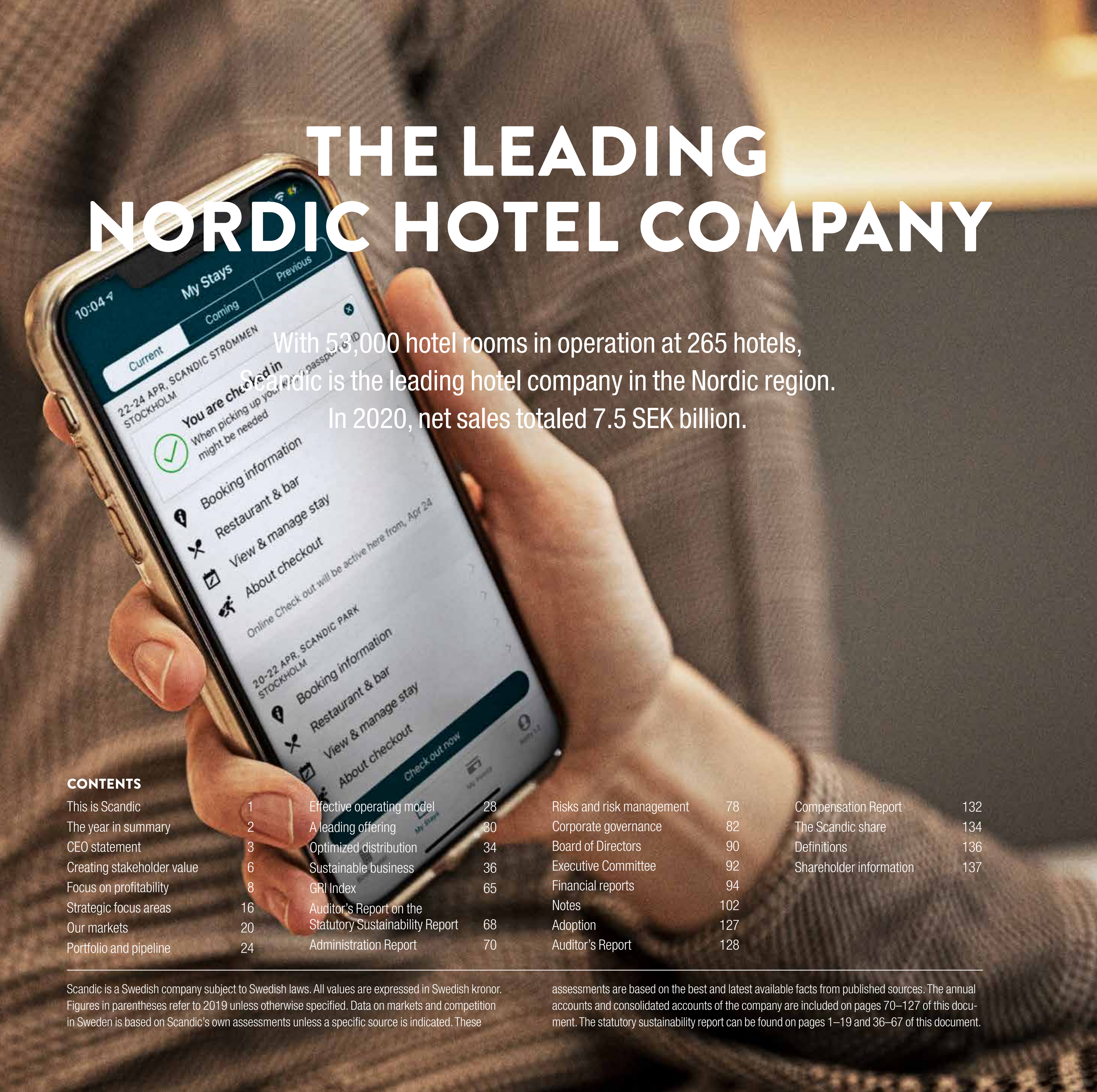
Scandic

ANNUAL & SUSTAINABILITY REPORT 2020



THE LEADING NORDIC HOTEL COMPANY

With 53,000 hotel rooms in operation at 265 hotels, Scandic is the leading hotel company in the Nordic region. In 2020, net sales totaled 7.5 SEK billion.

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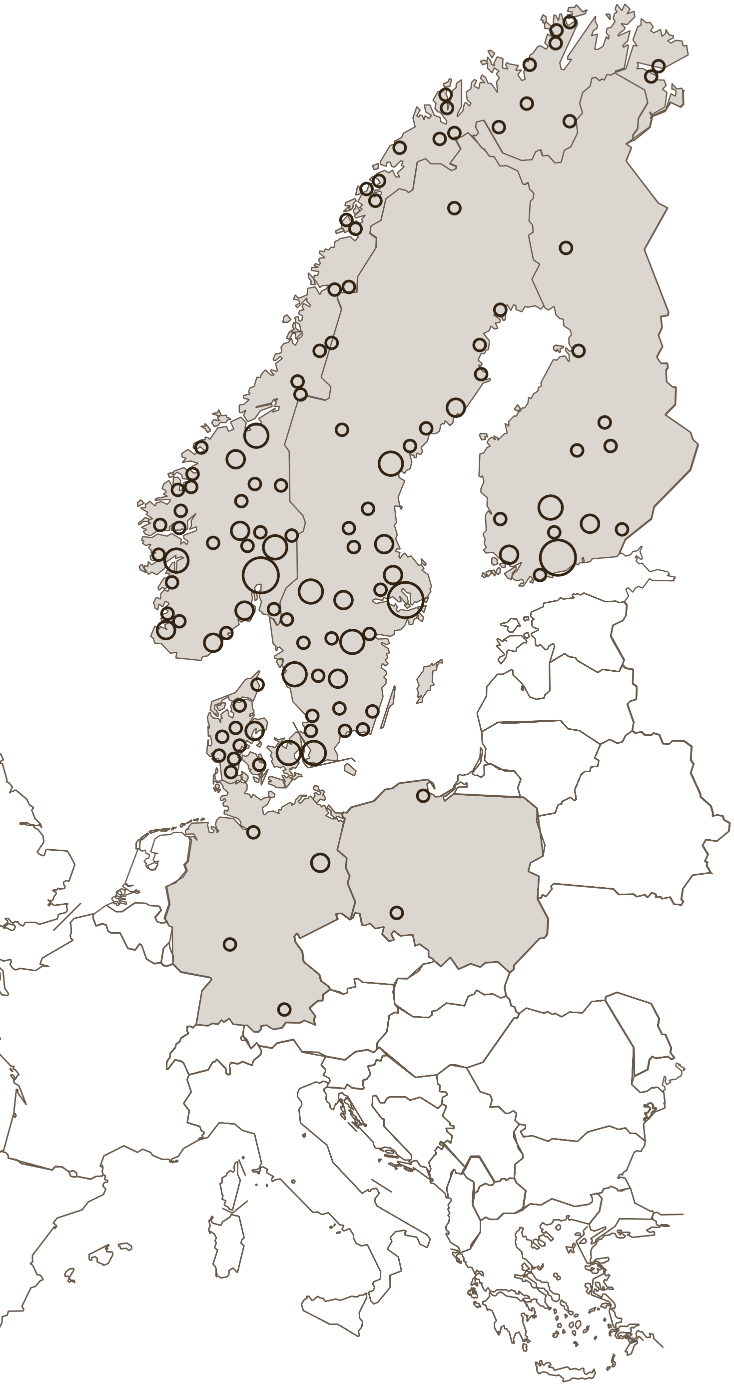
Scandic is a Swedish company subject to Swedish laws. All values are expressed in Swedish kronor. Figures in parentheses refer to 2019 unless otherwise specified. Data on markets and competition in Sweden is based on Scandic's own assessments unless a specific source is indicated. These assessments are based on the best and latest available facts from published sources. The annual accounts and consolidated accounts of the company are included on pages 70–127 of this document. The statutory sustainability report can be found on pages 1–19 and 36–67 of this document.

THIS IS SCANDIC



THE LEADING HOTEL COMPANY IN THE NORDIC COUNTRIES

Scandic has the largest and widest hotel network in the Nordic market. This creates a unique offering for customers. Most of Scandic's hotels are operated under a fully-owned brand that is clearly the best known in the Nordic hotel market. Scandic has hotels in about 130 locations, with 58,000 rooms in operation and under development at 279 hotels.

265
HOTELS IN OPERATION

130
LOCATIONS

53,000
HOTEL ROOMS IN OPERATION

HIGH SHARE OF RETURNING CUSTOMERS

Scandic has been a driving force in the development of the Nordic hotel industry and has a high share of returning customers. In 2020, 43 percent of bookings were related to Scandic Friends, the leading loyalty program in the Nordic market.

STRATEGIC PARTNERSHIPS

Most hotels in the Nordics are operated via long-term leasing agreements. Scandic focuses on revenue-based lease agreements, which have historically formed the basis of a community of common interests with landlords, enabling long-term development for hotels. Scandic's market position makes the company the preferred partner for many property owners.

HIGHLY EFFICIENT

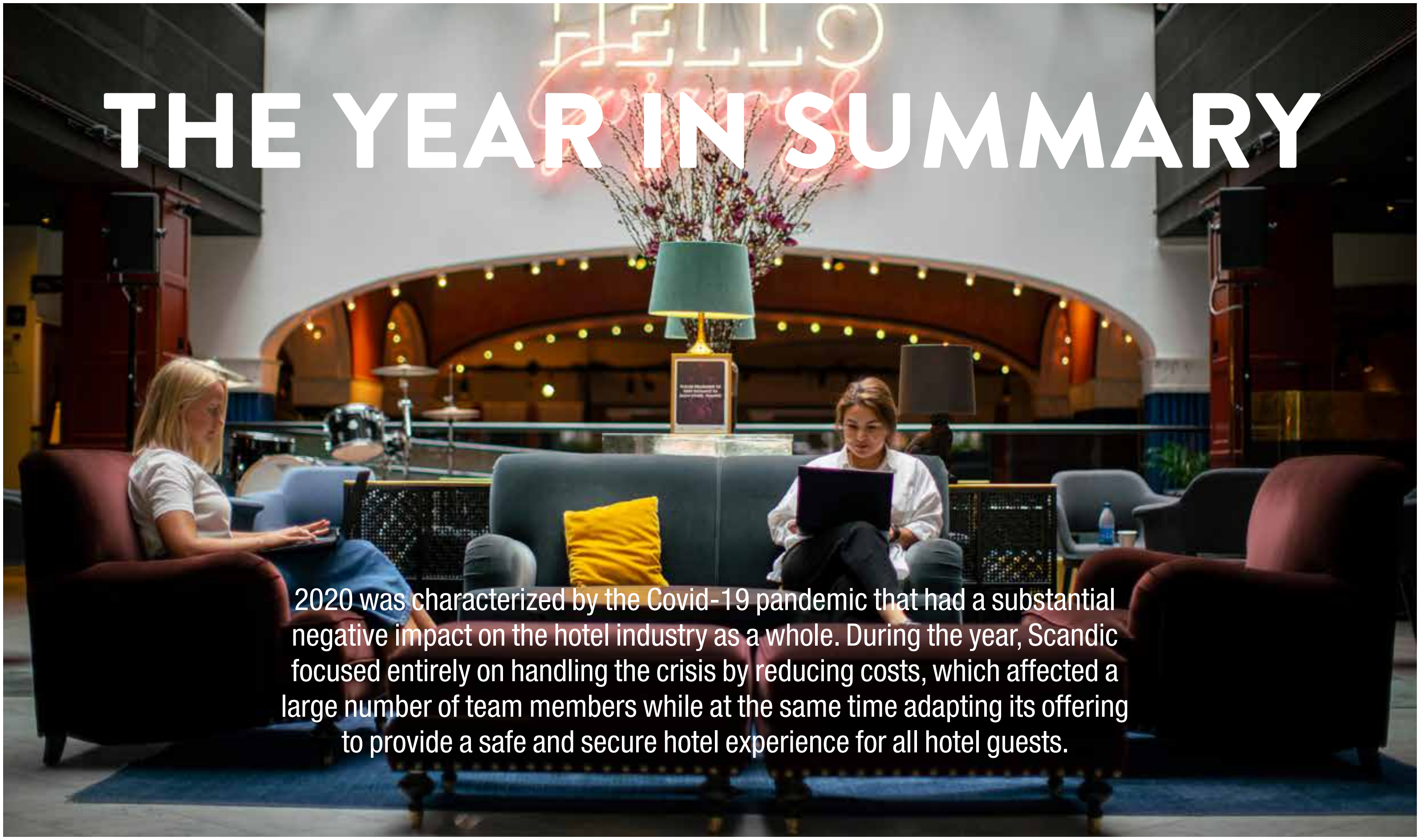
Scandic has an efficient operating model with shared brands and concepts. Scandic benefits from economies of scale in a number of areas and internal efficiency is continuously improved by developing standardized processes.

PIONEER IN SUSTAINABILITY

For many years, Scandic has been a driving force in the hotel industry within sustainability, both when it comes to environmental and social issues. Scandic's sustainability initiatives contribute to reducing the use of resources, which is appreciated by guests and helps lower the company's costs.

15%
MARKET SHARE IN THE NORDIC COUNTRIES

GRI: 102-2



THE YEAR IN SUMMARY

2020 was characterized by the Covid-19 pandemic that had a substantial negative impact on the hotel industry as a whole. During the year, Scandic focused entirely on handling the crisis by reducing costs, which affected a large number of team members while at the same time adapting its offering to provide a safe and secure hotel experience for all hotel guests.

IMPORTANT EVENTS IN 2020

LIQUIDITY STRENGTHENED
In June, Scandic carried out a new share issue of approximately 1,765 MSEK at the same time as bank credit facilities were increased by 1,150 MSEK.

TEMPORARY RENT DISCOUNTS
At the end of the year, Scandic reached agreements with a number of property owners to reduce rent costs temporarily due to the low demand.

ADAPTATION OF ORGANIZATION AND INVESTMENTS
During the year, Scandic carried out a comprehensive adaptation of its organization and investment activities.

HOTEL AT ARLANDA AIRPORT TAKEN OVER
Scandic signed an agreement to take over a hotel at Arlanda Airport in Stockholm with a fully revenue-based based lease and terms that provide a reasonable risk distribution between Scandic and the property owner.

A VERY CHALLENGING YEAR

Quick and decisive measures to manage an extreme market situation.

Jens, how would you summarize 2020?

– It was a dramatic year for the entire hotel industry. We started the year with high occupancy at our hotels and net sales in January and February were greater than during the same period last year. Then, we experienced a dramatic deterioration in demand. The spread of the coronavirus initially led to fewer international visitors and travel restrictions among our corporate customers. Very soon after this, in principle, all events were canceled at the same time as government decisions to reduce the spread of the virus led to a record low level of activity that we've never experienced before. In April, the situation was at its worst with occupancy rates of less than 10 percent in all Nordic countries, which was an extreme situation.

– There was an improvement during the summer holidays since many people chose to vacation in their home countries and several of our hotels in tourist destinations had high occupancy during the summer. But at the same time, the level of activity has been very low among our corporate customers and demand from international travelers has essentially disappeared completely. Toward the end of the year, we saw a further weakening of the market as a result of the increased spread of infection and stricter restrictions from authorities. We've had extremely uneven occupancy at our hotels. The big challenge has been in the bigger cities, which usually account for a large part of our revenue, where occupancy rates have been at a historically low level.

– As a result of the pandemic, which has meant that we lost more than half of our sales in a short time, during the year, we focused fully on adapting our costs, maintaining cash flow and securing financing. It has been a demanding process to go through, but absolutely necessary, and I'm proud of how quickly and decisively we've handled the situation.

How did Scandic take action to deal with this extraordinary situation?

– As early as at the end of February, we introduced a series of measures to reduce costs, and in just a few months we had halved our cost base. In total, Scandic reduced the number of permanent employees by just over 3,500 at the same time as about 3,300 people were furloughed at the end of 2020. In addition, we have sharply reduced the number of temporary positions. It is, of course, very unfortunate to have had to make so many team members redundant. However, this downsizing has been absolutely necessary and we have hopes of being able to reemploy many people who were forced to leave when the market returns to normal.

– Another very important measure the company took during the year was to strengthen Scandic's financing. In June, we carried out a new share issue at the same time as we increased our credit facilities at our lending banks. In March 2021, we also carried out a convertible issue at the same time as our credit facilities were extended. I am very grateful for the support and trust we've had from our owners and banks throughout the entire process.

– In addition to cost savings and financing, we also acted quickly to protect cash flow. In the spring, we agreed with our property owners to postpone rent payments and we've reduced our investments and projects in addition to postponing planned openings for a number of hotels in our pipeline.

How has the crisis affected Scandic's relationship with property owners?

– Our business model is largely based on long-term variable leases. This is a model that has grown over time with a clear division of responsibilities for investments between us and our landlords and which has helped to even out earnings in the event of slight changes in net sales. That said, over the past year, it has been apparent that the model isn't designed to handle such a sharp decline in the market as we saw in 2020. In the capital cities, during the year, several of our hotels had rental costs exceeding the hotels' total net sales, which is naturally a completely unsustainable situation.

– In the long term, it is in the interest of both Scandic and the property owners that we have a model with a reasonable risk distribution in times of low demand. For this reason, we've had an ongoing dialogue with our property owners about our leases.

– So far, we have agreed on rent reductions of up to 900 MSEK at the same time as we've entered into agreements to extend a number of rental agreements. I see these agreements as clear proof that Scandic, with its leading market position and strong operating model, is considered a very attractive partner for Nordic hotel property owners.

How does Scandic compare with competitors?

– I am convinced that Scandic has what it takes to get through this tough period. We've built up a very strong market position in the Nordic region with a leading brand and by far the biggest loyalty program in the industry, which is appreciated by customers and property owners alike. We also have unique opportunities to take advantage of economies of scale in a number of areas such as hotel operations and distribution. I think it has been clear in the rent discussions we had during the year that our property owners truly appreciate Scandic as a strong and long-term partner. On the other hand, we always strive to do better, so we will continue to develop and strengthen our competitiveness further.

Were there any changes to the hotel portfolio and pipeline during the year?

– In 2020, we signed an agreement for just one new hotel, Scandic Arlandastad, which is located close to Arlanda Airport in Stockholm and which opened as a Scandic hotel in January 2021. Scandic Arlandastad is a modern hotel that we took over after the previous operator went bankrupt. Although the timing may seem a bit strange for a new airport hotel, we see this as a very attractive agreement with a limited initial investment combined with fully revenue-based rent, which means a low risk for Scandic. It is possible that we may see more similar agreements in the future, where we are offered the opportunity to take over existing hotels with limited investments and rental terms adapted to the current market situation.

– Scandic also exited five hotels during the year in connection with the leases expiring. There have been no major changes in our pipeline, which currently corresponds to approximately nine percent of the current hotel portfolio. We have, however, postponed the planned openings of a number of hotels and also agreed with property owners on reduced rent levels during the opening period. For some of the hotels that are further ahead in their development, we may need to modify their configuration to adapt the hotels to the changed market situation.

"IN JUST A FEW MONTHS, WE HAD HALVED OUR COST BASE"

What about in the commercial area?

