

Scandic Hotels Holding A/S

Nansensgade 19, 7., 1366 København K

CVR no. 30 61 64 56

Annual report 2020

Approved at the Company's annual general meeting on 18 June 2021

Chair of the meeting:

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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 Hotels Holding 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 matters discussed in the Management's review.

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

Copenhagen, 18 June 2021
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 Hotels Holding 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 judgement and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the over-ride 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 the Management's review

Management is responsible for the Management's review.

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

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

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

Based on 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 Statement Act. We did not identify any material misstatement of the Management's review.

Hellerup, 18 June 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 Hotels Holding A/S
Address, Postal code, City	Nansensgade 19, 7., 1366 København K
CVR no.	30 61 64 56
Established	18 June 2007
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

Management commentary

Business review

The object of the company is to hold the shares in Scandic Hotel A/S and activities related there to.

Financial review

The income statement for 2020 shows a loss of DKK 408,390 thousand against a loss of DKK 5,222 thousand last year, and the balance sheet at 31 December 2020 shows equity of DKK 167,946 thousand.

The Company's 2020 results are negatively affected by DKK 405,5 million due to impairment of the investment in the subsidiary Scandic Hotel A/S which is then recognized at a value of DKK 136,8 million.

Capital resources

The Company's parent Scandic Hotel AB has issued a letter of support to support the company with sufficient financial resources to ensure the company's normal trading commitments up to 30 June 2022.

In August 2020 the company received new capital of 465 mDKK by conversion debt into equity.

Special risks

Recognition and measurement uncertainties

Reference is made to note 3.

Events after the balance sheet date

Reference is made to note 4 for more details.

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2020	2019
9	Income from investments in group enterprises	-405,500	0
6	Financial income	2,406	1,149
7	Financial expenses	-5,296	-7,844
	Profit/loss before tax	-408,390	-6,695
8	Tax for the year	0	1,473
	Profit/loss for the year	-408,390	-5,222
	 Recommended appropriation of profit/loss		
	Retained earnings/accumulated loss	-408,390	-5,222
		-408,390	-5,222

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2020	2019
	ASSETS		
	Fixed assets		
9	Investments		
	Investments in group enterprises	136,805	392,305
	Receivables from group enterprises	31,141	28,390
		<u>167,946</u>	<u>420,695</u>
	Total fixed assets	<u>167,946</u>	<u>420,695</u>
	Non-fixed assets		
	Receivables		
	Joint taxation contribution receivable	0	1,473
		<u>0</u>	<u>1,473</u>
	Total non-fixed assets	<u>0</u>	<u>1,473</u>
	TOTAL ASSETS	<u>167,946</u>	<u>422,168</u>
	EQUITY AND LIABILITIES		
	Equity		
10	Share capital	500	500
	Retained earnings	167,446	110,782
	Total equity	<u>167,946</u>	<u>111,282</u>
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Payables to group enterprises	0	310,886
		<u>0</u>	<u>310,886</u>
	Total liabilities other than provisions	<u>0</u>	<u>310,886</u>
	TOTAL EQUITY AND LIABILITIES	<u>167,946</u>	<u>422,168</u>

- 1 Accounting policies
- 2 Capital position
- 3 Recognition and measurement uncertainties
- 4 Events after the balance sheet date
- 5 Special items
- 11 Collateral
- 12 Related parties

Financial statements 1 January - 31 December

Statement of changes in equity

DKK'000	Share capital	Retained earnings	Total
Equity at 1 January 2020	500	110,782	111,282
Transfer through appropriation of loss	0	-408,390	-408,390
Contribution from group	0	465,054	465,054
Equity at 31 December 2020	500	167,446	167,946

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Scandic Hotels Holding A/S for 2020 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

In accordance with section 112(1) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements.

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.

Basis of recognition and measurement

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

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

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

Reporting currency

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

Foreign currency translation

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

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

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Income statement

Profit from investments in subsidiaries

The item includes dividend received from subsidiaries in so far as the dividend does not exceed the accumulated earnings in the subsidiary in the period of ownership.

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

The parent company is covered by the Danish rules on mandatory joint taxation of the Group's Danish subsidiaries. Scandic Hotel A/S is included in the joint taxation arrangement from the date at which they are included in the consolidated financial statements and up to the date when they are no longer consolidated.

The parent company acts as management company for the joint taxation arrangement and consequently settles all corporate income tax payments with the tax authorities.

On payment of joint taxation contributions, the Danish corporate income tax charge is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use the tax losses to reduce their own taxable income.

Tax for the year, which comprises the current income tax charge, joint taxation contributions and deferred tax adjustments, including adjustments arising from changes in tax rates, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Balance sheet

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Dividends from subsidiaries are recognized as income statement when adopted at the General Meeting of the subsidiary.

Impairment of fixed assets

The carrying amount of investments in subsidiaries is assessed for impairment on an annual basis.

Impairment loss is recognised on investments in subsidiaries if indication of impairment is identified impairment tests are conducted. 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.

Receivables

Receivables are measured at amortised cost.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

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.

Equity

Grants without consideration within a group

Grants to a parent company without consideration are recognised in 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.

Grants to subsidiaries without consideration are recognised as a capital injection under "Investments in group entities". Grants received from subsidiaries are recognised as dividend received from the subsidiary.

