

Scandic Hotel A/S

Nansensgade 19, 7., 1366 København K

CVR no. 12 59 67 74

Annual report 2019

Approved at the Company's annual general meeting on 29 May 2020

Chairman:



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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 2019.

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 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019.

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, 29 May 2020
Executive Board:

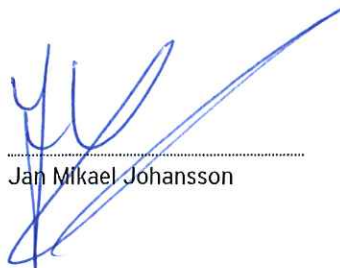


Søren Faerber

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 2019, and of the results of the Company's operations for the financial year 1 January - 31 December 2019 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 2019, 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.

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.

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:

Independent auditor's report

- 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 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.

Hellerup, 29 May 2020
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 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|-----------|-----------|-----------|-----------|-----------|
| Key figures | | | | | |
| Revenue | 1,389,748 | 1,256,232 | 1,179,989 | 1,104,471 | 1,002,093 |
| Profit before interest and tax (EBITA) | 19,866 | 57,087 | 71,540 | 70,820 | 34,246 |
| Net financials | -2,623 | -1,950 | -2,172 | -2,236 | -2,723 |
| Profit for the year | 15,769 | 53,487 | 65,635 | 63,785 | 47,392 |
| Balance sheet | | | | | |
| Total assets | 610,540 | 494,659 | 388,916 | 355,056 | 356,165 |
| Investment in property, plant and equipment | -151,034 | -136,371 | -61,436 | -50,844 | -50,799 |
| Equity | 277,856 | 262,087 | 208,600 | 142,965 | 79,180 |
| Financial ratios | | | | | |
| Operating margin | 1.4% | 4.5% | 6.1% | 6.4 % | 3.4 % |
| Gross margin | 42.6% | 44.4% | 44.2% | 43.6% | 43.0% |
| Return on assets | 2.7% | 11.8% | 19.2% | 19.9% | 10.4% |
| Equity ratio | 45.5% | 53.0% | 53.6% | 40.3% | 22.2% |
| Return on equity | 5.8% | 22.7% | 37.3% | 57.4% | 85.4% |
| Other | | | | | |
| Average number of employees | 1,397 | 1,280 | 1,106 | 1,030 | 985 |

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.

Recognition and measurement uncertainties

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

Financial review

The income statement for 2019 shows a profit of DKK 15,769 thousand against a profit of DKK 53,487 thousand last year, and the balance sheet at 31 December 2019 shows equity of DKK 277,856 thousand.

Compared to the expectations included in the outlook section in the 2018 annual report, both revenue and net profit has been met. Management consider this net profit as satisfying.

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 2019 Scandic had 4,955 rooms at 27 hotels.

- In the spring 2021 two hotels in Copenhagen will open with 100 rooms and with 357 rooms.
- In the autumn 2021 one hotel in Copenhagen will open with 632 rooms.
- In 2024 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/.

Significant Risks & Uncertainty factors

Scandic operates in a sector where demand for hotel nights and conferences is influenced by the underlying domestic economic development and purchasing power in the geographic markets in which Scandic does business as well as in the markets from which there is a significant amount of travel to the Nordic countries. Additionally, profitability in the sector is impacted by changes in room capacity. 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.

A significant downturn in the hotel market in Denmark would affect expected cash flow negatively, and consequently, the value of tangible assets.

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 the second year in a row Scandic Denmark received the honors "Denmark's Best Workplace at Inclusion" in the end of 2019. 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 2019, 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: | 28% |
| Men: | 72% |
| Target: | 40% |

Hotel Management groups:

| | |
|---------|-----|
| Women: | 60% |
| Men: | 40% |
| 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 3 for more details.

Outlook

As a direct result of the Covid-19 pandemic, Scandic Hotel A/S has been impacted by a significant loss of revenue with highly negative consequences for profits and cash flow.