– When market conditions changed, we immediately adapted our offering to ensure a safe and secure hotel experience for all our guests. We also presented a number of commercial initiatives during the year. Among other things, we launched a coworking concept at most of our hotels, which means that Scandic now offers the Nordic region's largest network of shared workspaces. This is an excellent example of how we can generate additional sales with limited costs. We also launched a student housing concept at a number of selected locations while continuing to make our loyalty program Scandic Friends more attractive. And just before Christmas, we also introduced digital gift cards that make it possible for our customers to give hotel experiences at Scandic as a gift.

– We also presented a number of digital solutions for our meeting business. This includes implementing hybrid meetings, a mixture of physical and digital meetings, at all Swedish hotels.

– During the year, we strengthened our commercial organization in order to further increase our tempo and increase our clarity in the market.

What about Scandic's sustainability initiatives?

– We are proud to say that Scandic is a pioneer in the hotel industry when it comes to sustainability. Since the early 1990s, we've implemented a number of initiatives to improve work environment and reduce resource consumption and waste. This is something we are constantly building upon. For us, sustainability is a natural part of our business and all of our operations are characterized by a sustainable approach. Our corporate customers and hotel guests are also making greater demands we need to live up to. I know that our focus on sustainability also motivates our team members and makes them feel proud, which is absolutely critical for us to be able to deliver good service.

– Scandic operates according to the UN Global Compact's ten principles for human rights, labor law, environment and anti-corruption. We also contribute to promoting sustainability in the hotel industry by participating in the Sustainable Hotel Alliance.

How do you think the hotel market will develop going forward?

– As Covid-19 vaccinations become available to the public, we expect a gradual improvement and normalization of the hotel market. In the short term, demand will depend completely on the pace at which restrictions are lifted. We expect that recovery will be driven mainly by domestic and intra-Nordic leisure travelers. However, we need to prepare for the fact that the pandemic will have far-reaching consequences for our industry and it will take several years before we return to the occupancy levels that we saw in 2019. Scandic has acted quickly and decisively to deal with the crisis in the best possible way and we're a strong company with a successful operating model. This gives us the conditions to further strengthen our position as the markets gradually normalize.

– We see great opportunities in the future to develop our portfolio, which means that we can exit hotels that don't meet our requirements and at the same time grow by adding new, attractive hotels.

Anything else you'd like to add?

– I would like to extend a heartfelt thank you to all of our team members who have contributed to creating positive hotel experiences at our hotels during this very special and challenging year. And thank you as well to our guests, owners, lendors and landlords for their trust in Scandic.

Jens Mathiesen,
President & CEO

CREATING STAKEHOLDER VALUE

Scandic's strategy aims to optimize long-term value creation for all of its stakeholders while managing the external factors that impact the company.

EXTERNAL FACTORS

CHANGING DISTRIBUTION LANDSCAPE

EVOLVING CUSTOMER BEHAVIOR

DIGITALIZATION

SUPPLY/DEMAND BALANCE

SUSTAINABILITY

SECURITY

STRATEGY

Scandic's strategy is designed to handle external factors that affect the company

STAKEHOLDERS

CUSTOMERS

INVESTORS

TEAM MEMBERS

SOCIETY

PROPERTY OWNERS

SUPPLIERS

VALUE CREATION

The strategy aims to maximize long-term value creation for all of Scandic's stakeholders

FOCUS ON PROFITABILITY

Scandic's financial targets aim to create shareholder value through profitable growth and continued financial strength.

ADAPTING TO A CHANGED WORLD

Focus on cash flow, cost reductions and financing.

Adapting to a changed market situation

In 2020, Scandic was hit very hard by the Covid-19 pandemic along with the rest of the hotel and travel industry. From the end of February, we experienced a dramatic decline in demand, which led to net sales on a full-year basis decreasing by as much as 11 billion SEK or about 61 percent. Adjusted EBITDA amounted to approximately -1.5 billion SEK, with most of the loss during the second quarter of the year.

Measures to protect cash flow

As the occupancy rate quickly fell below the break-even level, we were forced to act very quickly to protect our cash flow. Early on, we agreed with our property owners to defer rent payments temporarily for the period April–September. We also immediately reduced our investments, choosing to prioritize projects we had already started. In connection with the deteriorating business situation, Scandic's Board of Directors also withdrew the previous proposal for a dividend to shareholders. Despite our decisive actions, cash flow was negative, totaling 2,900 MSEK.

Extensive cost reductions

We acted swiftly to reduce the cost level in the company. And in just a few months, we had reduced our costs, excluding rents, by more than 60 percent. We achieved this through a combination of lower variable costs, very extensive staff reductions through terminations and furloughs and a general reduction in our costs combined with targeted state aid. We also chose to temporarily close just over half of all our hotels.

Strengthened financing

In parallel with measures to reduce costs and protect cash flow, we initiated a process to strengthen our financing. We initiated an early dialogue with our principal owners and lending banks, the result of which was that we were able to carry out a new share issue of approximately 1,765 MSEK in June with preferential rights to our existing shareholders, while receiving extended credit facilities, including loan commitments from our lending banks of 1,150 MSEK. In March 2021, we carried out an issue of convertibles due in October 2024, resulting in gross proceeds of about 1,600 MSEK. In conjunction with the issue, we also agreed with our lending banks to extend existing credit facilities until the end of 2023.

Reduced rent levels

A very important issue for us has been to review our leases. Scandic's business model with partially variable rents has contributed to relatively stable profitability with small variations in revenues. However, it was clear that these leases had not taken into account the sharp decline we saw in the market in 2020. We have therefore worked hard to find solutions together with our landlords that allow us to reduce our rental costs and at the same time achieve a more reasonable and balanced risk distribution in the near future. These rent negotiations have thus far led to agreements for rent reductions and offers from landlords totaling 900 MSEK. The agreed and proposed rent reductions apply mainly for the period 2020–2022, with more than half applying to 2021.

JAN JOHANSSON
Chief Financial Officer

SCANDIC'S FINANCIAL PROFILE

Although the past year has been dramatically and negatively affected by the pandemic, Scandic has historically delivered good profitability over time. This ability rests on four pillars:

1

SALES GROWTH

Demand for hotel experiences has grown over time. And with a strong market position in the mid-market segment and a unique geographic footprint, Scandic is often the hotel of choice for Nordic hotel guests. Scandic has a large number of framework agreements with companies and organizations, many of which are renewed every year, and recurring sales are strengthened by the Scandic Friends loyalty program. The company also benefits from the growing demand in the leisure segment. Scandic is an attractive partner for property owners and its lease model with partially variable rents contributes to creating a platform of common values and good conditions for continued expansion.

2

FLEXIBLE COST STRUCTURE

Scandic has a flexible cost structure with a high share of variable costs, about 25 percent of which are normally consumables and sales-related expenses such as rents and commissions. These costs vary based on sales volumes. About half of Scandic's costs are semi-flexible and include personnel expenses. Scandic closely monitors all levels of operations and follows up on expected occupancy to address deviations quickly by reducing costs. In light of the pandemic, during 2020, Scandic implemented a number of powerful measures to further reduce the cost level.

3

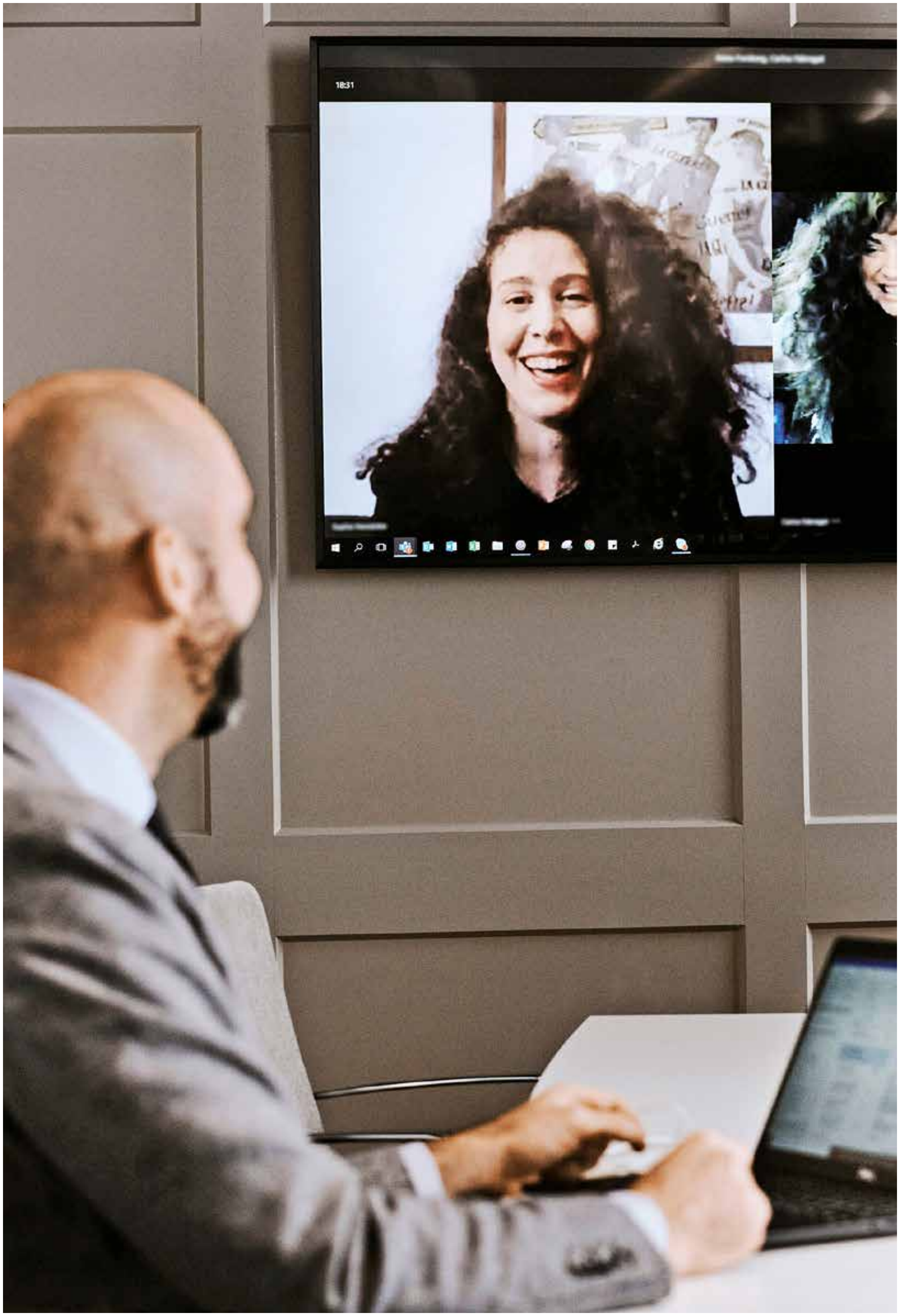
EBITDA MARGINS

Thanks to a large share of recurring sales and a flexible cost structure, until 2019, Scandic had relatively stable adjusted EBITDA margins. Scandic aims to achieve cost efficiencies at all levels through careful planning of staffing and economies of scale within IT, purchasing and administration.

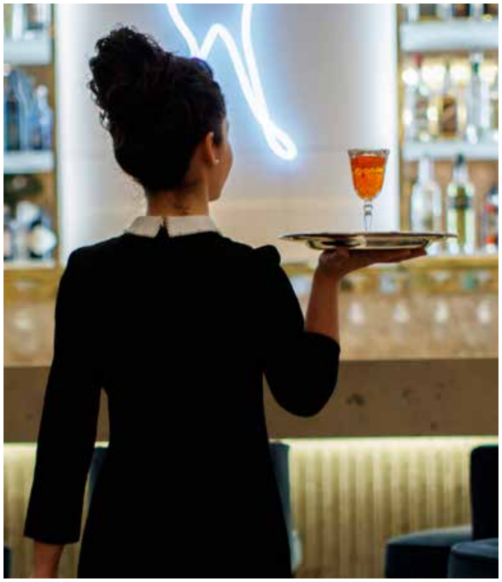
4

CASH FLOW

Scandic has historically shown a good ability to generate cash flows. Since customers generally pay in advance, Scandic has negative working capital. Investment needs are relatively limited thanks to the division of responsibility between property owners and Scandic. Excluding the construction of new hotels, the need to reinvest in the hotel business is normally 4 percent of sales at most. The ability to convert profits into cash flow, or cash conversion, is a result of the low level of capital tied up.



1. **HYBRID MEETINGS**
2. **HOTEL BAR**
3. **CONFERENCE LUNCH**



FINANCIAL TARGETS & OUTCOME

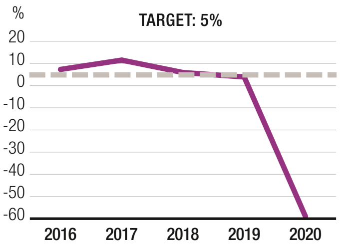
In recent years, Scandic has had growing sales and an adjusted EBITDA margin that was close to the target of 11 percent. In 2020, however, the Covid-19 pandemic had an extremely negative effect on Scandic's key ratios.

1

GROWTH

The Group shall have organic growth, i.e. sales growth excluding acquisitions and adjusted for exchange rate fluctuations, of at least 5 percent per year on average over a complete business cycle.

TARGET & OUTCOME 2016–2020



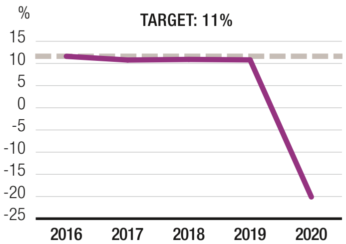
For 2020, the change in organic sales totaled -59 percent due to a sharp decrease in demand as a result of the Covid-19 pandemic.

2

PROFITABILITY

The adjusted EBITDA margin of the Group shall be at least 11 percent on average over a complete business cycle.

TARGET & OUTCOME 2016–2020



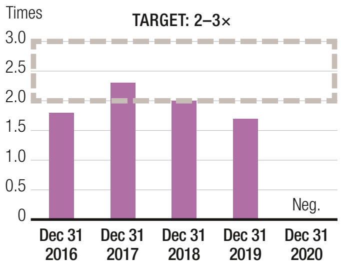
Profitability was negative in 2020 and the adjusted EBITDA margin was -20.1 percent.

3

CAPITAL STRUCTURE

The Group shall have net debt in relation to adjusted EBITDA of 2 to 3x.

TARGET & OUTCOME 2016–2020



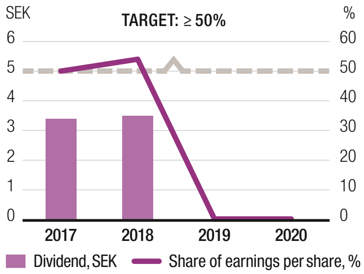
At the end of 2020, Scandic's net debt was 4,713 MSEK while adjusted EBITDA amounted to -1,503 MSEK.

4

DIVIDENDS

The dividend policy is to distribute at least 50 percent of net profit for the year.

TARGET & OUTCOME 2017–2020

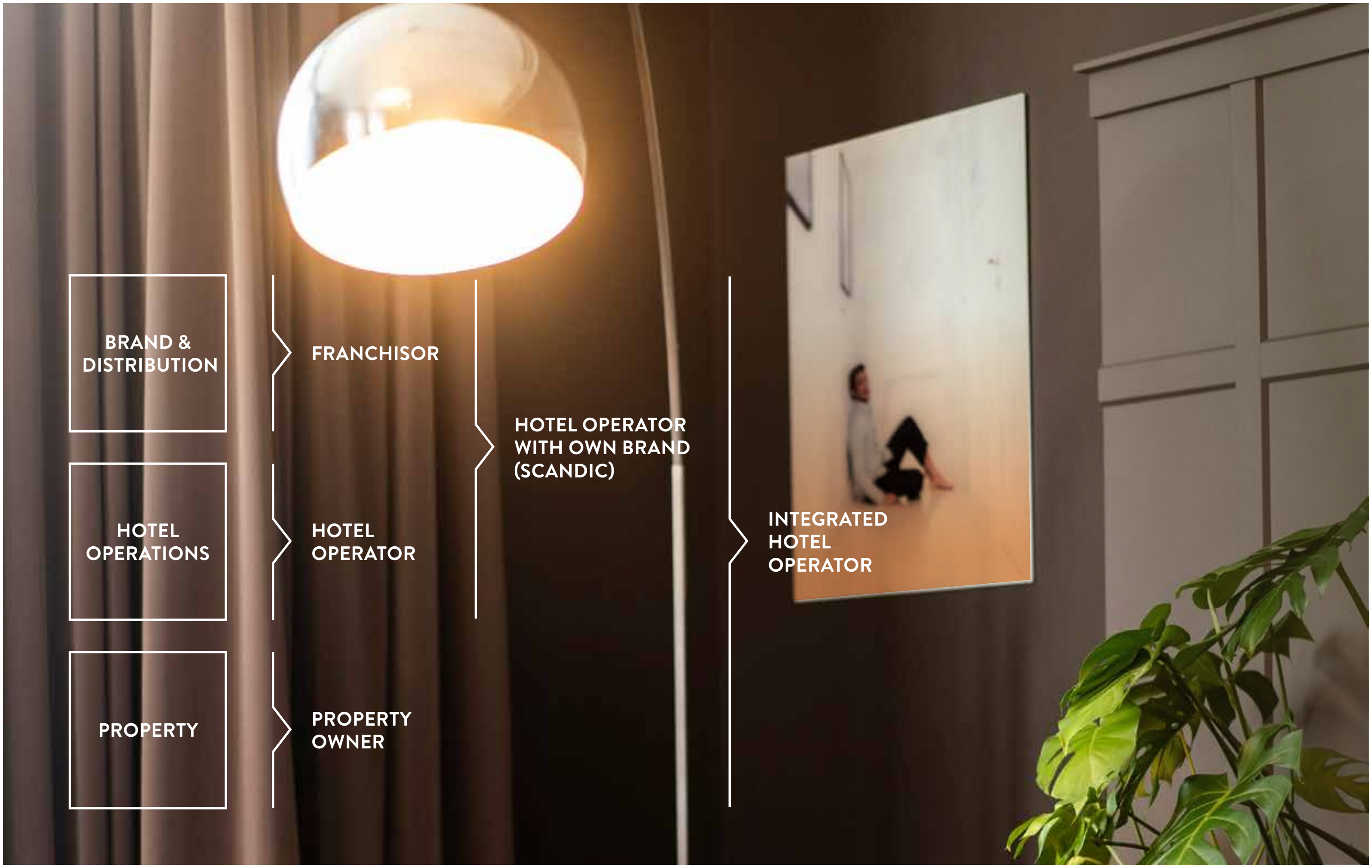


Scandic's Board of Directors has proposed that no dividend be paid for 2020.


NYC
WILLIAMSBURG
BROOKLYN

SCANDIC'S POSITION IN THE VALUE CHAIN

Scandic has chosen to focus on a model with long-term lease agreements with full responsibility for the brand, hotel operations and distribution. This is the dominant model in the Nordic markets and in Germany. In many other countries, the franchise model where the hotel company controls the brand while operations are run by a specialized management company or the property owner is more common. And some hotel companies have a fully integrated model where the property owner is also responsible for operations and the brand.



