19 compensation:

The company has applied for the Covid-19 scheme for compensation of salaries. The company has received TDKK 77,090 in compensation of which only TDKK 66,240 has been recognised as income as uncertainty exists whether all employees fulfill the criteria for receiving the compensation. The remaining amount TDKK 10,840 has been recognised in short term debt.

For the received Covid-19 compensations the control from the Authorities has not yet been finalised. Based on communication with the Authorities the risk for adjustments to the received grants are assessed to be low.

4 Events after the balance sheet date

After the end of the financial year, the COVID-19 crisis has continued. The effect of this cannot be finally determined at this time.

To strengthen the capital structure and liquidity position, Scandic Hotel A/S has taken a comprehensive set of initiatives to significant cost saving and cash flow management measures. In addition the Company applies on an ongoing basis the Danish State for compensation for fixed costs and compensation for salary.

On group level Scandic's Board of Directors resolved on March 26, 2021 on a placement of convertible bonds due October 2024, raising approximately SEK 1,609 million in gross proceeds. The Board of Directors' resolution on the issuance of the convertibles was passed at an Extraordinary General Meeting held on April 21, 2021. The convertibles are subordinated to the company's bank loans and do not carry any coupon but have a yield to maturity of 3.25 percent having been issued at a price corresponding to 89.41 percent of the nominal amount. The conversion price is SEK 43.3621 per share, which corresponds to a premium of 22 percent of the volume-weighted average share price between the announcement of the offer and pricing on March 26, 2021.

The company has in 2021 applied for Covid-19 compensation for fixed costs for the period 9 July - 31 August 2020, which has been approved by the Authorities in 2021. The approval by the Authorities are considered as an adjusting subsequent event and the compensation TDKK 18,899 has been recognised as other operating income in 2020.

In addition the company has in 2021 applied for Covid-19 compensation for fixed costs for the period 9 December 2020 - 28 February 2021. The Authorities has not at the time for finalising the financial statements 2020 approved the application and the compensation regarding 2020 has consequently not been recognised as income. If the Authorities approve the application grants of approximately DKK 74 mio. will be received whereof approximately DKK 20 mio. relates to 2020.

Financial statements 1 January - 31 December

Notes to the financial statements

5 Special items

Special items are income and expenses that are special due to their size and nature. The following special items were recognised in the financial year:

DKK'000	2020	2019
Income		
Compensation for fixed costs 9/3 - 8/6 2020	82,500	0
Compensation for fixed costs 9/6 - 8/7 2020	27,500	0
Compensation for fixed costs 9/7 - 31/8 2020	18,789	0
Compensation for salary costs	66,240	0
	<u>195,029</u>	<u>0</u>
Special items are recognised in the below items of the financial statements		
	<u>195,029</u>	<u>0</u>
Net profit on special items	<u>195,029</u>	<u>0</u>

6 Segment information

Breakdown of revenue by business segment:

Hotel and conference	379,739	978,727
Restaurants (food and beverage)	153,745	384,280
Other	12,803	26,741
	<u>546,287</u>	<u>1,389,748</u>

Breakdown of revenue by geographical segment:

Revenue, Denmark	<u>546,287</u>	<u>1,389,748</u>
	<u>546,287</u>	<u>1,389,748</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.

7 Other operating income

Management fee	3,380	4,785
Covid-19 compensation	195,028	0
	<u>198,408</u>	<u>4,785</u>

8 Staff costs

Wages/salaries	362,721	472,272
Pensions	30,253	37,976
Other social security costs	-525	6,498
	<u>392,449</u>	<u>516,746</u>

Average number of full-time employees	<u>730</u>	<u>1,397</u>
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By reference to section 98b(3), (ii), of the Danish Financial Statements Act, remuneration to Management is not disclosed.