Company Management has tried to estimate the effect of Covid-19 on the Company's activities. The business situation will be very weak with occupancy expected to be between 6 and 12 percent until the second quarter 2020, following by a gradual recovery in the second half of the year. In 2021, RevPAR is expected to be 35 to 45 percent lower than in 2019. It is, however, too early yet to give an opinion as to the extent of the negative implications for 2020. Therefore, Management finds itself unable to disclose reliably its outlook for the future in accordance with section 12 of the Danish Financial Statements Act.

Measures have been taken to cut costs and strengthen cash flow. In addition, on group level, Scandic has resolved on a rights issue of approximately 1.23 billion DKK with a preferential rights for shareholders and also entered into an agreement with the existing banks for an additional 0.81 billion DKK credit facility.

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

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

Unusual events

The financial position at 31 December 2019 of the Company and the results of the activities of the Company for the financial year for 2019 have not been affected by any unusual events.

Financial statements 1 January - 31 December

Income statement

| Note | DKK'000 | 2019 | 2018 |
|------|---|----------------|----------------|
| 4 | Revenue | 1,389,748 | 1,256,232 |
| | Cost of sales | -94,485 | -81,309 |
| | Other operating income | 4,785 | 5,088 |
| | Other external expenses | -707,819 | -621,997 |
| | Gross profit | 592,229 | 558,014 |
| 5 | Staff costs | -516,746 | -456,872 |
| 6 | Depreciation of property, plant and equipment | -55,618 | -44,056 |
| | Profit before net financials | 19,865 | 57,086 |
| 7 | Financial income | 108 | 73 |
| 8 | Financial expenses | -2,731 | -2,023 |
| | Profit before tax | 17,242 | 55,136 |
| 9 | Tax for the year | -1,473 | -1,649 |
| | Profit for the year | 15,769 | 53,487 |

Financial statements 1 January - 31 December

Balance sheet

| Note | DKK'000 | 2019 | 2018 |
|------|---|-----------------------|-----------------------|
| | ASSETS | | |
| | Fixed assets | | |
| 10 | Property, plant and equipment | | |
| | Buildings | 0 | 0 |
| | Fixtures and fittings, other plant and equipment | 402,526 | 314,489 |
| | Fixtures and fittings, other plant and equipment under construction | 35,524 | 28,180 |
| | | <u>438,050</u> | <u>342,669</u> |
| 11 | Investments | | |
| | Deposits, investments | 15,080 | 15,754 |
| | | <u>15,080</u> | <u>15,754</u> |
| | Total fixed assets | <u>453,130</u> | <u>358,423</u> |
| | Non-fixed assets | | |
| | Inventories | | |
| | Finished goods and goods for resale | 6,800 | 6,605 |
| | | <u>6,800</u> | <u>6,605</u> |
| | Receivables | | |
| | Trade receivables | 81,079 | 69,758 |
| 12 | Deferred tax assets | 21,000 | 21,000 |
| | Other receivables | 11,265 | 7,241 |
| | Prepayments | 36,974 | 31,279 |
| | | <u>150,318</u> | <u>129,278</u> |
| | Cash | <u>292</u> | <u>353</u> |
| | Total non-fixed assets | <u>157,410</u> | <u>136,236</u> |
| | TOTAL ASSETS | <u><u>610,540</u></u> | <u><u>494,659</u></u> |

Financial statements 1 January - 31 December

Balance sheet

| Note | DKK'000 | 2019 | 2018 |
|------|--|----------------|----------------|
| | EQUITY AND LIABILITIES | | |
| | Equity | | |
| 13 | Share capital | 11,000 | 11,000 |
| | Retained earnings | 266,856 | 251,087 |
| | Total equity | 277,856 | 262,087 |
| | Liabilities other than provisions | | |
| 14 | Non-current liabilities other than provisions | | |
| | Other payables | 7,969 | 0 |
| | | 7,969 | 0 |
| | Current liabilities other than provisions | | |
| | Prepayments received from customers | 18,755 | 17,765 |
| | Trade payables | 157,007 | 121,980 |
| | Payables to group enterprises | 72,307 | 28,200 |
| | Corporation tax payable | 1,473 | 1,649 |
| | Other payables | 75,173 | 62,978 |
| | | 324,715 | 232,572 |
| | Total liabilities other than provisions | 332,684 | 232,572 |
| | TOTAL EQUITY AND LIABILITIES | 610,540 | 494,659 |