BENEFITS OF REVENUE-BASED LEASING MODEL

- Control over offering
- Economies of scale in operations and distribution
- Shared interests for Scandic and property owners
- Flexible cost structure

The leasing model means Scandic can ensure that its hotel offering is fully in line with what the company markets while also benefiting from economies of scale in operations and distribution. Scandic's leasing agreements are revenue-based to a large extent, creating a common interest for both parties since increasing sales at Scandic means more value for landlords. Additionally, variable rents ensure a relatively flexible cost structure, which helps stabilize margins over time in normal market conditions.

In recent years, Scandic has had relatively stable margins with rental costs in principle developing in line with sales. However, most of the company's lease agreements are not designed to handle as sharp a market decline as what occurred in 2020. Scandic has therefore conducted a dialogue with its property owners that has led to adjusted rental terms with lower costs.

OUR STRATEGY

To realize the company's vision, mission and financial goals, Scandic has defined a number of strategic focus areas that clarify what the company strives to achieve in its daily operations. An inspiring culture with engaged and motivated team members and a sustainable approach are the foundation of Scandic's strategy and should be evident in all important decisions.

STRATEGIC FOCUS AREAS

VISION

A WORLD-CLASS NORDIC HOTEL COMPANY

MISSION

GREAT HOTEL EXPERIENCES FOR THE MANY PEOPLE

FINANCIAL TARGETS

ORGANIC GROWTH	MARGIN	CAPITAL STRUCTURE	DIVIDENDS
5%	11%	2–3 x	≥ 50%

VALUES

BE CARING | BE YOU | BE A PRO | BE BOLD

CORNERSTONES

ENGAGED & MOTIVATED TEAM MEMBERS

SUSTAINABLE BUSINESS

A GROWING & IMPROVED HOTEL PORTFOLIO

ATTRACTIVE BRANDS & OFFERING

OPTIMIZED DISTRIBUTION

EFFICIENT OPERATING MODEL

These strategic focus areas should be evident in Scandic's daily operations to realize the company's vision, mission and financial goals. Due to the Covid-19 pandemic, in 2020, Scandic focused on handling the crisis through cost reductions while at the same time ensuring a safe and secure hotel experience for guests.

ENGAGED & MOTIVATED TEAM MEMBERS

Having engaged and motivated people is one of Scandic's biggest success factors. Our culture, leadership and what it means to be a Scandic team member should reflect trust, inspiration, cooperation and confidence in team members' abilities to make their own decisions. We also strive to be a leader in the hotel industry when it comes to diversity and inclusion, a prerequisite for attracting and keeping talents.

We aim to offer a workplace where people feel challenged and can develop professionally – a place they want to stay for a long time. We understand that our team members reflect the Scandic brand in every interaction with guests, which is why each person is empowered to make decisions in their area. To this end, work to develop Scandic's culture and team members is always ongoing.

SUSTAINABLE BUSINESS

We aim to build on our long history of sustainability initiatives, understanding that each step in the right direction counts. Our sustainability measures intend to reduce negative environmental impacts, increase benefits for society and strengthen our business. Decision-making and implemented initiatives should always reflect Scandic's consideration for the environment, people and society.

We stand firmly behind the Paris Climate Agreement and the UN's Sustainable Development Goals (SDGs) and we constantly evaluate our ability and possibility to contribute to sustainable development. To this end, we formulate measurable goals related to the areas where the company, its employees and its stakeholders have the greatest potential to make an impact. The areas where we can have the most significant impact are reducing food waste, promoting diversity and inclusion and ensuring that our hotel operations have the lowest possible climate impact.

Development in these areas is constantly monitored to ensure that each measure has the desired effect.

GROWING & IMPROVED HOTEL PORTFOLIO

Scandic aims to have a market-leading position at selected destinations in the Nordic countries. Our strategy is to develop and establish new hotels as well as acquire or take over existing ones in areas where demand is expected to remain high. Scandic's hotels should always meet clear requirements for profitability in terms of margins and capital intensity, and all new hotels should contribute to increasing profitability and minimizing negative climate impacts. The configuration of these hotels is key for ensuring a great guest experience and sustained profitability.

Our hotels are constantly evaluated in terms of profitability, cash flow, customer satisfaction and climate impact. Hotels that fail to meet these criteria may be exited. Alternative models of operation such as franchise and management agreements may also be considered. We prefer, however, to operate hotels ourselves under our own brand based on long-term lease agreements.

Long-term relationships with professional property owners and developers are a prerequisite for a profitable, growing hotel portfolio. The basic component of these relationships is long-term lease agreements. Agreements are constantly developed to ensure profitability, clear responsibility for maintenance and renovations and measures to reduce climate impacts.

When we establish hotels outside of the Nordic countries, the focus is Northern Europe, mainly Germany, based on the same investment criteria as for hotels in the Nordic region.

ATTRACTIVE BRANDS & OFFERING

Scandic offers market-leading hotel and meeting experiences in the mid-market segment for leisure travelers, corporate customers and organizations. This is achieved by having attractive brands and consistent product and service concepts.

Depending on demand, local competition and the opportunity to contribute to profitability, a hotel's offering may be supplemented by restaurant and bar offerings operated by Scandic or an external partner.

At destinations where there is sufficient demand, we may supplement our hotel offering with hotels in the upper mid-market segment and lower segments. These are usually operated under other brands, as with Scandic's signature hotels, or other companies' brands, for example franchises.

Providing great service is a central part of our offering. As guests at Scandic, leisure travelers, corporate customers and organizations should always enjoy service that demonstrates Scandic's values in both personal and digital interactions.

Caring for people and the environment should also be evident in the way Scandic develops its offering and throughout the entire supply chain.

Scandic strives to strengthen the guest experience through digitalization. Scandic's website is the foundation for securing simple and relevant customer contacts through digital channels. Scandic's loyalty program, Scandic Friends, is also an important part of our offering as a way to create direct relationships with guests and strengthen customer loyalty.

OPTIMIZED DISTRIBUTION

Scandic strives to make its offering available in all distribution channels that are relevant to customers. These include individual travelers with or without corporate agreements as well as groups that include companies, organizations and other leisure groups.

Scandic's agreements with companies and organizations as well as our loyalty program and its sales and distribution channels form the basis of our distribution with a high share of returning customers.

Scandic strives to maintain and develop its market-leading position among Nordic corporate customers. We are also working to strengthen our position in the growing leisure segment for Nordic and international travelers. To better reach international customers, we work with selected distribution partners.

In our work to optimize room revenues between different distribution channels and segments, we focus on the net price.

We also coordinate sales and booking resources for different geographic submarkets to better capitalize on the meeting and conference market.

EFFICIENT OPERATING MODEL

At Scandic, we aim to benefit fully from economies of scale in areas such as hotel operations, sales and marketing, IT, purchasing and administration.

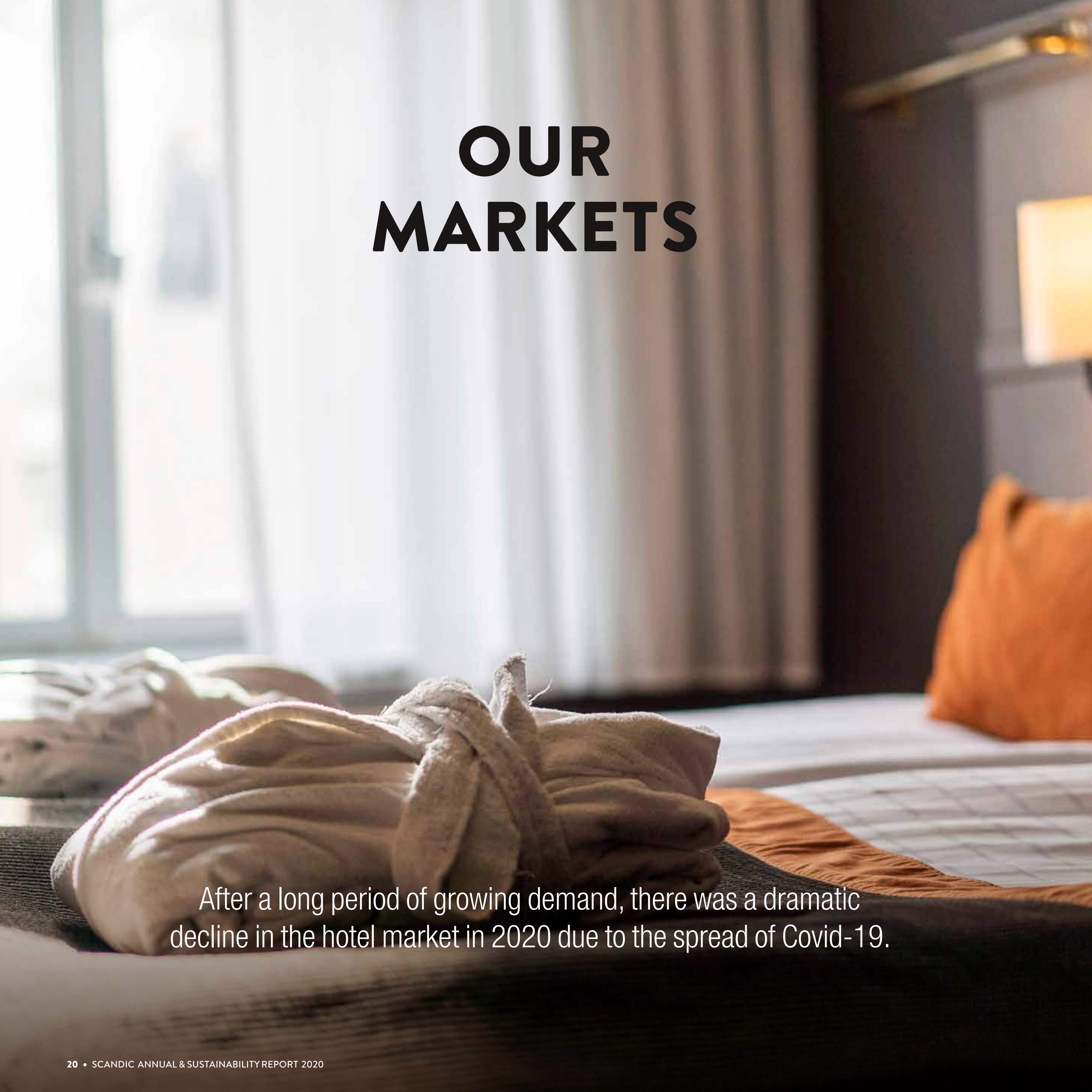
We also capitalize on economies of scale through our shared brand and concept.

Internal efficiency is continually improved by developing and standardizing processes and systems as well as sharing best practice. This is done by using modern IT systems and services that are handled by a central IT function for the entire Group. Scandic's operations are also characterized by a clear division of responsibilities between hotels and central functions.

We aim to continually strengthen and develop our successful operating model, focusing on high resource efficiency to reduce costs and minimize negative impacts on the climate and environment.

GRI: 102-2

OUR MARKETS



After a long period of growing demand, there was a dramatic decline in the hotel market in 2020 due to the spread of Covid-19.

SHARP DECLINE AFTER EXTENDED PERIOD OF GROWTH

The Nordic hotel markets have historically shown good growth. During the ten-year period up to 2019, demand for hotel nights is estimated to have grown by between 2 and 5 percent per year, and both the average occupancy rate and revenue per available room (RevPAR) have increased over time. In addition to a general increase as a result of growing economic activity, demand has also been driven by rising numbers of leisure travelers and international visitors.

FROM GROWTH TO RECORD LOW IN JUST TWO MONTHS

In January and February 2020, total demand in the Nordic hotel markets grew somewhat, in line with the previous year's development. At the end of February, however, booking activity began to decline while the number of cancellations increased, both for rooms and meetings. This was due to changed customer behavior as a result of the spread of the coronavirus. Initially, there was a rapid reduction in travel from abroad at the same time as travel restrictions were introduced for Nordic corporate customers. Subsequently, a number of measures were implemented by authorities with the aim of reducing the spread of infection, such as meeting restrictions and quarantine rules that led to an extremely low level of activity, especially in the larger cities. Demand fell sharply in all markets and reached a historic low in mid-April, when the average occupancy rate was below 10 percent in all Nordic countries.

"EXTREMELY LOW LEVELS OF ACTIVITY, ESPECIALLY IN THE BIG CITIES."

RECOVERY DURING HOLIDAY PERIOD

There was a recovery from low levels at the beginning of the summer, driven by domestic holidaymakers. The Covid-19 pandemic meant that many people opted for "staycations" in their home countries, and at some tourist destinations, hotels were in principle fully booked during the summer, especially in Norway. However, the level of activity remained very low in the bigger cities throughout the holiday period due to canceled events, closed amusement parks and the lack of international visitors.

After the summer, some business travel started from a very low level, mainly in small and medium-sized towns. Demand from larger Nordic companies remained very limited, both for rooms and meetings, due to travel and meeting restrictions.

There is clear underlying growth in leisure travel that extends throughout the year, as more and more people choose to spend their holidays at home. This means that weekly patterns during the year changed, since occupancy in many hotels was periodically highest on weekends instead of Monday to Wednesday, which have traditionally been the days with the highest activity at Scandic's hotels.

A SECOND WAVE AT THE END OF THE YEAR

During the fall, demand slowed further as a result of a general increase in the spread of Covid-19 infection in society, which led to a further tightening of restrictions and recommendations from authorities.

DEMAND DEVELOPMENT IN SCANDIC'S MARKETS

MARKET GROWTH 2010–2019	MARKET DEVELOPMENT 2020	KEY DESTINATIONS 2010–2019	KEY DESTINATIONS 2020
3–5%	-40– -50%	5–6%	-60– -65%

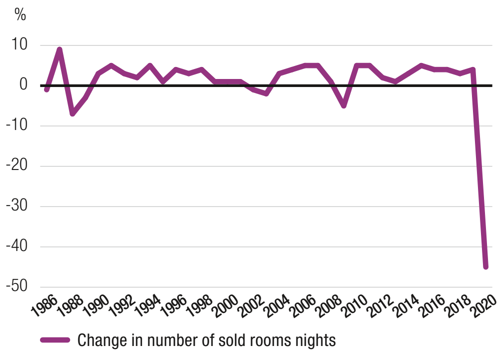
Source: National Statistics.

HOTEL MARKET EXPECTED TO RECOVER IN 2021

As vaccinations are carried out, restrictions will be eased which will enable increased travel, sports and cultural events as well as meetings. Initially, demand will be driven by domestic and intra-Nordic travel, which normally constitutes just over 80 percent of Scandic's total guest nights. The pace of recovery is expected to gradually increase and toward the summer, Scandic expects more normal demand.

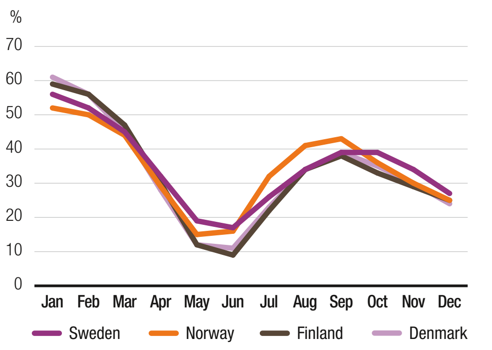
However, it is possible that it may take several years before the market returns to the levels that prevailed before the pandemic due to changed travel behavior among customers.

ANNUAL CHANGE IN NUMBER OF SOLD ROOM NIGHTS, NORDIC REGION



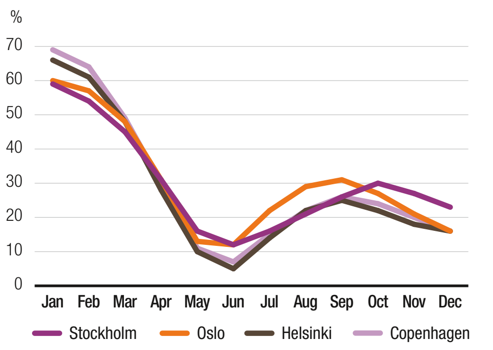
Source: National Statistics.

OCCUPANCY RATES BY COUNTRY, 2020, ROLLING 3-MONTH AVERAGE



Source: Benchmarking Alliance.

OCCUPANCY RATES BY CAPITAL, 2020, ROLLING 3-MONTH AVERAGE



Source: Benchmarking Alliance.

PORTFOLIO & PIPELINE

With presence at almost 130 locations, Scandic is clearly the leading hotel company in the Nordic region.

ADAPTED RENT TERMS

AN ATTRACTIVE HOTEL PORTFOLIO

At year-end, Scandic had 265 hotels in operation with a total of 53,000 rooms. During the year, two new hotels were opened: Scandic Pasila in Helsinki and Scandic Voss in Norway. At the same time, five hotels were exited when Scandic chose not to extend the leases when they expired.

At the turn of the year, Scandic had a pipeline consisting of a net of 14 hotels and 4,800 rooms for 2021 to 2024, corresponding to approximately 9 percent of the existing portfolio. Due to the changed market conditions, there have been some modifications in the planned openings of new hotels. Scandic also expects potential changes in the configuration of some of the planned hotels that have not yet begun construction to adapt to the current market situation.

LONG-TERM VARIABLE LEASES

Scandic operates hotels with long-term leases that are usually variable based on the hotel's revenue. In the Nordic countries, to varying extents, there is a legal tenure, meaning that the tenant is normally entitled to extend the lease on market terms at the end of the original contract. At the end of 2020, 90 percent of Scandic's hotels were operated through lease agreements and the average remaining leasing period was about 12 years. Approximately 15 percent of Scandic's lease agreements will expire by the end of 2022, with approximately 25 percent expiring before the end of 2025. Today, the eight largest property owners represent half of Scandic's total hotel portfolio. The largest owner is Pandox, which owns about 20 percent of Scandic's hotels.

Responsibility for investments is clearly regulated in the leases. In general, Scandic is responsible for maintaining and renovating furniture, fixtures and equipment while the property owner is responsible for the building as well as technical installations and bathrooms. Accordingly, the property owner has responsibility for most investments made in a hotel over time.

"BALANCED RISK DISTRIBUTION IS IMPORTANT."

ADAPTED RENT TERMS

Already in 2019, Scandic began a review of the hotel portfolio with a focus on hotels that were not contributing financially. With a business model based on long-term leases, it is important that the terms of these agreements provide a balanced risk distribution between Scandic and the property owners. In the current market situation, it is absolutely necessary that leases enable profitability at lower occupancy during periods of low demand.

In 2020, some hotels, especially in the big cities, had rental costs that exceeded the hotels' turnover, which is not sustainable. For this reason, Scandic has negotiated with property owners and agreed on adjusted rental terms, resulting in temporary rent reductions that apply for the coming years.

NEW HOTEL AT STOCKHOLM ARLANDA AIRPORT

In November, Scandic signed an agreement to take over the operation of a 150-room hotel in Arlandastad near Stockholm Arlanda Airport in direct connection to the new Scandinavian XPO international meeting and event center. Prior to the takeover, the hotel had been closed after the former hotel operator went bankrupt. The hotel was built in 2015 and as it was modern and in good condition, the initial investment was limited to rebranding the hotel as a Scandic hotel. As a result of the ongoing pandemic, Scandic and the property owner agreed on a revenue-based lease with a reasonable distribution of risk.