Financial statements 1 January - 31 December

Notes to the financial statements

9 Depreciation of property, plant and equipment				
Depreciation of property, plant and equipment		63,356	55,618	
		<u>63,356</u>	<u>55,618</u>	
	DKK'000	<u>2020</u>	<u>2019</u>	
10 Financial income				
Other financial income		0	108	
		<u>0</u>	<u>108</u>	
11 Financial expenses				
Interest expenses, group entities		3,784	1,645	
Other financial expenses		726	1,086	
		<u>4,510</u>	<u>2,731</u>	
12 Tax for the year				
Estimated tax charge for the year (Current tax)		0	1,473	
		<u>0</u>	<u>1,473</u>	
13 Property, plant and equipment				
	DKK'000		Fixtures and fittings, other plant and equipment under construction	Total
		<u>Buildings</u>	<u>Fixtures and fittings, other plant and equipment</u>	
Cost at 1 January 2020		7,397	1,012,657	35,524
Additions		0	16,780	32,841
Cost at 31 December 2020		<u>7,397</u>	<u>1,029,437</u>	<u>68,365</u>
Impairment losses and depreciation at 1 January 2020		7,397	610,131	0
Depreciation		0	63,356	0
Impairment losses and depreciation at 31 December 2020		<u>7,397</u>	<u>673,487</u>	<u>0</u>
Carrying amount at 31 December 2020		<u>0</u>	<u>355,950</u>	<u>68,365</u>
Depreciated over		<u>15 years</u>	<u>3-10 years</u>	

Financial statements 1 January - 31 December

Notes to the financial statements

14 Investments

DKK'000	Deposits, investments
Cost at 1 January 2020	15,080
Additions	105
Cost at 31 December 2020	15,185
Carrying amount at 31 December 2020	15,185

15 Deferred tax assets

At 31 December 2020 the Company has an unrecognised tax asset. The basis for the calculation of the unrecognised tax asset is DKK 363 millions (2019: DKK 133 millions), whereof DKK 95 million is recognised in the balance sheet as of 31 December 2020 corresponding to a tax value of DKK 21 million. The tax asset recognised is expected to be utilized within a period of 3-5 years.

DKK'000	2020	2019
16 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
	<u>11,000</u>	<u>11,000</u>

17 Non-current liabilities other than provisions

Other payables are surplus holiday liabilities due to the New Holiday Act. As of 31 December 2020, no decision was made on how the obligation will be settled. However payment will not be due prior to 1 September 2021

18 Contractual obligations and contingencies, etc.

Other contingent liabilities

DKK'000	2020	2019
Rent and lease obligations, within 1 year	206,814	234,654
Rent and lease obligations, between 1 and 5 years	950,590	999,064
Rent and lease obligations, after 5 years	2,527,936	1,938,700
	<u>3,685,340</u>	<u>3,172,418</u>

The above figures includes operating leases with differing terms which have been entered into concerning operating equipment. Annual payments currently amounts to approx. DKK 10 million.

Rental obligations concerning properties have been entered into with lease payments being partly fixed and partly based on revenue. The lease agreements have differing terms up to 20 years. Annual payments amounts to approx. DKK 268 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.

In 2020-2025 there will be added 1.589 rooms at 4 new hotels (3 hotels in Copenhagen and 1 hotels in Aarhus) to the portfolio for Scandic Hotel A/S. The rental agreements regarding these hotels are not yet in force, and consequently the lease obligations are not disclosed.

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Notes to the financial statements

19 Contingent assets

The company assesses that the criteria's for applying for compensation for fixed costs for the period 1 September - 31 October 2020 not is fulfilled and has consequently not applied for these compensations. If the criteria's for applying the compensation schemes is reassessed by the Authorities, the company may be able to obtain compensations for these periods.

The Company has applied for fixed costs for the period 9 December 2020 - 28 February 2021. The Authorities but not yet approved the application. The applied compensation amounts to TDKK 74,000 whereoff approximately TDKK 20,000 relates to the financial year 2020.

20 Related parties

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

Parties exercising control

<u>Related party</u>	<u>Domicile</u>	<u>Basis for control</u>
Scandic Hotels Group AB	PO BOX 6197, SE-102 33, Sveavägen 167, Stockholm, Sweden	Controlling shareholder for Scandic Hotels AB
Scandic Hotels 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

Information about consolidated financial statements

<u>Parent</u>	<u>Domicile</u>
Scandic Hotels Group AB	P.O BOX 6197 SE-102 33, Sveavägen 167, Stockholm, Sweden

21 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>2020</u>	<u>2019</u>
22 Appropriation of profit/loss		
Recommended appropriation of profit/loss		
Retained earnings/accumulated loss	-230,264	15,769
	<u>-230,264</u>	<u>15,769</u>

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Tonny Poulsen

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Jan Mikael Johansson

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Leif Ulbæk Jensen

Statsautoriseret revisor

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