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

Financial statements 1 January - 31 December

Statement of changes in equity

| Note | DKK'000 | Share capital | Retained earnings | Total |
|------|---|---------------|-------------------|---------|
| | Equity at 1 January 2018 | 11,000 | 197,600 | 208,600 |
| 18 | Transfer, see "Appropriation of profit" | 0 | 53,487 | 53,487 |
| | Equity at 1 January 2019 | 11,000 | 251,087 | 262,087 |
| 18 | Transfer, see "Appropriation of profit" | 0 | 15,769 | 15,769 |
| | Equity at 31 December 2019 | 11,000 | 266,856 | 277,856 |

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Scandic Hotel A/S for 2019 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

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 included in "Other receivables" and "Other payables", respectively.

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.

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".

Impairment of fixed assets

The carrying amount of property, plant and equipment is assessed for indication of 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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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 2021.

3 Events after the balance sheet date

During the first quarter of 2020, the spread of the coronavirus (Covid-19) led to a significant deterioration of the business situation for Scandic Hotel A/S. Scandic Hotel A/S has consequently been impacted by a significant loss of revenue with highly negative consequences for profits and cash flow. For this reason 600 seasonal workers were cancelled, 200 team members were given notice of termination on March 12, 2020 and 1,000 team members were sent home on the salary compensation scheme on March 30, 2020.

To strengthen the capital structure and liquidity position, Scandic Hotel A/S has taken a comprehensive sets of initiatives to significant cost saving and cash flow management measures. In addition the Company will apply the Danish State for compensation of fixed costs for the period 9 March - 8 July 2020 and expects to receive maximum government grant of 110 DKK million. On group level, Scandic Group AB has resolved on a rights issue of approximately 1.23 billion DKK before transaction costs with preferential rights for existing shareholders. On group level Scandic Hotels Group AB has also entered into an agreement for new 0.81 billion DKK credit facility. The increased credit facilities is crucial for ensuring continued financing and is conditional upon the proposed rights issue being fully guaranteed and for the rights issue, which was approved on the Scandic Hotels Group AB Extraordinary General Meeting on 28 May 2020.

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

Management considers the implications of Covid-19 a subsequent event occurred after the balance sheet date (31 December 2019), which is therefore a non-adjusting event to the Company. Management has not subsequently identified any material remeasurements of assets and liabilities.

Financial statements 1 January - 31 December

Notes to the financial statements

| DKK'000 | 2019 | 2018 |
|---|------------------|------------------|
| 4 Segment information | | |
| Breakdown of revenue by business segment: | | |
| Hotel and conference | 978,727 | 895,026 |
| Restaurants (food and beverage) | 384,280 | 341,174 |
| Other | 26,741 | 20,032 |
| | <u>1,389,748</u> | <u>1,256,232</u> |
| Breakdown of revenue by geographical segment: | | |
| Revenue, Denmark | <u>1,389,748</u> | <u>1,256,232</u> |
| | <u>1,389,748</u> | <u>1,256,232</u> |
| <p>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.</p> | | |
| 5 Staff costs | | |
| Wages/salaries | 472,272 | 417,569 |
| Pensions | 37,976 | 34,115 |
| Other social security costs | 6,498 | 5,188 |
| | <u>516,746</u> | <u>456,872</u> |
| Average number of full-time employees | <u>1,397</u> | <u>1,280</u> |
| <p>By reference to section 98b(3), (ii), of the Danish Financial Statements Act, remuneration to Management is not disclosed.</p> | | |
| 6 Depreciation of property, plant and equipment | | |
| Depreciation of property, plant and equipment | <u>55,618</u> | <u>44,056</u> |
| | <u>55,618</u> | <u>44,056</u> |
| 7 Financial income | | |
| Other financial income | <u>108</u> | <u>73</u> |
| | <u>108</u> | <u>73</u> |
| 8 Financial expenses | | |
| Interest expenses, group entities | 1,645 | 1,113 |
| Other financial expenses | 1,086 | 910 |
| | <u>2,731</u> | <u>2,023</u> |
| 9 Tax for the year | | |
| Estimated tax charge for the year (Current tax) | <u>1,473</u> | <u>1,649</u> |
| | <u>1,473</u> | <u>1,649</u> |