HOTEL PORTFOLIO, OPENINGS & EXITS

Hotel openings during 2019	Country	No. rooms
Scandic Voss	Norway	215
Scandic Pasila	Finland	178
Total		**393**

Divested hotels	Country	No. rooms
Scandic Järvenpää	Finland	106
Scandic Salo	Finland	53
Scandic Kotka	Finland	93
Scandic Ikaalinen	Finland	162
Scandic Ålesund	Norway	150
Total		**564**

SCANDIC'S MARKET SHARE IN NORDIC COUNTRIES

15%

A HOTEL NETWORK WITH UNIQUE REACH FOR CUSTOMERS

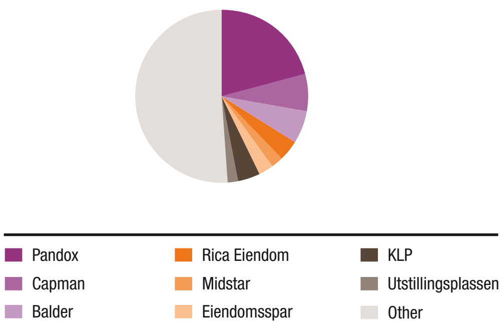
130

LOCATIONS

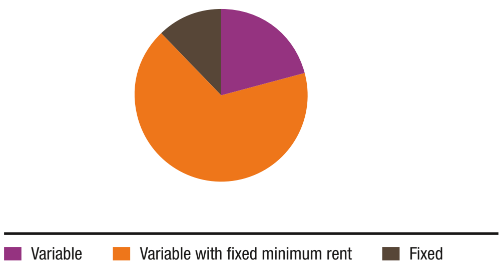
NEW HOTELS & EXTENSIONS

Pipeline, year	Hotel	Location	Type	No. rooms
2021	Scandic Arlandastad	Sweden, Stockholm	Conversion	150
	Scandic by Copenhagen Airport	Denmark, Copenhagen	New	357
	Scandic Sortland	Norway, Sortland	Franchise	130
	Scandic Helsinki Railway Station	Finland, Helsinki	New	491
	Scandic Landvetter Airport	Sweden, Gothenburg	New	223
	Scandic Nørreport	Denmark, Copenhagen	New	100
	Scandic Spectrum	Denmark, Copenhagen	New	632
	Scandic Hamburger Börs	Finland, Turku	Conversion	272
2022	Scandic Macherei	Germany, Munich	New	234
	Scandic Helsingborg Harbor	Sweden, Helsingborg	New	184
	Scandic Örebro Central	Sweden, Örebro	New	160
	Scandic Platinan	Sweden, Gothenburg	New	451
	Scandic Ferrum	Sweden, Kiruna	New	230
	Scandic Avenue	Finland, Helsinki	New	350
2023	Scandic Hafenpark	Germany, Frankfurt	New	505
2024	Scandic Århus Harbour	Denmark, Aarhus	New	485
Ongoing extensions				221
Exits				-353
Total pipeline, net				**4,822**

LARGEST PROPERTY OWNERS[1]

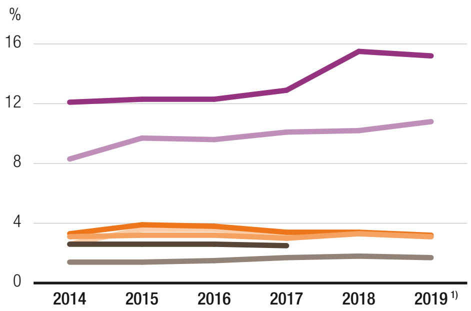


BREAKDOWN OF LEASE AGREEMENTS[1]



[1] Excluding pipeline.

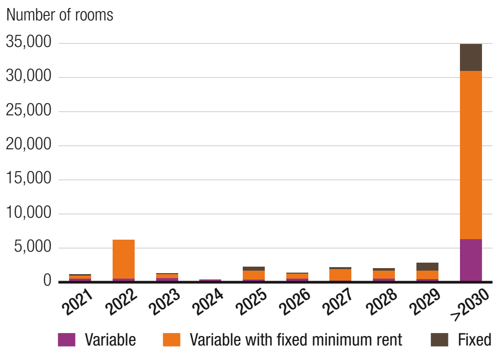
MARKET SHARE 2014 – 2019[1]



Source: Scandic Nordic Hotel Database.

[1] As a result of hotel closures during the Covid-19 pandemic, statistics for 2020 may not be reliable.

REMAINING LEASE LENGTHS[2]



[2] Including pipeline.

GRI: 102-7

NEW HOTELS

1. SCANDIC VOSS, NORWAY
2. SCANDIC ARLANDASTAD, SWEDEN
3. SCANDIC PASILA, FINLAND

EFFICIENT OPERATING MODEL

Scandic benefits from economies of scale within areas such as IT, purchasing and administration. Efficiency is constantly being improved through digitalization, standardization and sharing of best practices.

FLEXIBLE COST STRUCTURE

SHARP CUTS DURING 2020

Scandic implemented a number of comprehensive measures to reduce costs and adapt operations to the deteriorating business situation at the beginning of the year. In a short time, the workforce was reduced by more than 80 percent through a combination of furloughs and terminations, both in hotel operations and in support functions. Already during the second quarter, the company was able to reduce the cost level, excluding rental costs, by just over 60 percent compared with the corresponding period last year. Scandic also chose to temporarily close just over half of its hotels for a period and the hotels that continued to operate had a more limited food and beverage offering than usual.

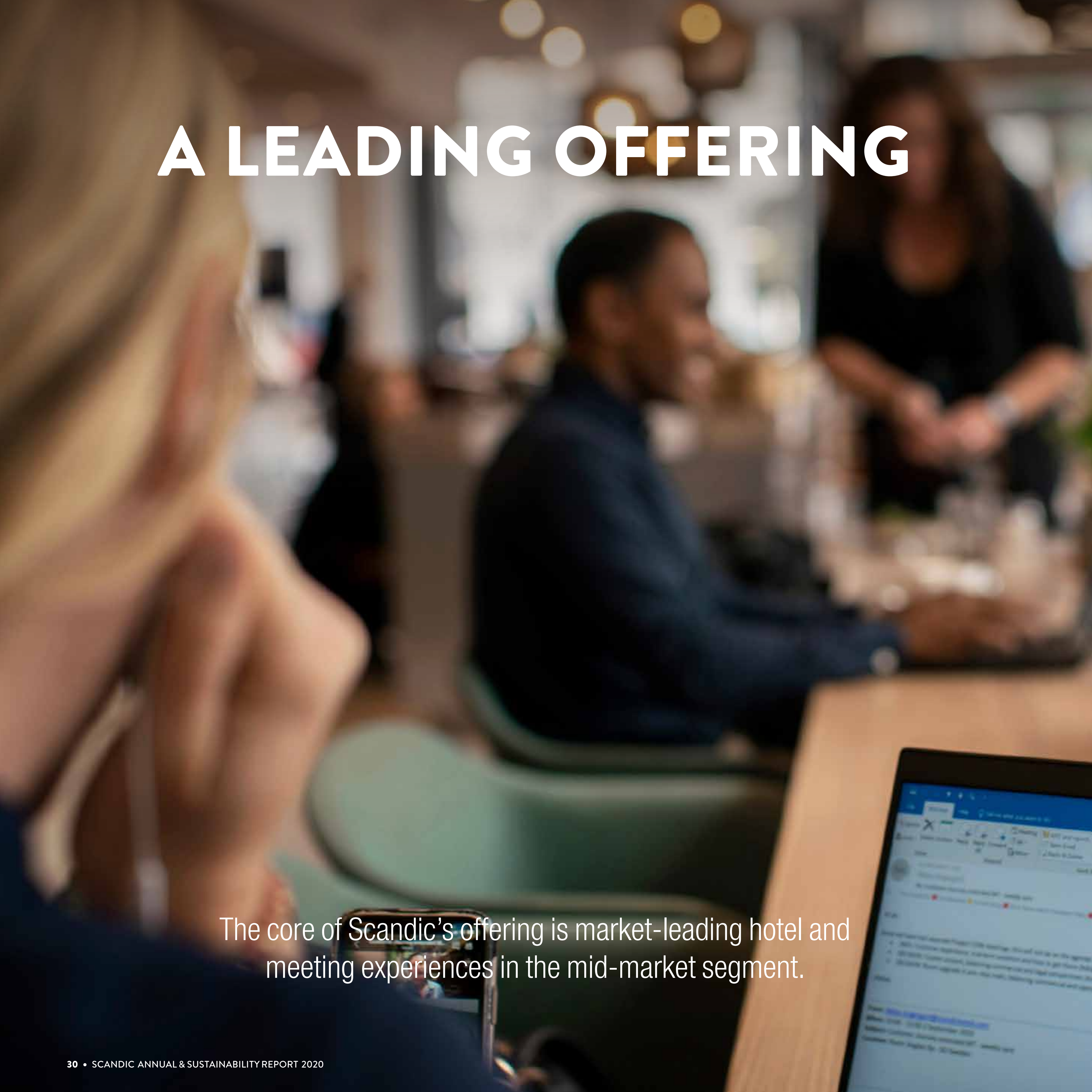
UNIQUE ECONOMIES OF SCALE

Since Scandic is by far the largest hotel operator in the Nordic region, it enjoys a number of economies of scale. With a clear division of responsibilities between hotels and central functions, Scandic has excellent opportunities to benefit from these economies of scale in a number of important areas such as IT, purchasing, investments and administration. Scandic's significant market position also gives the company a strong negotiating position with distribution partners, which helps control distribution costs. This is a clear advantage compared with independent hotels and smaller hotel chains. This leading market position is also a benefit when negotiating with property owners that understand the value of signing agreements with the hotel company that has the strongest distribution capacity and the most efficient hotel operations.

Scandic has a proven model to quickly integrate new hotels so they can be run as efficiently as possible. General managers have full responsibility for revenue and costs for their respective hotels, with all the necessary support from Scandic's central functions. If one hotel implements measures that improve profitability and efficiency, they can be easily implemented in the rest of the Group thanks to efficient monitoring systems.

ADDITIONAL POTENTIAL FOR EFFICIENCY

There is room to further improve efficiency at Scandic. By increasing digitalization, Scandic can replace manual processes that still exist at some hotels. Scandic is also implementing a new Group-wide ERP system to further improve governance. In the area of distribution, Scandic has also taken measures to increase coordination and efficiency. One example is the way meetings and conferences are sold. Earlier, individual hotels had responsibility for these sales, which have now been merged into "destination desks".



A LEADING OFFERING

The core of Scandic's offering is market-leading hotel and meeting experiences in the mid-market segment.

COMMERCIAL INITIATIVES

Scandic is positioned in the mid-market segment, which constitutes a large proportion of the Nordic hotel market. Scandic has what is clearly the largest and most extensive hotel network in the Nordic countries.

In recent years, Scandic has established a number of signature hotels as a complement to its other Scandic hotels. These hotels are in a somewhat higher price segment, are individually designed and have a more experience-based character, which means that they attract another type of customer than Scandic's regular hotels.

In Finland, Scandic also operates 10 hotels under international brands – three Hilton hotels in Helsinki that the company has been operating for some time and seven IHG hotels under the Holiday Inn, Crown Plaza and Indigo brands that the company took over in connection with the Restel acquisition.

STRONGER COMMERCIAL FOCUS

Market conditions are changing rapidly and during the year, Scandic therefore further sharpened its commercial focus. On October 1, 2020, the company presented a strengthened commercial organization that among other things included recruiting a new Chief Commercial Officer. In the short term, Scandic has also prioritized further increasing the pace and power of innovation to optimize the company's ability to drive revenue.

SEVERAL COMMERCIAL INITIATIVES IN 2020

- During the year, Scandic launched a new coworking concept at most of the Group's hotels, offering the Nordic region's largest network of flexible workspaces. The coworking trend has grown stronger in the Nordic region driven by digital development and the reduced need for permanent offices. Scandic's coworking concept offers simplicity and accessibility to anyone who wants to work from Scandic's hotels, paying either by the day, week or month. The offer includes a desk solution if needed, wifi, printing and copying services and the possibility to book meeting rooms by the hour based on availability.
- Just before Christmas, Scandic also launched digital gift cards that made it possible for private corporate customers to give hotel experiences as a gift.
- Due to the Covid-19 pandemic, Scandic had more vacancies than usual during the year at the same time as there has been a shortage of student housing in many university and college cities. Before the start of the fall term, Scandic offered students the chance to kick off their studies with a comfortable hotel stay at selected Scandic hotels for 30, 60, 90 or 120 days.
- In order to make the Scandic Friends loyalty program even more attractive to customers, an update of the program was carried out during the year. Scandic also offered members double nights for each point-qualifying overnight stay for a period of time. In addition, based on customer requests, Scandic also offered more ways to use points in Scandic's restaurants and shops in connection with overnight stays as well as the opportunity to use points at Scandic's new webshop.
- Scandic also launched a hybrid meetings solution, a blend of physical and digital meetings, at all Swedish hotels.

SCANDIC FRIENDS STRENGTHENS CUSTOMER RELATIONSHIPS

Scandic Friends is by far the largest loyalty program in the Nordic hotel industry. The program has close to 2.8 million

SCANDIC FRIENDS

SHARE OF TOTAL NUMBER OF GUEST NIGHTS 2020

43%

GRI: 102-2

members who accounted for about 43 percent of the company's room sales in 2020. With Scandic Friends, members earn points and enjoy benefits that increase the more they spend at Scandic. The program allows Scandic to offer personal communication and individualized offers with possibilities to earn and spend points at a broad network of partners. Customer loyalty is built through the benefits offered by the program while it also allows Scandic to be more data driven. Thanks to the dialogue Scandic Friends creates between Scandic and members, the company can also gain important knowledge about guests' preferences when they stay at Scandic.

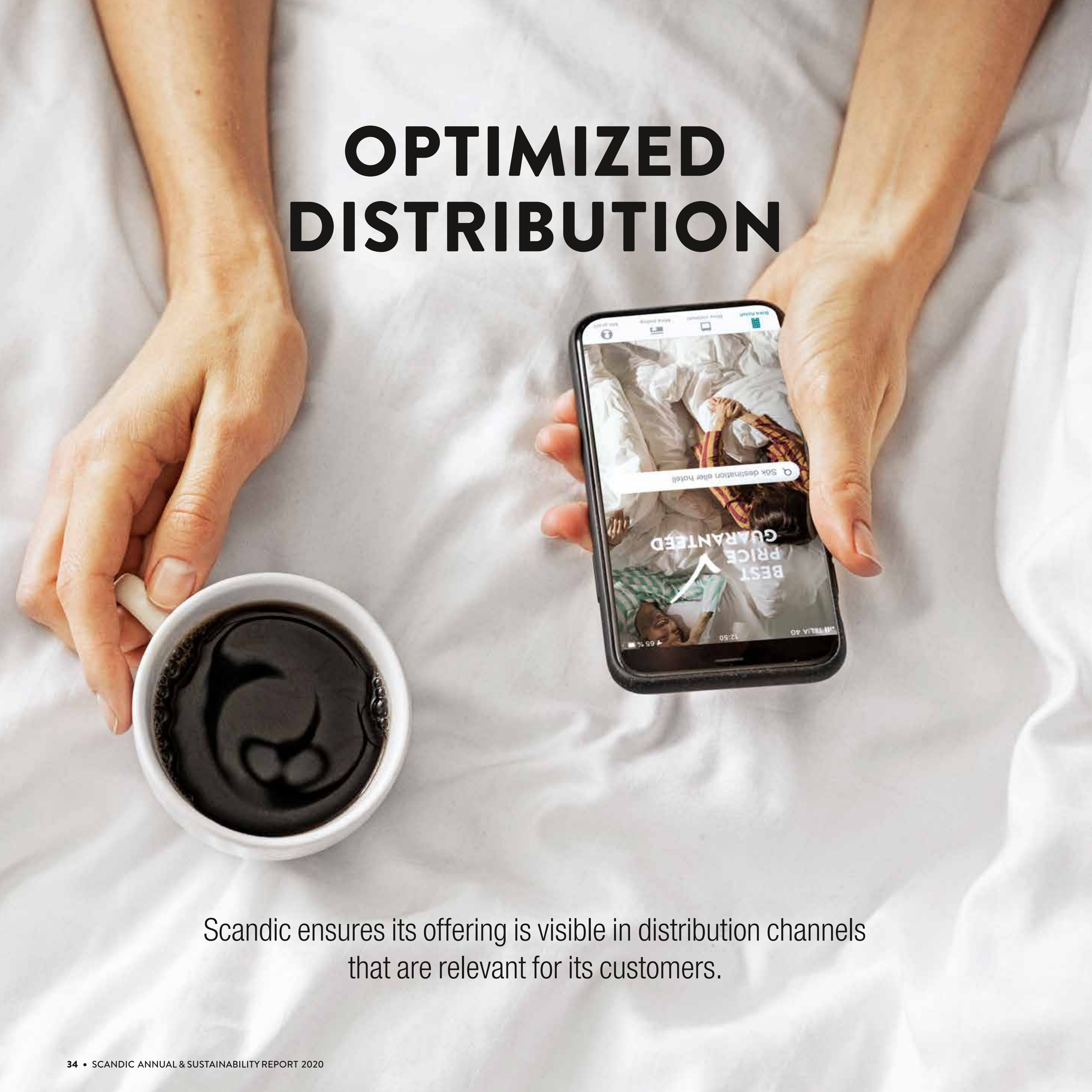
DIGITALIZATION DRIVING CUSTOMER BENEFITS & EFFICIENCY

Scandic needs to constantly develop its offering. Customers expect a smooth interaction with Scandic, from booking to checkout. There are significant opportunities to improve the customer journey through digitalization. For example, guests will soon be able to check in and out online using a special fast track service. In general, an increasing portion of the relationship between Scandic and guests will happen digitally, from selecting particular rooms when booking to using digital room keys on phones. Digitalization is not an end in itself and it is important for Scandic to prioritize solutions that create real value.

LAUNCH OF SCANDIC GO POSTPONED

At the beginning of 2020, Scandic launched Scandic GO, a new brand that offers a slimmer, more playful hotel concept within the growing economy segment. Scandic originally planned to convert and open a total of five hotels under the new brand, however, as a result of the Covid-19 pandemic, these conversions have been postponed.

OPTIMIZED DISTRIBUTION



Scandic ensures its offering is visible in distribution channels that are relevant for its customers.

FOCUS ON DOMESTIC GUESTS DURING THE YEAR

FOCUS ON DOMESTIC GUESTS

As a result of the Covid-19 pandemic, demand from international visitors disappeared in 2020 following a long period of strong growth. Scandic's distribution has therefore primarily been focused on reaching domestic customers via its own distribution channels, with an emphasis on leisure travelers.

LEISURE TRAVEL GROWING OVER TIME

One clear trend is that leisure travel is increasing and in the summer, Scandic saw good demand from domestic customers and hotels in holiday destinations had high occupancy rates. After the summer, Scandic also ran campaigns to drive sales among private customers on weekends while activity levels of corporate customers were at a very low level.