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

As management company for all the entities in the joint taxation arrangement, the parent company is liable for payment of the subsidiaries' income taxes vis à vis the tax authorities as the subsidiaries pay their joint taxation contributions. Joint taxation contributions payable or receivable are recognised in the balance sheet as income tax receivables or payables.

Other payables

Other payables are measured at net realisable value.

Financial statements 1 January - 31 December

Notes to the financial statements

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.

3 Recognition and measurement uncertainties

The subsidiary Scandic Hotel A/S 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 has effected the expected cash flow from the subsidiary negatively, and consequently.

Due to indication of impairment of the Company's investment in its subsidiary Scandic Hotel A/S, an impairment test was performed confirming an indication of impairment. The Company's 2020 results are thus negatively affected by loss DKK 406 million due to impairment of the investment in the subsidiary Scandic Hotel A/S which is then recognized at a value of DKK 136,805 million.

The impairment test is based on estimates of how the Company would be able to generate future positive net cash flows which will adequately support the value of the investment and other investments. The estimated future cash flows are based on budget and business plans for the coming years as well as projections for subsequent years. Material parameters are revenue development, investments and growth expectations for the subsequent years. Projections after next year are based on general expectations and risks. Projections after next year are based on general expectations and risks.

If the assumptions for the impairment test is not met and the hotel market in Denmark does not recover as expected - or better as expected - this will affect the expected cash flow, and consequently, the value of the investment.

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 sets 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.

Scandic Hotel A/S has received financial letter of support from the parent company Scandic Hotel AB that will suffice to ensure liquidity and continuity of the Company's activities both this year and the next.

Financial statements 1 January - 31 December

Notes to the financial statements

5 Special items

The Company's 2020 results are negatively affected by DKK 405,505 million due to impairment of the investment in the subsidiary Scandic Hotel A/S. The amount is recognised in the line item "Income from investments in group enterprises"

DKK'000	2020	2019
6 Financial income		
Investment Income, group companies	1,278	1,149
Other financial income	1,128	0
	<u>2,406</u>	<u>1,149</u>
7 Financial expenses		
Interest expenses, group enterprises	5,296	7,752
Other financial expenses	0	92
	<u>5,296</u>	<u>7,844</u>
8 Tax for the year		
Estimated tax charge for the year	0	-1,473
	<u>0</u>	<u>-1,473</u>

At 31 December 2020 the Company has an unrecognised tax asset. The basis for the calculation of the tax assets is DKK 84 million (2019: 81 million), whereof DKK 0 is recognised in the balance sheet.

9 Investments

DKK'000	Investments in group enterprises	Receivables from group enterprises	Total
Cost at 1 January 2020	1,187,330	28,390	1,215,720
Additions	150,000	2,751	152,751
Cost at 31 December 2020	<u>1,337,330</u>	<u>31,141</u>	<u>1,368,471</u>
Value adjustments at 1 January 2020	-795,025	0	-795,025
Impairment losses	-405,500	0	-405,500
Value adjustments at 31 December 2020	<u>-1,200,525</u>	<u>0</u>	<u>-1,200,525</u>
Carrying amount at 31 December 2020	<u>136,805</u>	<u>31,141</u>	<u>167,946</u>
Name	Interest	Equity DKK'000	Profit/loss DKK'000
Subsidiaries			
Scandic Hotel A/S	100.00%	197,592	-230,264

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2020	2019
10 Share capital		
Analysis of the share capital:		
500,001 shares of DKK 1.00 nominal value each	500	500
	500	500

11 Collateral

The Company is jointly taxed with its subsidiary, Scandic Hotel A/S. As management company, the Company has joint and several unlimited liability with Scandic Hotel A/S for payment of Danish income taxes. The jointly taxed entities' known net income tax liability totals DKK 0 thousand at 31 December 2020. Any subsequent corrections of the joint taxation income may entail that the Company's liability will increase.

12 Related parties

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Scandic Hotels Group AB (ultimate parent)	P.O. BOX 6197 SE-102 33, Sveavägen 167, Stockholm, Sweden	http://www.scandichotelsgroup.com/en/financial-reports/
Scandic Hotels AB (parent)	P.O. BOX 6197 SE-102 33, Sveavägen 167, Stockholm, Sweden	http://www.scandichotelsgroup.com/en/financial-reports/

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“Med min underskrift bekræfter jeg indholdet og alle datoer i dette dokument.”

Søren Faerber

Direktion

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IP: 83.241.xxx.xxx

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Søren Faerber

Dirigent

På vegne af: Scandic Hotels Holding A/S

Serienummer: PID:9208-2002-2-804872155004

IP: 83.241.xxx.xxx

2021-06-18 08:21:17Z

NEM ID 

Tonny Poulsen

Bestyrelse

På vegne af: Scandic Hotels Holding A/S

Serienummer: PID:9208-2002-2-133812853147

IP: 2.104.xxx.xxx

2021-06-18 09:03:49Z

NEM ID 

Søren Faerber

Bestyrelse

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Jan Mikael Johansson

Bestyrelse

På vegne af: Scandic Hotels Holding A/S

Serienummer: 19620812xxxx

IP: 83.241.xxx.xxx

2021-06-22 10:13:00Z



Leif Ulbæk Jensen

Statsautoriseret revisor

På vegne af: PricewaterhouseCoopers

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