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10 Property, plant and equipment

| DKK'000 | Buildings | Fixtures and fittings, other plant and equipment | Fixtures and fittings, other plant and equipment under construction | Total |
|--|-----------|--|---|-----------|
| Cost at 1 January 2019 | 7,397 | 915,253 | 28,180 | 950,830 |
| Additions | 0 | 129,655 | 21,379 | 151,034 |
| Disposals | 0 | -46,286 | 0 | -46,286 |
| Transferred | 0 | 14,035 | -14,035 | 0 |
| Cost at 31 December 2019 | 7,397 | 1,012,657 | 35,524 | 1,055,578 |
| Impairment losses and depreciation at 1 January 2019 | 7,397 | 600,764 | 0 | 608,161 |
| Depreciation | 0 | 55,618 | 0 | 55,618 |
| Reversal of accumulated depreciation and impairment of assets disposed | 0 | -46,251 | 0 | -46,251 |
| Impairment losses and depreciation at 31 December 2019 | 7,397 | 610,131 | 0 | 617,528 |
| Carrying amount at 31 December 2019 | 0 | 402,526 | 35,524 | 438,050 |
| Depreciated over | 15 years | 3-10 years | | |

11 Investments

| DKK'000 | Deposits, investments |
|-------------------------------------|-----------------------|
| Cost at 1 January 2019 | 15,754 |
| Disposals | -674 |
| Cost at 31 December 2019 | 15,080 |
| Carrying amount at 31 December 2019 | 15,080 |

12 Deferred tax assets

At 31 December 2019 the Company has an unrecognised tax asset. The basis for the calculation of the unrecognised tax asset is DKK 133 millions (2018: DKK 144 millions), whereof DKK 95 million is recognised in the balance sheet as of 31 December 2019 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 | 2019 | 2018 |
|--|--------|--------|
| 13 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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14 Non-current liabilities other than provisions

Other payables are surplus holiday liabilities due to the New Holiday Act. As of 31 December 2019, no decision was made on how the obligation will be settled. However payment will not be due prior to 1 September 2021

15 Contractual obligations and contingencies, etc.

Other contingent liabilities

| DKK'000 | 2019 | 2018 |
|---|------------------|------------------|
| Rent and lease obligations, within 1 year | 234,654 | 221,136 |
| Rent and lease obligations, between 1 and 5 years | 999,064 | 899,375 |
| Rent and lease obligations, after 5 years | 1,938,700 | 1,663,904 |
| | <u>3,172,418</u> | <u>2,784,415</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 9,4 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 225,2 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 2020-2024 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.

16 Related parties

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

Parties exercising control

| Related party | Domicile | Basis for control |
|----------------------------|--|--|
| 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 |

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

17 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.

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Notes to the financial statements

| DKK'000 | <u>2019</u> | <u>2018</u> |
|-------------------------------------|---------------|---------------|
| 18 Appropriation of profit | | |
| Recommended appropriation of profit | | |
| Retained earnings | <u>15,769</u> | <u>53,487</u> |
| | <u>15,769</u> | <u>53,487</u> |