STRONG DISTRIBUTION CHANNELS

With a strong market position among Nordic corporate customers combined with a leading loyalty program,

"ONE CLEAR TREND IS THAT LEISURE TRAVEL IS INCREASING OVER TIME."

Scandic's own distribution channels are strong, accounting for about 64 percent of the rooms sold in 2020. More than half of this distribution is through these digital channels. In recent years, Scandic has invested in improving digital solutions, which has had a positive effect. The rest of Scandic's bookings are made through a central reservation service or directly at hotels, but this is expected to continue to decrease. There are several reasons why distribution through Scandic's own channels is positive. Scandic controls the entire booking when it is made through the company rather than having to pay commissions for bookings via online travel agencies (OTAs). Additionally, Scandic can use bookings through its own channels to develop relationships with guests, which increases understanding of their behavior from searching to booking and staying.

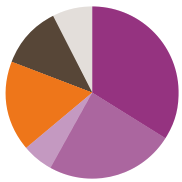
IMPORTANT TO REACH ALL POTENTIAL CUSTOMERS

For Scandic, it is important to be able to reach as many potential customers as possible. Until 2019, international visitors represented an increasing share of the market, which made it even more important to cooperate with a variety of distribution partners to reach customers that Scandic cannot easily reach through its own channels and who are not familiar with the Scandic brand. Scandic will always, however, strive to attract Nordic customers that book through its own website and app.

DISTRIBUTION 2017–2020

% guest nights	2017	2018	2019	2020
Scandic's website & app	24	25	27	34
Hotel direct	32	30	24	24
Call center	7	7	6	6
Direct	**63**	**62**	**57**	**64**
OTAs	17	17	18	17
GDS	12	13	13	12
Wholesalers	9	8	11	7
Indirect	**38**	**38**	**42**	**36**

SALES BY DISTRIBUTION CHANNEL



Hotel direct, website, call centers
Online travel agents (OTA & ADS)
Global distribution systems (GDS)
Contracted leisure

SHARE OF SALES IN OWN CHANNELS

64%

SUSTAINABLE BUSINESS

Although the Covid-19 pandemic had a substantial impact, Scandic continued to operate a sustainable business, showing care for people, society and the environment. Thanks to the fact that sustainability is integrated into both the company's business model and culture, Scandic has been able to meet the consequences of the pandemic head on.

VISION, MISSION & VALUES

OUR VISION

To be a world-class Nordic hotel company

With the help of our Nordic spirit, corporate culture and way of doing things, we will be the best hotel company we can be. World class isn't about five stars, red carpets or the number of hotels, but about delivering an appreciated experience every day, both on stage and behind the scenes for our guests, customers, team members and owners.

OUR MISSION

To create great hotel experiences for the many people

We want to cater to as many people as we can. No matter who they are, how they dress, where they are from or where they are heading, we get up every morning to create great hotel experiences for everyone – from the moment guests first think of us until they check out and tell their friends.

OUR VALUES

The foundation for the culture that characterizes Scandic was built 50 years ago when the first Esso Motor Hotel opened. Even though we now have thousands of team members in six countries, we always try to exemplify the driving forces that laid the foundation for Scandic. This legacy runs like a common thread throughout our entire organization and governs the way we recruit new team members.

Our culture can be summed up in four main values that team members can apply in their daily work and in all relationships, both internal and external. They are formulated and communicated internally as follows:

OUR VALUES

BE CARING

We are warm and welcoming, meeting everyone with open arms and minds. And we care for the people, planet and society around us.

BE A PRO

We are reliable and always deliver consistent high quality. But we also exceed expectations. We know that the key to success is focusing on details and constantly endeavoring to be even better.

BE YOU

We are ourselves. We celebrate each other's potential and appreciate our differences, just as we treat each guest as a unique individual.

BE BOLD

We dare to do things differently. We leave our comfort zone and look forward, always aspiring to inspire our guests, our stakeholders, each other and society at large.

HANDLING AN EXTREME SITUATION RESPONSIBLY

ADAPTING TO A SHARP DROP IN DEMAND

The outbreak of the Covid-19 pandemic had major consequences for Scandic's bookings and demand for hotel rooms from the end of February 2020. For this reason, Scandic started the process to adjust staffing costs to the sharply reduced level of demand early on. At the same time as the company's workforce was reduced, Scandic had full focus on ensuring that both the level of service and the safety of guests and employees were not negatively affected.

Scandic's permanent staff was reduced through a combination of furloughs and terminations due to lack of work. The conditions for furloughing employees varied from country to country which means that there are significant differences in the numbers of terminations and hotels that have been temporarily closed. In addition to reducing the number of permanent employees, Scandic also made extensive reductions in the number of temporary and extra staff, consultants and contracted workers in all markets.

In total, the number of permanent employees decreased by just over 3,500 in 2020 and about 3,300 employees remained furloughed at year-end. In addition, the number of temporary employees decreased sharply, from around 7,300 in 2019 to 3,000.

In Norway, Finland, Denmark and Germany, a very large proportion of Scandic's workforce was furloughed with varying degrees of state aid, which means that a large number of hotels were closed temporarily when demand was at its lowest during the first half of the year. In Sweden, furloughs were limited to a certain portion of team members' working hours, which meant that almost all hotels remained open. Sweden was also the market with the largest number of terminations. As early as in March, about half of Scandic's permanent employees were given notice of termination, which affected about 2,000 team members. Scandic in Norway later notified a large number of employees, but these notices were reduced as the conditions for short-term furloughs in Norway were extended.

AN END CAN BE A NEW BEGINNING

Scandic acted quickly and decisively when the Covid-19 pandemic impacted its business and it has been of the utmost importance to handle all issues related to employees objectively and correctly.

Terminations have been negotiated and handled in accordance with the current priority list. As an employer, Scandic has been instrumental in ensuring that everyone who was made redundant due to a lack of work received the reorientation support they are entitled to from various industry organizations. Scandic also launched the "Opportunities outside of Scandic" initiative in Sweden together with companies that had staff shortages during the crisis so as to offer team members new employment opportunities. Help with writing CVs for team members who are not native Swedish speakers was also offered at many of the hotels.

In Norway, Scandic also provided a regular newsletter and website where terminated team members could get tips on external job opportunities and training.

As an employer, Scandic has met with great understanding and a high level of commitment from team members. Many have revoked their right to new employment at Scandic, which can be seen as further proof that the company has handled the situation well.

DIFFERENCES IN FURLOUGH RULES

In Norway, Finland, Denmark and Germany, a very large proportion of Scandic's workforce was furloughed. In Sweden, furloughs were limited to a certain portion of working hours.

TEAM MEMBERS WITH COLLECTIVE AGREEMENTS

84%

GENERAL MANAGERS RECRUITED INTERNALLY

97%

"AS AN EMPLOYER, SCANDIC HAS MET WITH GREAT UNDERSTANDING AND A HIGH LEVEL OF COMMITMENT."

GRI: 102-41, 401-1, 403-10, 103-1/ -2/ -3

ATTRACTIVE EMPLOYER

AN INCLUSIVE CULTURE

Scandic is convinced that diversity and inclusion create stronger teams, which in turn leads to better service. Scandic strives to have an inclusive culture throughout its operations and has set clear goals for this. The gender distribution in the Group is 64 percent women and 36 percent men. The number of female general managers is 52 percent. Of all of the Group's team members, about 31 percent are under 30. This is natural, as Scandic's operations are affected by seasonality and temporary highs. To meet these fluctuations in an efficient way, the company has a great need for temporary employees. Scandic thus plays an important role as a first employer and creates opportunities for young people to gain valuable professional experience. Historically, Scandic's temporary employees have constituted an important recruitment base for the company and many people have been offered permanent employment. People from more than 120 nationalities currently work at the Group's hotels. Scandic strives to develop a rich culture with a strong diversity of skills and languages among its team members.

To ensure that the company can continue to find internal candidates for future management positions, Scandic runs a program called Talent at Scandic which includes several project linked to Scandic's strategy. During 2019/2020, 36 people participated in the program, with representation from all countries where Scandic operates.

"DIVERSITY IN THE ORGANIZATION PROMOTES BOTH THE GUEST EXPERIENCE AND TEAM MEMBER COMMITMENT. "

CONTINUED FOCUS ON FEEDBACK

In recent years, Scandic has built up a strong feedback culture. In order to anchor this culture more firmly in Scandic's business, a digital check-in format was launched in 2020 for simpler, faster and more frequent employee dialogue that focuses on feedback and professional development. The solution will be rolled out gradually during the coming year.

Scandic's employee satisfaction has increased in recent years and is at a high level. Due to the Covid-19 pandemic, Scandic chose not to conduct the annual employee survey, Voice, in 2020. Instead, the company will gradually take what are known as Pulse measurements across the organization. Scandic is also considering permanently replacing the annual Voice survey with more frequent surveys that better capture employee needs and challenges on a more regular basis.

GENDER DISTRIBUTION, GENERAL MANAGERS

52% (53%) | 48% (47%)

103 women | 95 men

GENDER DISTRIBUTION, NEW EMPLOYEES[1)]

57% (57%) | 43% (43%)

111 women | 84 men

TOTAL NUMBER OF EMPLOYEES

64% (63%) | 36% (37%)

6,851 women | 3,843 men

TOTAL NUMBER OF EMPLOYEES: 10,694

4,769 women | 2,740 men

PERMANENT EMPLOYEES: 7,509

1,885 women | 1,015 men

TEMPORARY EMPLOYEES: 2,900

197 women | 88 men

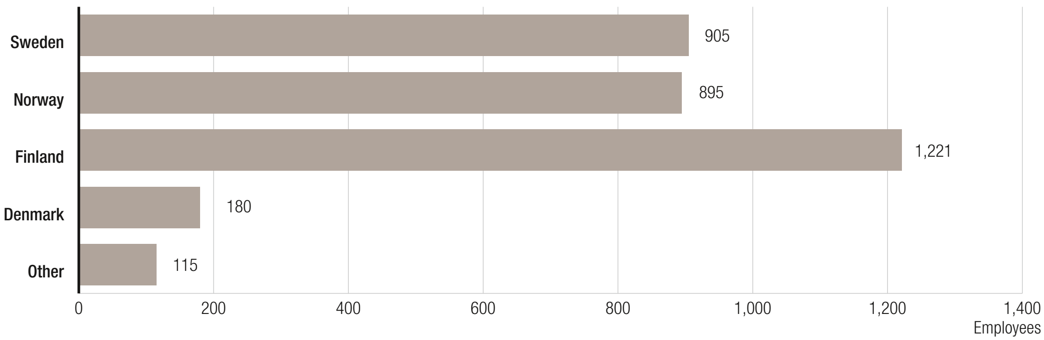
CONTRACTED WORKERS: 285

1) Refers to permanent employees.

NUMBER OF NATIONALITIES

120+

EMPLOYEES ON SHORT-TERM FURLOUGHS AT YEAR-END



SETTING THE INDUSTRY STANDARD

Scandic has been addressing sustainability issues since 1993 and over the years, the company has implemented initiatives that have resulted in concrete business, environmental and societal benefits. Among the many issues Scandic has addressed, four initiatives stand out, all of which have become global standards.

1993

A Scandic team member thought guests could perhaps reuse their towels and came up with the “hang up your towel” concept that today is the global industry standard.

1996

Began phasing out single-use plastic packaging.

2003

Started working to make hotels more accessible to people with disabilities. This attracted global attention and led to Scandic’s 159-point Accessibility Standard.

2008

Switched to serving only local water in reusable, specially designed bottles.

HIGHLIGHTS 2017–2020

4 MAIN AREAS WITHIN SUSTAINABILITY

In 2017, Scandic decided to focus on four main areas related to sustainability and to set measurable goals linked to them. These goals have been guiding the company's operations and reporting since then. More about the goals and outcomes can be found on pages 44–47. Here are some highlights from this period:

2017

Joined HELT MED in Norway, an organization that helps people with intellectual disabilities enter the labor market. Many people have since been employed through the program.

Scandic's Leadership Compass was introduced to help managers in their roles and move daily decision-making to team members.

2018

Scandic took another step to reduce plastic use by removing plastic straws and swizzle sticks from its hotels. Prior to this, the hotels used about 1.3 million straws and 120,000 swizzle sticks annually.

During the year, Scandic also ran sustainability workshops where team members participated in coming up with ideas to promote sustainability. The best proposals were highlighted internally and implemented in Scandic's operations. Since then, workshops have been held every year.

2019

Accelerated collaboration with digital resellers of leftover food and during the year, 155,000 portions were sold onwards.

20th anniversary of the first Nordic Ecolabel environmental certification of a Scandic hotel. At the end of December 2020, 84 of 85 Swedish hotels were environmentally certified.

2020

Scandic adopted a new platform for its sustainability strategy to realize the vision for Scandic hotels to be the most sustainable places to meet, eat and sleep away from home.

AWARDS & DESIGNATIONS, 2017–2020

- **CDP.** In 2020, Scandic received an A-rating from the Carbon Disclosure Project (CDP) for the third time, ranking among the top 15 percent in the industry.
- **Great Place To Work.** Scandic Denmark was named the country's most inclusive place to work by Great Place To Work in both 2018 and 2019.
- **European Diversity Awards.** In 2019, Scandic was nominated in the Accessibility category for its online accessibility training course.
- **Sustainable Brand Index.** In 2020, for the tenth year running, Scandic Sweden was named the industry's most sustainable brand by the Sustainable Brand Index. In the other Nordic countries, Scandic was ranked high every year.

SCANDIC'S 2020 GOALS

In 2017, Scandic set clear goals linked to four main areas within sustainability. These goals were selected to measure and follow up on the company's work in each area. A summary and the outcomes are provided on the following pages. Scandic recently updated its goals. Read more on pages 48–49.

1 DIVERSITY & INCLUSION

Goal 2020
Scandic will lead the hotel industry in giving all employees the same opportunities and reflect the society in which it operates.

2 HEALTH

Goal 2020
Scandic will be the premier hotel choice for customers who prioritize a healthy life-style and an attractive employer when it comes to work-life balance.

3 CO_2 EMISSIONS

Goal 2020
Scandic will be the hotel company with the lowest CO_2 emissions.

4 WASTE

Goal 2020
Scandic will continually work to reduce total waste and increase the share of recycled waste.

4 MAIN SUSTAINABILITY GOALS

		2017	2018	2019	2020[1]	Goal 2020
1	Share of employees who state in the employee satisfaction survey that Scandic has a good level of diversity in the organization, %	87	86	89		>90
2	Total employee index in the employee satisfaction survey	77	80	81		82
	Increase of 4 points in employee satisfaction survey regarding recovery from stress, physical work environment and leader-ship index.	63	64	68		>65
3	Share of hotels using renew-able electricity,%	99.6	97.0	97.8	98.2	100
	CO_2 emissions kg/revenue, KSEK	1.6	2.4	2.0	3.4	<2.5
	CO_2 emissions kg/guest night	1.6	2.4	2.0	2.9	<2.3
	Share of hotels environmentally certified within 1 year of opening/ rebranding, %	90	90	77	77	100
	Water use (m^3)/guest night	0.2	0.2	0.2	0.2	<0.2
	Share of environmentally-certified chemicals, %	82	81	87	81	>95
4	Total kg waste/guest night[2]	0.8	0.6	0.6	0.6	<0.6
	Recycled waste[2], %	79.0	88.7	96.7	96.9	>76.0

[1] During 2020, no employee satisfaction survey was carried out due to the Covid-19 pandemic.

[2] Excluding household waste due to difficulties sourcing reliable information. This is because in many Swedish municipalities, household waste is not weighed at collection.

1

DIVERSITY & INCLUSION

Diversity refers to the mix of people with various backgrounds and characteristics, while inclusion is how to manage them to achieve the best possible results. Scandic has based its work in this area on its cultural platform and diversity and inclusion policy. The company is convinced that diversity and inclusion create stronger groups, leading to better service.

In 2020, Scandic focused on dealing with the consequences of the Covid-19 pandemic and the company was forced to furlough and terminate many team members. Managing these processes in a respectful way has been critical. It has been equally important to instill courage and hope for the future in the team members who have remained at Scandic.

Seen over the period, the proportion of team members who feel that Scandic has high diversity within the organization has steadily increased, from 85 percent in 2016 to 89 percent in 2019, which is close to the target of 90 percent. Scandic has worked hard to achieve an even gender distribution at all levels in the organization, which is well reflected on the general manager level. At the end of 2020, the distribution was 52 percent women and 48 percent men.

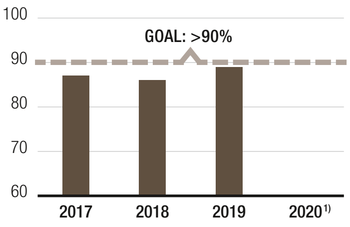
In more normal times, when more team members join Scandic than leave the company, Scandic can contribute to helping new arrivals to Sweden to integrate. Scandic plays an important role in offering entry-level jobs and has over the years implemented supportive initiatives and collaborations such as digital language training for team members. Scandic also strives to make its hotels and offerings accessible to people with accessibility needs and allergies. In addition to its 159-point Accessibility Standard, Scandic introduced a standard for allergy-friendly rooms at all hotels and online accessibility training, available to all.

The company's views on diversity and inclusion also extend beyond its hotels, and Scandic is active in the community and through partnerships with organizations such as Fairtrade and the Rainforest Alliance.

KPI – GOAL 2020

At least 90 percent of employees shall state in the employee survey that there is a good level of diversity in the company.

OUTCOME



1) During 2020, no employee satisfaction survey was carried out due to the Covid-19 pandemic.

"IT HAS BEEN IMPORTANT TO INSTILL COURAGE AND HOPE FOR THE FUTURE IN THE TEAM MEMBERS WHO HAVE REMAINED AT SCANDIC."

2

HEALTH

Scandic runs a staff-intensive business that is more successful when guests feel good when they stay, meet and eat at Scandic's hotels.

The Covid-19 pandemic has forced Scandic to adapt its premises and offerings in its open hotels to keep team members and guests safe. Read more about Scandic's safety initiatives related to the Covid-19 pandemic on page 54 (under Security). Scandic regularly monitors physical and psycho-social work environments through safety inspections, employee surveys and conversations with team members.

The goal for health presented in the graph below is prepared by evaluating team members' perceptions of how they recover from stress, rank their leaders and regard their physical work environment. In 2020, the survey on which the index is based was not carried out due to the pandemic. Seen over the period, the results have increased steadily up to and including 2019.

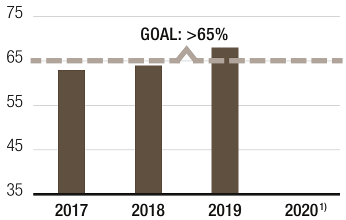
To improve mental and physical health, Scandic has implemented a number of initiatives in recent years including:

- A cultural platform and Leadership Compass to increase employee engagement and decision-making within the organization.
- A health club called Scandic Health Club to spread exercise and food inspiration among team members.
- Close collaboration with and visits to organizations such as Fairtrade to ensure good working conditions in the supply chain. Scandic also has a well-established code of conduct for suppliers.
- Training programs and collaborations to prevent trafficking, drug use and destructive alcohol consumption.

KPI – GOAL 2020

At least 65 percent of employees shall state that they are positive about being able to manage stress in the annual employee survey.

OUTCOME



[1] During 2020, no employee satisfaction survey was carried out due to the Covid-19 pandemic.

3

CO_2 EMISSIONS

Scandic operates hotels that create CO_2 emissions. The company is able to impact its emission levels by increasing awareness among its team members, guests, partners and property owners.

Scandic's main goal is to reduce CO_2 emissions in relation to revenue to less than 2.5 kg/KSEK. This goal, and the goal to keep CO_2 emissions kg/guest night below 2.3, was reached in 2019. 2020 was a very special year with sharply reduced occupancy, which makes comparability with previous years more difficult. The hotels that were open required heating, which means that key ratios have been calculated on the basis of greatly reduced revenues and guest numbers. However, the total amount of CO_2 emissions was significantly lower than in previous years.

Most of Scandic's hotels are certified by the Nordic Ecolabel and the EU Ecolabel. These certifications require hotels to meet the organizations' guidelines for CO_2 emissions, water and energy consumption, waste management and chemical use. The Finnish hotels Scandic acquired in 2017 are less energy efficient than the average for the rest of the portfolio.

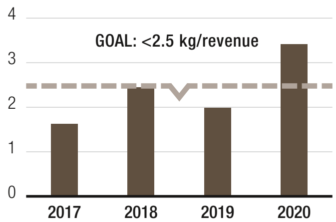
Total water consumption dropped dramatically during 2020. During 2019, Scandic reduced cleaning of rooms used by the same guest for several nights, which reduced water consumption by 17 million liters. In connection with renovations, water-saving showers and toilets were also installed in all countries. Even if total water consumption was lower, it increased per guest night in 2020 due to low occupancy levels. Scandic will continue to work to reduce water use at its hotels among other things by continuing with the "Turn off the Taps" initiative that aims to encourage guests to use less water.

One of Scandic's goals concerns increasing the company's use of environmentally-certified chemicals. Through close collaborations with suppliers, Scandic has carried out a comprehensive review of all chemicals in the products it buys, which has led to greater use of environmentally certified chemicals, but the company's ambitious goal has not yet been achieved.

KPI – GOAL 2020

10 percent reduction in CO_2 emissions/revenue.

OUTCOME



4

WASTE MANAGEMENT

Scandic operates restaurants and consumes products in its accommodation operations. As a result, Scandic has a significant opportunity to make a difference through good waste management.

Scandic has increased its share of recycled waste every year since since 2017. In 2020, the amount of waste per guest increased due to low occupancy, however there was a significant reduction in the total amount of waste during the year.

Several projects form the basis for successful waste management, including:

- Kutt Matsvinn, an organization that Scandic Norway founded and that aims to drive the entire industry toward reducing food waste by 20 percent by 2020 and 50 percent by 2030.
- Several successful collaborations with suppliers to reduce plastic packaging and other waste when delivering materials to hotels.
- Removing plastic straws and swizzle sticks from all restaurants.
- Collaborations with digital food resellers to sell leftover food onward. Almost all Scandic hotels collaborate with at least one digital food reseller today.
- Pilot project with AI-based food waste tools at selected hotels.

WASTE

In 2020, 96.9 percent of Scandic's waste was recycled, which is an increase of 0.2 percent compared with 2019. Household waste, which represents a large share of total waste, is excluded in this report due to difficulties in obtaining reliable information, mainly from municipalities in Sweden.

	2017		2018		2019		2020	
Total weight per method of disposal, tonnes	Hazardous waste	Non-hazardous waste	Hazardous waste	Non-hazardous waste	Hazardous waste	Non-hazardous waste	Hazardous waste	Non-hazardous waste
Reuse	0	0	0	0	0	0	0	0
Recycling	5.9	9,191.5	15.8	10,249.9	14.0	11,301.2	4.9	5,357.7
Energy recovery	26.0	2,073.6	23.1	1,025.6	29.8	274.4	17.6	109.5
Combustion	35.9	0.0	28.2	0.0	38.6	0.0	24.0	0.0
Landfill	4.7	300.0	3.7	234.1	5.1	41.1	3.2	18.2
Total	**72.4**	**11,565.1**	**70.7**	**11,509.7**	**87.5**	**11,616.7**	**49.7**	**5,485.5**

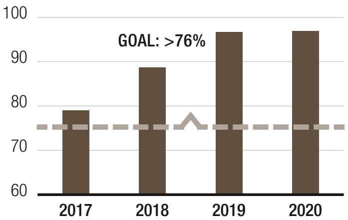
Data on waste from acquired Restel hotels is insufficient.

Total weight per type of waste, tonnes	2017	2018	2019	2020
Paper	2,229.5	2,396.4	2,539.7	1,189.6
Glass	1,854.3	2,067.4	2,255.3	1,066.0
Metal	218.6	161.9	199.9	102.0
Plastic	303.3	304.9	331.0	180.5
Other	6,959.4	6,579.1	5,975.3	2,995.9

KPI – GOAL 2020

10 percent more waste recycled.

OUTCOME



96.9%

OF SCANDIC'S WASTE WAS RECYCLED

A POSITIVE TREND IN RECENT YEARS

Up until the end of 2019, Scandic improved results related to diversity and inclusion, health and waste management. The company has reached its CO_2 targets with the exception of the pandemic year 2020 when the reduced number of guest nights significantly impacted results.

Scandic's 2020 results were good, but comparability with previous years was difficult as many hotels were closed or had low occupancy, which reduced the number of team members and guests used in calculations. A number of goals were reached and several were almost achieved. That Scandic did not achieve all goals indicates that the company has set challenging goals, and work to achieve goals contributed to Scandic's sustainability management and follow-up during the period.

DIVERSITY & INCLUSION

Work within the scope of these goals has been successful and Scandic is proud of its inclusive profile and wide-ranging diversity. Much remains to be done, however. Once the pandemic ends, Scandic will need to use its strong profile and continue working to promote integration, create jobs, draw on the diversity of its team members and further strengthen its inclusive culture.

Gender equality efforts will remain hugely important. The gender distribution among general managers has become well-balanced. There is, however, still a sizeable lack of balance among senior executives, and Scandic must continue its efforts to achieve a better gender distribution in this respect.

Scandic has distinguished itself from its industry peers through its accessibility profile. In the future, Scandic will integrate its accessibility initiatives into all functions and further develop its successful efforts through internal training and new concepts.

HEALTH

Continuing to carry out health-promoting activities with a framework for follow-up will be highly important. Scandic must ensure a good working life for its team members during the pandemic and ensure that everyone is prepared for new conditions and challenges once it ends.

"SCANDIC IS PROUD OF ITS INCLUSIVE PROFILE AND WIDE-RANGING DIVERSITY."

It is equally important to focus on customer health, and the company will continue to develop its offering, giving Scandic good reason to claim to be the best choice for customers who prioritize a healthy lifestyle.

CO_2 EMISSIONS

Introducing a 100 percent renewable energy goal has been important. As Scandic gradually takes over the operation of the Finnish hotels that were acquired in December 2017, the company will have every chance of meeting these goals in the relatively near future. Additionally, the cooperation with Nordic Swan Ecolabel has been of great significance for reducing emission levels, both for creating external incentives for reaching certification levels and for measuring development within Scandic's operations.

Scandic will make an even greater effort to reduce CO_2 emissions going forward. In addition to its own efforts, Scandic will use its size to become better at making demands and influencing the industry, property owners, construction companies and suppliers to reduce their emissions as well.

Scandic did not meet its goals related to water use or share of environmentally certified chemicals used. In the future, Scandic will sharpen its focus on these areas, making it easier for hotels to purchase environmentally certified chemicals and giving team members and guests an understanding of the importance of reducing water consumption. To improve, well-considered advocacy is essential.

With regard to climate reporting, Scandic will need to work hard to implement processes that allow it to expand its Scope 3 reporting. This work must be carried out in cooperation with suppliers and guests.

WASTE

Reporting on waste volumes was complicated during the year, as household waste was excluded due to difficulties accessing correct data. Swedish municipalities do not weigh waste when it is collected. In the future, Scandic aims to include household waste in its reporting by trying to obtain better help from municipalities with regard to weighing and measuring waste. Scandic will also investigate the possibility of making reliable waste volume forecasts by measuring over shorter periods and extrapolating the results to annual periods.

The company's collaboration with digital food resellers over the year was successful and general efforts to reduce food waste have the potential to improve further through refining estimates of initiatives and boosting engagement among team members and guests. Scandic is proud of the work it has done and happy to see dramatically improved results through initiatives implemented over the years.

CREATING A SUSTAINABILITY STRATEGY NEVER ENDS

In December 2019, Scandic presented a new sustainability strategy platform. And in 2020, the company continued work to update the goals. The areas Scandic will focus on are described below. More concrete goals will be presented once Scandic has identified ambitions that are both realistic and challenging.

Why does Scandic focus efforts on some sustainability areas and not others? The answer lies in the combination of the areas Scandic impacts as a hotel operator and the areas where it has more influence. It also depends on what Scandic's stakeholders expect the company to focus on. In most cases, there is a mutual understanding. In Scandic's view, climate change and biodiversity are the environmental areas where measures are needed the most. This is why Scandic continues to have clear ambitions to reduce the climate impact of its hotels by choosing fossil-free sources of energy, reducing energy needs and decreasing water use and waste. Eliminating unnecessary plastic and hazardous chemicals are other areas where Scandic is expected to take action and develop.

Food has a major impact on climate change and biodiversity, so Scandic needs to reduce the amount of meat served at its hotels, replacing it with plant-based alternatives. Scandic must also increase the amount of organic food served and reduce food waste. Although the company understands that guests like to treat themselves from time to time, healthy food options must be attractive in general to help guests make healthy choices.

The materials used in the furniture in Scandic's hotel rooms and shared spaces also have a major environmental impact. The useful life of furniture is key to success in this respect, as well as circular design. Scandic's rooms are generally refurbished every 15 years, but the company must contribute to increasing the useful life of products and materials it purchases, even if they will not continue to be used at Scandic.

"SCANDIC WILL CONTINUE TO SHOW THE WAY AND WEAR THE YELLOW JERSEY IN THE HOSPITALITY INDUSTRY."

Even if the number of team members was reduced substantially last year, Scandic still managed to retain 11,000 people. Naturally, this means that Scandic has a partial responsibility for their health. Diversity and inclusion remain key to success in our operations. And if handled successfully, Scandic will be able to maintain its leadership role in the community as an engine for integration.

THE ROAD AHEAD

As we all know, 2020 was a strange year with a considerable financial impact. Naturally, setting goals for the future involves a great deal of guesswork. The past year has made it even more difficult to estimate how much Scandic can achieve. Another issue that will affect the hotel industry in the future is the significant change in guest demographics, from business travelers to leisure travelers. The latter category has a much greater environmental footprint due to the way the average tourist spends time at a hotel compared with a business traveler. This will have a significant impact on Scandic's key ratios and ability to reach goals. During 2021, we plan to build a foundation to find the right level of ambition for our target-setting. One thing is crystal clear: Scandic will continue to show the way and wear the yellow jersey in the hospitality industry.

Hotel operations and properties:

Climate, water and waste: In the upcoming program for sustainable properties and efficiencies in its operations, Scandic aims to reduce its climate, water and waste impact and remain a role model with regard to food waste and the use of environmentally certified chemicals and single-use disposibles. Scandic's climate ambition is clear: Scandic wants its operations to be carbon-free including the items the company buys. Just as in other areas, ambitions for climate, waste and water will be adapted to the ambitious goals of the Nordic Swan Ecolabel and their revised criteria, which are expected to apply from 2022/2023.

Team members

Diversity and inclusion: Scandic will strive for gender equity (60/40 – 40/60) and remain a company with diversity and inclusion as top priorities.

Health: Scandic wants to be the healthiest company in the industry for its team members.

Offering

Rooms and interiors: Scandic will increase circular furniture solutions in rooms and shared spaces alike.

Food & beverage: Scandic will serve more plant-based foods and healthy and sustainable (e.g. organic) food, beverages and snacks.

SCANDIC STANDS BEHIND THE UN'S SUSTAINABLE DEVELOPMENT GOALS & CONTRIBUTES TO MANY OF THEM

Scandic has a Code of Conduct that applies to all team members in the Group. The code is based on the UN Global Compact principles dealing with anti-corruption, working environment, the environment and human rights. Scandic stands behind Agenda 2030 and the UN's 17 Sustainable Development Goals (SDGs). The company contributes to most of them to varying degrees, but significantly to the following goals:

SUSTAINABLE DEVELOPMENT GOALS	HOW SCANDIC CONTRIBUTES
5. Gender equality. Equality is a goal in itself as well as a pre-requisite for sustainable and peaceful development. Gender equality is achieved when both women and men, girls and boys, enjoy equal rights, conditions, opportunities and the power to shape their lives themselves and contribute to the development of society.	Scandic analyzes and acts to achieve gender balance in recruiting through internal programs as well as internal and external recruiting. Scandic is conscientious in ensuring that its team reflects society and the company strives for gender balance at all levels in the Group.
8. Decent work and economic growth. Work for inclusive and long-term sustainable economic growth, with full and productive employment and decent working conditions for all.	Scandic offers equal conditions and follows up on issues related to work environment. Supplier Code of Conduct. The company also offers work experience programs for people outside the labor market such as HELT MED in Norway. Read more on page 52.
10. Reduced inequality. Reduce inequality within and between countries.	Scandic offers equal conditions regardless of gender, disability, ethnic background and age. Through value and leadership development. The company also offers work experience for people outside the labor market and encourages leaders and team members to get involved in mentoring programs, for example, Mitt liv in Sweden.

SUSTAINABLE DEVELOPMENT GOALS	HOW SCANDIC CONTRIBUTES
12. Responsible consumption and production. Promote sustainable consumption and production patterns through the efficient use of resources, consideration for ecosystem services that are necessary for supply and reduce the impacts of hazardous chemicals.	Scandic carries out third-party environmental certifications of all of its hotels, for example, Nordic Ecolabel certification and similar certifications. This helps reduce energy, water and chemical use and waste. It also has environmental requirements for suppliers. Cooperating with digital food resellers and working to reduce plastic and single-use disposables are other measures to reduce Scandic's environmental impact. In the food and beverage area, Scandic strives to reduce food waste and packaging while working to increase plant-based options and organic and local products.
6. Clean water and sanitation. Ensure availability and sustainable management of water and sanitation for all. Focus on responsible water stewardship.	The aim is for all Scandic hotels to be environmentally certified. When taking over new hotels, the hotel must be certified within the first year. Water-reducing shower heads have been installed at all hotels and water consumption is monitored and reported regularly.
11. Sustainable cities and communities. Make cities inclusive, safe, resilient and sustainable.	Initiatives to primarily reduce the amount of waste and recycle a greater share of waste. Integration projects for new arrivals and work training for people with accessibility needs. Regular security and anti-trafficking training at hotels.
13. Climate action. Take urgent action to combat climate change and its impacts.	98 percent of the electricity Scandic buys comes from renewable sources. Across the Group, cooling systems are mainly hydroelectric. In recent years, Scandic has continually reduced CO_2 emissions for comparable units with the exception of 2020 when emissions per guest night increased despite the fact that total emissions decreased substantially.
17. Implementation and global partnership. Strengthen the means of implementation and revitalize the global partnership for sustainable development.	Scandic also works to influence the hotel industry through industry organizations such as Visita in Sweden and the global Sustainable Hospitality Alliance. The company also has well-developed collaborations with suppliers and partners.

GRI: 102-12

SUSTAINABILITY INITIATIVES BUILT ON PARTNERSHIPS

Scandic's sustainability initiatives are mainly based on valuable collaborations with other companies, organizations and authorities. These partnerships also create value for Scandic's stakeholders and for society as a whole. Scandic does not take political positions or donate to political parties or lobbying groups. Instead, the company makes an impact by supporting initiatives in its markets.

EXAMPLES OF INITIATIVES SCANDIC SUPPORTS

Organization	Description	Country	Type of cooperation
Mitt liv	Works to promote an inclusive society and labor market diversity through mentoring, training and networking.	Sweden	Partner
My Dream Now	Works to link the labor market with students from upper secondary schools in vulnerable areas.	Sweden	Partner
Diversity Charter Sweden	Part of Diversity Charter's European network. Works to promote diversity and inclusion in companies and organizations.	Sweden	Member and one of the founders
Fightback	Supports victims of head injuries.	Finland	Sponsor
Food Bank Charity	Project to reduce food waste.	Poland	Partner
GOT – Gdansk Tourism Organisation	Network in hospitality industry that focuses on sharing experience and training and opportunities to participate in projects for charity.	Poland	Member
Budnianer hilfe e.V.	Provides physical and social support for marginalized children and young adults.	Germany	Supporter
Joblinge	Partnerships between companies, individuals and authorities to support vulnerable youth and integrate them in the labor market.	Germany	Partner

Organization	Description	Country	Type of cooperation
HELT MED	Aims to create meaningful work for people with physical and/or learning disabilities.	Norway	Partner
Ringer i vannet (NHO)	Works to improve conditions for recruiting people outside the labor market.	Norway	Partner
Dansk Erhverv CSR netværk	Network for the service industry in Denmark (17,000 Danish companies).	Denmark	Member
ReFood	Collects and distributes leftover food from restaurants.	Denmark	Member
Karma	Digital food reseller that sells leftover food that would otherwise be thrown away.	Sweden	Partner
Too Good To Go	Digital food reseller that sells leftover food that would otherwise be thrown away.	Denmark, Norway, Poland, Germany	Partner
Kutt Matsvinn 2020	Organization that aims to drive the entire hotel industry toward reducing food waste by 20 percent by 2020 and 50 percent by 2030 in line with UN SDG 12:3 to halve the amount of food wasted around the world.	Norway	Member and one of the founders

STAKEHOLDER ENGAGEMENT

UPDATED MATERIALITY ANALYSIS

Within the framework of Scandic's materiality analysis, stakeholder groups are selected based on whether they can influence or are influenced by the company's business. No stakeholder group was excluded and dialogues were conducted at various frequencies. Scandic meets owners and investors, ESG analysts, corporate clients, partners and suppliers in more or less formal meetings several times a year. Other stakeholder groups interact with Scandic mainly through evaluations, surveys and seminars. In addition to the systematic dialogue on sustainability issues, there are also ongoing discussions with employees and guests. Responses from the various stakeholder groups help Scandic in its sustainability initiatives and reporting. In 2020, stakeholder dialogues mainly focused on the Covid-19 pandemic and its consequences for Scandic.

Below is an overview of the modified materiality analysis with the areas identified based on dialogues that were conducted. The starting point has been to select strategically important areas where permanent value can be created and where Scandic's opportunities to have an influence are considered to be highest. To the right is a list of stakeholders and stakeholder groups' most important issues based on completed and ongoing stakeholder dialogues. Scandic describes how these issues are addressed in its sustainability report. Sustainability is integrated into Scandic's business model and since Scandic wants to demonstrate corporate social responsibility, these issues are of the utmost importance for the company as well as the environment, for people and for performing well financially. Scandic's team members and goals play an important role in sustainability management as do the company's policies (see page 60). Ultimately, it is Scandic's Board of Directors that has overall responsibility for the company's sustainability strategy. Sustainability issues are governed by the Executive Committee and the Board is constantly updated. Scandic's central sustainability unit monitors ongoing work in the company and reports to the Executive Committee. The effectiveness of the governance of sustainability work is evaluated through KPIs where outcomes are measured against set goals. Scandic has achieved or been close to achieving all goals, the management of sustainability issues is effective and progress is being made.

MATERIALITY ANALYSIS

Areas where Scandic drives change

Environmental issues – many of these areas are interconnected and when aggregated help contribute to reducing CO_2 emissions.

Social issues – these are especially important for Scandic as part of the service industry and in its role as a driver of integration in society.

- Diversity and inclusion (Scandic)
- Health (Scandic)
- Waste – reduction and recycling (Scandic and guests)
- Energy – heating/cooling and electricity (Scandic and property owners)
- Food & beverage (Scandic)
- CO_2 emissions (Scandic and guests)
- Water (Scandic and guests)
- Materials & construction (Scandic and property owners)

Areas where Scandic strives for excellence every day

These key areas are integrated in Scandic's daily operations and must be fulfilled to ensure Scandic's success.

- Anti-trafficking (Scandic and guests)
- Fair and decent working conditions (Scandic)
- Health and safety – team members (Scandic and guests)
- Hotel safety – guests (Scandic and guests)
- Equal opportunities – gender (Scandic)
- Financial governance (Scandic)
- Transparency (Scandic)
- Anti-corruption (Scandic and suppliers)
- Customer privacy (Scandic)

Stakeholder group	Main sustainability aspects based on earlier stakeholder dialogues
Team members	• Satisfied customers • Health and safety • Minimizing waste
Owners and investors	• Reducing CO_2 emissions • Minimizing waste • Commitment of Board and Executive Committee to sustainability
NGOs	• Reducing CO_2 emissions • Minimizing waste • Fair working conditions
Future employees	• Fair working conditions • Minimizing waste • Influence
Guests	• Minimizing waste • Reducing CO_2 emissions • Occupational health and safety • Contribute by making good choices
Corporate customers	• Fair working conditions • Occupational health and safety • Choosing interiors with consideration for environmental impacts
ESG analysts	• Measures to prevent trafficking/prostitution • Reducing CO_2 emissions • Commitment of Board and Executive Committee to sustainability
Business partners	• Ensuring all employees have equal rights and opportunities • Measures to prevent trafficking/prostitution • Fair working conditions

RESPONSIBLE PARTNER IN SOCIETY

SECURITY

Security is a key area of focus for Scandic. Scandic's team members are trained in basic safety issues both interactively and practically. Two compulsory fire and evacuation drills are carried out each year.

In addition, every six months, Scandic carries out comprehensive crisis management exercises to simulate possible and relevant events. For example, the hotels have conducted more than 700 exercises related to extraordinary events such as terror attacks and lockdowns. These are run by Scandic's Central Crisis Unit, which registers and follows up on the results in a digital e-book.

All hotels also have access to emergency help from the Scandic Crisis Call Center, a 24-hour emergency service run by specially-trained security staff. Crisis support can, among other things, involve contact with psychologists and crisis support staff at all times of the day. Additionally, each year, all hotels hold first aid courses focused on CPR and using AEDs (automated external defibrillators) and the company adheres to the Swedish Standards Institute's SS 280000 standard.

As a result of the Covid-19 pandemic, Scandic has implemented a number of measures and established routines aimed at creating a safer and more secure environment in hotels. These are part of the Stay Safe at Scandic campaign and include, among other things, more comprehensive cleaning and hygiene routines, markings on the floor for social distancing, fewer tables in restaurants to reduce the number of patrons as well as changes to restaurant offerings and new routines for meetings and conferences. Read more about Stay Safe at Scandic at scandichotels.se

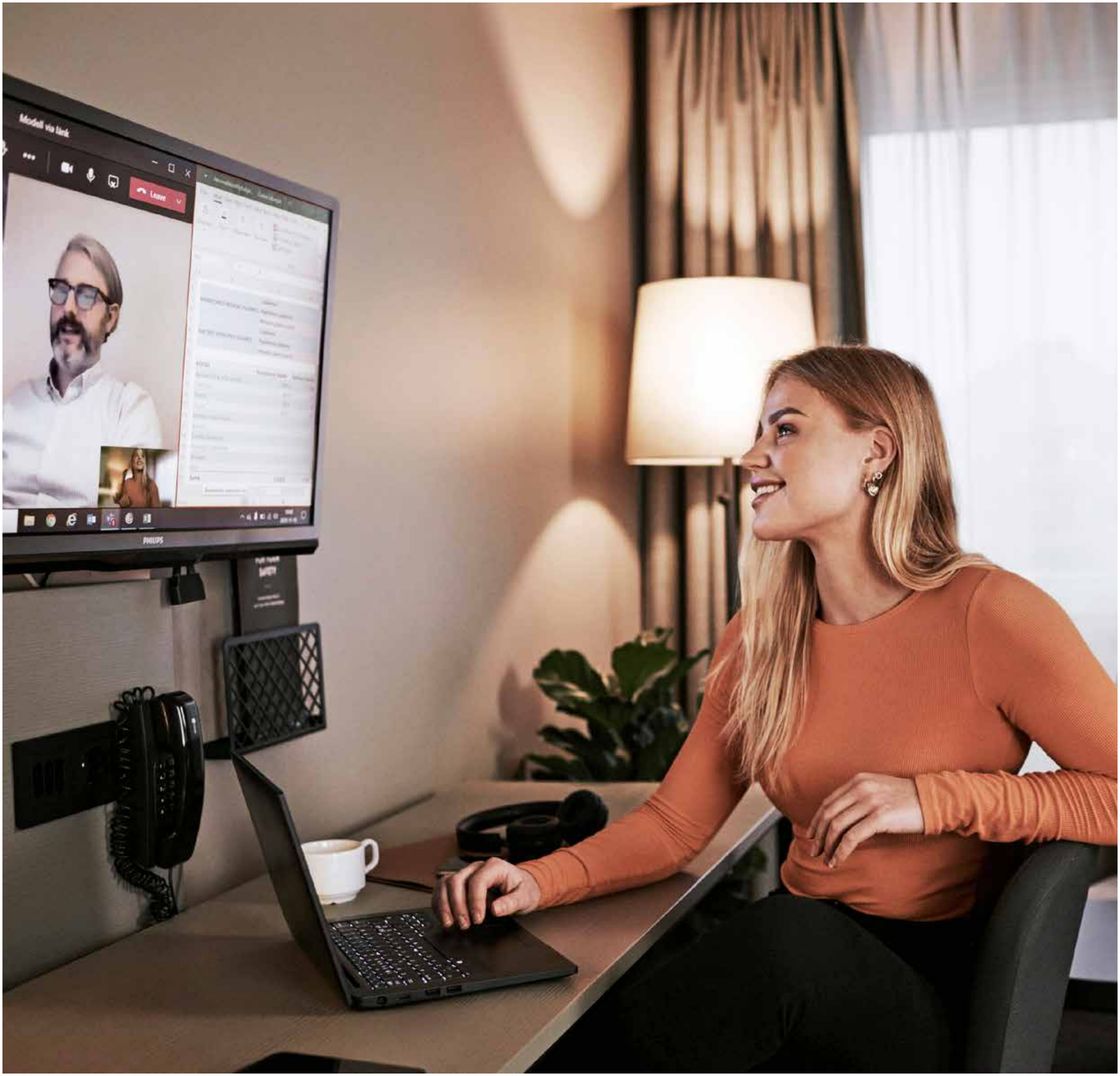
"MEASURES AND ROUTINES AIMED AT CREATING A SAFER AND MORE SECURE ENVIRONMENT IN HOTELS."

ANTI-CORRUPTION

Scandic has a special Anti-Corruption Policy that stipulates that Scandic shall never engage in any form of corruption.

Scandic works to eliminate all forms of corruption, including extortion, bribery, nepotism, fraud and money laundering. The company works to ensure that all team members, partners and suppliers understand that corruption is unacceptable. Confidence and trust between companies and their customers, employees and the public are very important factors for corporate development.

Scandic is committed to complying with good business practices and acting in a sustainable way based on internationally-accepted principles of anti-corruption. Scandic complies with all relevant national legislation. The company also stands behind the UN Global Compact and complies with its principles. The principle applicable to Scandic's Anti-Corruption Policy is Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery. The policy covers compliance and responsibility as well as the consequences of breaches, bribery or "lubrication payments." It also deals with how Scandic regards gifts and entertainment, donations, sponsorship and political party contributions, fraud, extortion and money laundering, conflicts of interests, fair competition and insider trading (for which there is a special policy). For Scandic, it is of the utmost importance that the company adheres to good business practices in all contexts for society and people – and for Scandic to perform well.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PHILIPS

REDUCED CLIMATE IMPACT

Reducing greenhouse gas emissions is one of the biggest challenges society faces today. In 2015, the countries of the world adopted the Paris Agreement by committing to keep global heating below 2°C, but preferably under 1.5°C, in this century to avoid the most serious effects of climate change.

For Scandic, contributing to reducing CO_2 emissions is of the utmost importance. For the company, climate change could lead to increased energy costs, taxes on emissions, new legislation, water restrictions, floods, changes in customer behavior and negative impacts on suppliers.

Scandic has the possibility to impact emissions both through its own initiatives and by working together with property owners, for example, by jointly procuring and installing climate-friendly heating sources and fossil-free electricity. When new hotel properties are being planned, Scandic aims to contribute to a sustainable value chain. Scandic can also make demands on its suppliers and encourage guests to make sustainable choices.

Scandic measures its environmental impact by following up on energy consumption, CO_2 emissions and volumes of waste. Calculations of emissions in Scopes 1 to 3 are carried out by Scandic's central sustainability department using data from hotels as well as from Scandic's energy suppliers and travel agencies.

"SCANDIC MEASURES ITS ENVIRONMENTAL IMPACT BY FOLLOWING UP ON ENERGY CONSUMPTION, CO_2 EMISSIONS AND VOLUMES OF WASTE."

For the period 2017–2020, total emissions for comparable units decreased with the exception of 2020, when emissions per guest night increased despite a significant reduction in total emissions.

Scandic plans to develop its routines for measuring and monitoring emissions and publish new climate-related goals.

GRI: 103-1/-2/-3

SCOPE 2

INDIRECT EMISSIONS

Scope 2 – indirect CO_2 emissions – includes emissions from the electricity and district heating/cooling that Scandic uses. Scandic states and analyzes emissions based on market-based calculations, since the values depend on suppliers' choices of materials and calculations are based on supplier reports.

These emissions decreased sharply in 2020, mainly due to the fact that many hotels were closed but also because district heating use decreased overall.

	2017	2018	2019	2020
Energy consumption, MWh				
Electricity	290,835.0	362,670.7	359,426.7	272,245.7
District heating	213,176.3	299,452.2	287,205.3	231,710.5
District cooling	12,383.1	23,648.1	20,239.5	16,017.5
	516,394.4	**685,771.0**	**666,871.6**	**519,973.7**
CO_2 emissions, tonnes				
Electricity	85.9	7,125.6	911.5	279.8
District heating	20,553.4	33,488.1	33,425.7	23,100.5
District cooling	461.5	682.1	617.9	156.4
	21,100.8	**41,295.8**	**34,955.2**	**23,536.7**

SCOPE 1

DIRECT EMISSIONS

Scope 1 – direct CO_2 emissions – includes emissions from oil and gas that Scandic uses in its operations. Scandic uses the Greenhouse Gas (GHG) protocol to calculate CO_2 emissions.

Direct carbon dioxide emissions have decreased significantly in absolute terms during the year as many hotels have been closed.

Scandic is increasingly using biofuel and many hotels that use heating oil are looking at the possibility of switching to bio-based fuels (that do not generate emissions). One Scandic hotel in Frankfurt also took a step forward by starting to compensate for its biofuel use by investing in tree-planting initiatives. In general, Scandic is working to replace gas and heating oil with district heating.

	2017	2018	2019	2020
Energy consumption, MWh				
Propane	1,774.8	1,702.1	1476.3	885.9
Natural and city gas	5,229.2	5,590.2	6450.2	7,765.1
Biofuel	311.6	871.8	813.3	280.2
Heating oil	1,089.0	67.8	404.2	42.1
	8,404.6	**8,231.9**	**9144.1**	**8,973.3**
CO_2 emissions, tonnes				
Propane	416.0	398.9	336.2	201.7
Natural and city gas	997.6	1,117.4	1,306.4	1,572.7
Biofuel	10.5	421.9	54.6	17.0
Heating oil	287.3	17.9	110.3	0.0
	1,711.4	**1,956.2**	**1,807.5**	**1,791.4**

[1] In 2020, bio-based heating oil was used, which is why emissions dropped to zero.

SCOPE 3

OTHER EMISSIONS

In scope 3 – other emissions – Scandic reports only emissions from business travel (air and train). Calculations are based on data Scandic receives from travel agents. Based on this data, Scandic uses the GHG protocol to calculate CO_2 emissions.

These emissions decreased dramatically in 2020 as a result of the Covid-19 pandemic but even before the pandemic, Scandic was working to reduce its aviation-related emissions and instead increasing the number of trips by train.

Scandic does not calculate emissions from manufacturing, shipping or laundering products that it buys or guests' trips to and from Scandic's hotels. In the future, Scandic aims to include these components in its calculations. Scandic recognizes the importance of having close collaboration and dialogues with suppliers to contribute to helping them reduce their emissions as well. Scandic also encourages guests to make sustainable choices, for example, by partnering with the Swedish train company SJ to encourage guests to take the train to and from Scandic's hotels.

	2017	2018	2019	2020
Air				
Total km	7,251,664	6,303,974	5,618,904	1,154,121
CO_2 emissions, tonnes	879.1	790.9	666.6	143.7
Train				
Total km	1,306,348	1,199,545	1,538,539	526,772
CO_2 emissions, tonnes	0.003	0.003	0.005	0.003

COOPERATING WITH SUPPLIERS

As the leading hotel company in the Nordic countries, Scandic buys goods and services worth substantial amounts each year and during the ongoing Covid-19 pandemic, procurement has to a greater extent focused on cost reductions and risk management. Sustainability work continues to be a central part of Scandic's collaboration with suppliers.

MORE FOCUS ON COST-EFFICIENCY & RISK MANAGEMENT

Since the Covid-19 pandemic began, Scandic's collaboration with suppliers has focused on adapting cost levels to the prevailing situation that has led to reduced demand for both products and services in the short and long term. During the year, the number of procurements was lower than normal to instead focus on measures for cost control, category optimization and risk management.

For many of Scandic's suppliers, Scandic is a large and important customer, which means that many suppliers have similarly also been impacted substantially by the pandemic. This has also permeated dialogue and negotiations with suppliers. For suppliers where risks have been identified, either operational or as a result of financial concerns, crisis action plans were drawn up to manage situations where an identified risk occurs.

OTHER POSSIBLE POSITIVE EFFECTS

2020 involved changing the way Scandic works with suppliers, but also new possibilities that are expected to benefit Scandic going forward. Among other things, increased cost awareness has provided opportunities to examine products and categories differently than before, for example, with category optimization in mind. This in turn can lead to placing higher demands on suppliers or ending agreements that are not prioritized.

"2020 INVOLVED CHANGING THE WAY SCANDIC WORKS WITH SUPPLIERS, BUT ALSO NEW POSSIBILITIES THAT ARE EXPECTED TO BENEFIT SCANDIC GOING FORWARD."

SUSTAINABILITY SCREENING – A NATURAL PART OF SELECTING SUPPLIERS

To ensure that Scandic only cooperates with suppliers that share its values, sustainability is included as an item in the selection process when it comes to cooperation. A special sustainability screening is carried out by Scandic's procurement team as a first step. This involves criteria regarding the environment, anti-corruption, human rights and work environment. All suppliers that undergo and pass the selection process undertake to follow the principles in Scandic's Code of Conduct for Suppliers. Scandic also regularly carries out risk assessments of the entire supplier base. If there is uncertainty regarding a supplier, a more in-depth assessment is carried out through self-assessments that may also be followed by an onsite audit of the supplier. All deviations identified during self or third-party audits must be addressed in the manner described in a corrective action plan approved by Scandic. The measures stated must be implemented within the agreed time frame for the supplier to remain under contract.

Scandic has a continuous dialogue with its suppliers in parallel with reviewing processes to help support and cooperate with suppliers. Since Scandic is a large company, it can place high demands on its suppliers and, in special cases, even help them to change their operations to meet Scandic's sustainability requirements.

CONSTANTLY IMPROVING & SIMPLIFYING PROCESSES

Scandic has successfully worked with systematizing processes for its supplier management. The company is constantly working to improve skills development and follows up on procurement to identify challenges in the area. To simplify the process for team members responsible for procurement and requirements for suppliers, Scandic established general criteria for materials and substances to ensure sustainability in purchasing. These include specific guidelines for which materials and substances are suitable for use from a sustainability perspective, including requirements to always apply the precautionary principle.

KEY RATIOS PROCUREMENT

100%
OF ALL CONTRACTED SUPPLIERS SCREENED (GOAL 95%)

-68%
PURCHASING VOLUME Q2 2020 COMPARED WITH Q2 2019

1%
SUPPLIERS ACCOUNT FOR 74% OF SPENDING

GRI: 102-9

POLICIES THAT STEER SUSTAINABILITY INITIATIVES

Scandic has a Code of Conduct that applies to all team members in the Parent Company and its subsidiaries. It is based on the UN Global Compact principles dealing with the environment, anti-corruption, work environment, employees and human rights. All Scandic managers are responsible for providing team members with information about the content of the code. It is then the responsibility of each manager and team to comply with the code in their daily work.

POLICIES & FOLLOW-UP

All of Scandic's policies have been adopted by Scandic's Board of Directors. Within the framework of Scandic's policies, team members are encouraged to first contact their managers if they notice irregularities or if there are problems interpreting the content.

EXPANDED WHISTLEBLOWING SERVICE

If team members or external parties discover deviations from these policies, they can be reported anonymously through Scandic's Whistleblowing Service, a service that guarantees anonymity. Scandic also has a whistleblowing function made up of representatives from Scandic's Executive Committee and Board of Directors to handle reported issues.

CODE OF CONDUCT

Owned by the CEO.
Members of the Executive Committee are responsible for implementation within their units.

ANTI-CORRUPTION

Owned by the CFO.
Members of the Executive Committee are responsible for implementation within their units.

DIVERSITY & INCLUSION

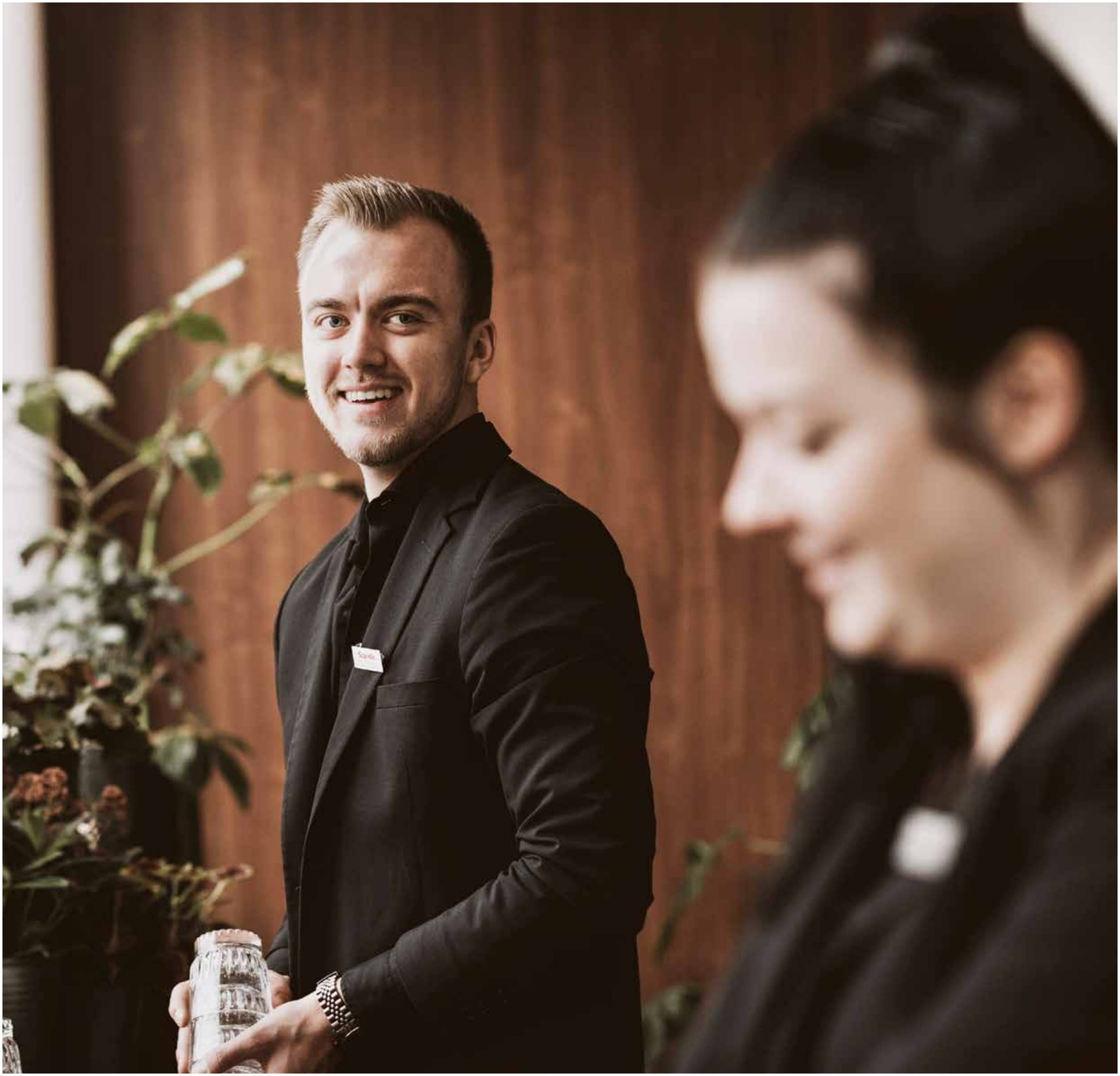
Owned by the acting HR Director.
Members of the Executive Committee are responsible for implementation within their units.

SUPPLIER CODE OF CONDUCT

Owned by the CFO.
The Director Group Procurement and Country Heads are responsible for implementation.

ENVIRONMENTAL

Owned by the Director of Sustainability.
Members of the Executive Committee are responsible for implementation within their units.



EMPLOYEE DATA

Breakdown by type of employment

2020	Sweden Women	Sweden Men	Norway Women	Norway Men	Finland Women	Finland Men	Denmark Women	Denmark Men	Other Women	Other Men	Total
Total	2,366	1,168	2,217	1,417	1,351	606	696	514	221	138	**10,694**
Permanent employment	1,424	670	1,499	1,046	1,115	507	532	391	199	126	**7,509**
Full-time	880	461	891	740	375	181	322	308	184	123	**4,465**
Part-time	544	209	608	306	740	326	210	83	13	5	**3,044**
Temporary	942	498	718	371	39	11	164	123	22	12	**2,900**
Contracted workers					197	88					**285**

2019	Sweden Women	Sweden Men	Norway Women	Norway Men	Finland Women	Finland Men	Denmark Women	Denmark Men	Other Women	Other Men	Total
Total	5,122	2,797	3,323	2,283	1,961	838	1,281	898	287	189	**18,979**
Permanent employment	2,623	1,452	1,855	1,324	1,301	571	831	588	239	172	**10,956**
Full-time	1,472	987	1,110	946	711	376	425	437	221	164	**6,849**
Part-time	1,148	466	744	378	590	195	406	151	18	8	**4,104**
Temporary	2,499	1,345	1,468	959	130	41	450	310	48	17	**7,267**
Contracted workers					530	226					**756**

New hires[1)]

		2020 Number	2020 Share, %	2019 Number	2019 Share, %
Total number / % of total		195	1.8	1,214	6.4
Of which	Women	111	56.9	697	57.4
	Men	84	43.1	517	42.6
Of which	Age <30	101	51.8	616	50.7
	Age 30–50	81	41.5	530	43.7
	Age >50	13	6.7	68	5.6
Of which	Sweden	15	7.7	419	34.5
	Norway	70	35.9	388	32.0
	Finland	32	16.4	122	10.0
	Denmark	40	20.5	218	18.0
	Other Europe	38	19.5	67	5.5

[1)] Permanent employees only.

Employee turnover[1)]

		2020 Number	2020 Share, %	2019 Number	2019 Share, %
Total number / % of total		3,336	30.6	2,221	11.7
Of which	Women	1,998	59.9	1,320	59.4
	Men	1,338	40.1	901	40.6
Of which	Age <30	1,149	34.4	866	39.0
	Age 30–50	1,737	52.1	1,102	49.6
	Age >50	450	13.5	253	11.4
Of which	Sweden	1,589	47.6	743	33.5
	Norway	709	21.3	445	20.0
	Finland	326	9.8	451	20.3
	Denmark	571	17.1	422	19.0
	Other Europe	141	4.2	160	7.2

[1)] Permanent employees only.

Demographic breakdown

2020	Total number of employees, %		Board of Directors, %		Executive Committee, %		Managers, %		Employees, %	
Men	3,755	36.1	4	57.1	8	88.9	533	44.9	3,214	34.9
Women	6,654	63.9	3	42.9	1	11.1	654	55.1	5,999	65.1
Age <30	3,189	30.6					94	7.9	3,095	33.6
Age 30–50	5,247	50.4	-	-	3	33.3	801	67.5	4,443	48.2
Age >50	1,977	19.0	7	100.0	6	66.7	292	24.6	1,679	18.2
Total	**10,409**		**7**		**9**		**1,187**		**9,213**	

2019	Total number of employees, %		Board of Directors, %		Executive Committee, %		Managers, %		Employees, %	
Men	6,779	37.2	5	55.6	10	83.3	675	44.9	6,094	36.5
Women	11,444	62.8	4	44.4	2	16.7	830	55.1	10,612	63.5
Age <30	7,497	41.1					154	10.2	7,343	44.0
Age 30–50	8,247	45.3	2	22.2	4	33.3	1,030	68.4	7,213	43.2
Age >50	2,478	13.6	7	77.8	8	66.7	310	20.6	2,160	12.9
Total	**18,223**		**9**		**12**		**1,505**		**16,706**	

EMPLOYEES UNDER AGE 30

31%

The number of employees decreased drastically during the year as a result of reduced demand due to Covid-19. Age distribution at the company has changed since rules of priority protect team members who have worked at Scandic the longest, and these are generally older employees. Additionally, the proportion of non-permanent employees, temporary staff and emergency employees as well as contracted workers has decreased more than permanent staff. This is also attributable to differences in employment legislation in different countries. Gender distribution remained largely unchanged during the year as did the number of nationalities working at Scandic, which indicates a lack of discrimination in the event of terminations. The number of new hires was highest during the first months of the year, before the pandemic broke out, and most of these positions were later terminated due to lack of work.

SCANDIC IN SOCIETY

The Scandic in Society program started in 2001. As part of the program, team members at Scandic hotels participate in at least three activities that contribute to the local community. Supporting the local community is important to Scandic. It instills pride in team members while nurturing important relationships with local residents and stakeholders. Activities are usually initiated by team members themselves and supported by local partners. They also contribute to United Nations Sustainable Development Goal 11: Sustainable cities and societies and Goal 17: Implementation and global partnership.

2020 was an extreme year and many hotels remained closed. Scandic tried to help team members who were terminated by creating a job site on the company's intranet. There, other companies looking for staff were able to advertise and possibly find matches among previous Scandic team members. Scandic also offered terminated team members the chance to further their education through programs such as Beredskapslyftet. Taking good care of the team members who remained at Scandic was equally important. Scandic has tried to support team members through expanding communication channels and helping in any way possible.

Furthermore, Scandic also offered students in larger university cities in Sweden the opportunity to rent rooms for longer periods at discounted rates. The initiative was successful and many rooms were rented to students in need of accommodations.

DIRECT ECONOMIC VALUE GENERATED & DISTRIBUTED

Direct Economic Value Generated, SEK M	2017	2018	2019	2020
Revenues	14,592	18,019	18,956	7,470
Economic Value Distributed	**13,882**	**17,343**[2]	**18,234**	**13,420**
Operating costs	8,920	11,405	10,932	8,780
Employee wages & benefits	4,738	5,620	5,869	3,489
Financial expenses (dividends & interest)	133	185	1,253	1,281
Taxes & fees	90	131	177	-130
Community investments[1]	1.18	2.29	3.03	0.76
Economic Value Retained	**709.82**	**675.71**	**721.97**	**-5,950**

[1] Community investments, SEK	2017
Denmark	24,559
Norway	11,290
Sweden	1,000,000
Other Europe	139,820

[1] Community investments, SEK	2018
Sweden	2,000,000
Finland	20,000
Norway	206,800
Denmark	36,701
Other Europe	28,620

[1] Community investments, SEK	2019
Sweden	2,460,000
Finland	113,800
Norway	322,410
Denmark	49,641
Germany	73,950
Poland	12,547

[1] Community investments, SEK	2020
Sweden	750,000
Finland	0
Norway	0
Denmark	0
Germany	0
Poland	6,700

[2] Total Distributed Economic Value 2018 has been corrected.

The information in the table shows generated and distributed economic value. This indicates how Scandic has created value for its stakeholders from a wider social perspective. Scandic's operations are run in a sound way with a sustainable distribution of operating costs, including salaries, taxes and social investments, while maintaining good profitability for shareholders.

GRI INDEX 2020

This is Scandic's sixth Annual Sustainability Report. The report was prepared in accordance with GRI G4, Level core and has been prepared based on the results of the materiality analysis, taking into account GRI accounting principles. The Sustainability Report can be found on pages 1–19 and 36–67 in this report and it fulfills the requirements for sustainability reporting as stipulated by the Swedish Annual Accounts Act. The scope of the sustainability report is the same as in previous years. It also constitutes Scandic's Communication on Progress (COP) to the Global Compact on the Signatory level. The environmental data has been verified by Ethos International in accordance with AA1000AS. The report includes all of Scandic's hotels operated under lease agreements in all countries of operation as well as the Group's support offices. Scandic's franchise and management hotels are excluded as they act under their own governance systems. When calculating environmentally certified hotels, however, all hotels are included.

The report covers the period from January 1 to December 31, 2020. The previous report was published on May 25, 2020. Emissions data is calculated based on the GHG protocol, supplier information and third-party reports on emission factors for district heating and cooling. Waste data is based on a compilation provided by Scandic's waste management suppliers. Employee data is compiled using Scandic's HR system and supplier data is compiled based on Scandic's risk assessment tool. Customer satisfaction data is compiled from monthly customer surveys.

CONTACT DETAILS

For questions regarding Scandic's operational sustainability work, please contact Scandic's Director Sustainable Business. Questions regarding Scandic's Annual Report & Sustainability Report should be directed to the Investor Relations department at ir@scandichotels.com. Both units are located at Scandic's head office in Stockholm, Sweden.

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AUDITOR'S REPORT ON THE STATUTORY SUSTAINABILITY REPORT

To the general meeting of the shareholders in Scandic Hotels Group AB (publ), corporate identity number 556703-1702

ENGAGEMENT AND RESPONSIBILITY

It is the board of directors who is responsible for the statutory sustainability report for the year 2020 on pages 1–19 and 36–67 and that it has been prepared in accordance with the Annual Accounts Act

THE SCOPE OF THE AUDIT

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

OPINION

A statutory sustainability report has been prepared.

Stockholm, May 5, 2021
PricewaterhouseCoopers AB

Sofia Götmar-Blomstedt
Authorised Public Accountant

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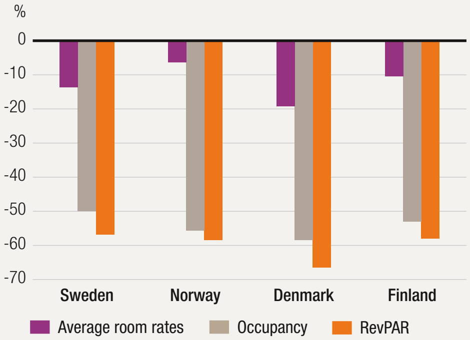
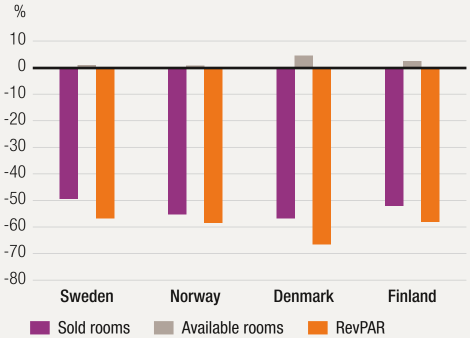
2020 in summary

- Net sales fell by 61 percent to 7,470 MSEK (18,945) and adjusted EBITDA amounted to -1,503 MSEK (2,046). Rent discounts during the year totaled 196 MSEK and state aid totaled 726 MSEK.
- Adjusted for IFRS 16 and items affecting comparability, earnings per share amounted to -37.19 SEK (7.49) with a significant negative impact from the impairment of intangible assets carried out during the first quarter.
- For 2020, the Board of Directors proposes than no dividend be paid.

Group key ratios, MSEK	2020	2019	Change %
Financial key ratios			
Net sales	7,470	18,945	-61
Adjusted EBITDA	-1,503	2,046	-173
Adjusted EBITDA margin, %	-20.1	10.8	
EBITDA	1,387	5,425	-74
EBIT (Operating profit/loss)	-4,800	2,144	-324
Profit/loss before tax	-6,081	902	-774
Net profit/loss for the year	-5,951	725	-921
Earnings per share, SEK	-40.02	7.01	-671
Earnings per share, SEK, excl. IFRS 16	-38.62	9.15	-522
Earnings per share, SEK, excl. IFRS 16 & Items affecting comparability	-37.19	7.49	-597
Hotel-related key ratios			
RevPAR (Revenue Per Available Room), SEK	271	707	-62
ARR (Average Room Rate), SEK	945	1,071	-12
OCC (Occupancy), %	28.7	66.0	
Total number of rooms at year-end	53,003	52,755	0

HOTEL MARKET DEVELOPMENT IN THE NORDIC COUNTRIES 2020 1)





1) Source: Benchmarking Alliance.

Scandic Hotels Group AB (publ) Corp. Id. 556703-1702

The Board of Directors and the CEO of Scandic Hotels Group AB (publ), with its registered office in Stockholm, hereby submit the Annual Report and consolidated financial statements for the 2020 financial year.

Operations

The company owns 100 percent of the Scandic Group through its wholly-owned subsidiary, Scandic Hotels Holding AB. During the year, Scandic conducted hotel operations in six countries: Sweden, Norway, Finland, Denmark, Germany and Poland. On the reporting date, Scandic had 53,003 (52,755) rooms in operation at 265 (268) hotels, of which 241 (244) had lease agreements.

Nordic hotel market development

The Nordic hotel market has historically shown good growth. During the ten-year period up to 2019, demand for hotel nights is estimated to have grown by between 2 and 5 percent per year, and both the average occupancy rate and revenue per available room (RevPAR) increased over time. In addition to a general increase as a result of growth in economic activity, demand was also driven by rising numbers of leisure travelers and international visitors.

In January and February 2020, total demand in the Nordic hotel markets grew somewhat, in line with the previous year's development. At the end of February, however, booking activity began to decline and the number of cancellations increased. This was due to changed customer behavior as a result of the spread of the coronavirus.

Government authorities introduced a number of measures aimed at reducing the spread of the virus, which led to extremely low levels of activity, especially in the big cities. Demand fell sharply in all markets and reached a historic low in mid-April, when the average occupancy rate was below 10 percent in all Nordic countries. During the summer holidays, demand recovered from a low level driven by domestic tourism. After the summer, there was a slight increase in business travel from a very low level, mainly in small and medium-sized towns. During the fall, however, demand slowed further as a result of a general increase in the spread of Covid-19, which led to a further tightening of restrictions and recommendations from authorities.

In Sweden, the number of rooms sold went down by 49.4 percent and RevPAR fell 56.8 percent with a sharp decrease in occupancy and a drop of 13.7 percent in average room rates. Stockholm showed an even weaker trend with a 69.3 percent drop in RevPAR.

In Norway, the number of sold rooms decreased by 45.6 percent and RevPAR dropped by 49.0 percent with a significant decline in occupancy rates. There, average room rates went down by only 3.2 percent due to an increase in room rates during the summer months. In Oslo, RevPAR fell by 67.7 percent.

In Finland, the number of sold rooms declined by 52.0 percent and RevPAR fell 58.0 percent mainly due to lower occupancy. Average room rates fell by 10.4 percent in total. In Helsinki, RevPAR plunged 72.7 percent. In addition to low demand, RevPAR in Helsinki was negatively affected by an increase of 7.6 percent in the number of available rooms.

GRI: 102-1, 102-3, 102-4, 102-5, 102-6, 102-45

In Denmark, the number of sold rooms decreased by 56.7 percent and RevPAR went down 66.5 percent. In Copenhagen, the number of available rooms grew by 5.6 percent, which contributed to RevPAR decreasing by 76.8 percent.

Seasonal variations

Scandic operates in a sector affected by seasonal variations. Revenues and earnings fluctuate during the year. The first quarter and other periods with low levels of business travel such as the summer months, Easter and Christmas/New Year's are generally the weakest periods. The Easter holiday may fall in both the first and second quarters, so this should be considered when making comparisons between years. Approximately 70 percent of Scandic's revenue comes from business travel and conferences while the remaining 30 percent comes from leisure travel.

Sales & adjusted EBITDA

Net sales went down by 60.6 percent to 7,470 MSEK (18,945). Currency effects affected net sales negatively by 1.3 percent.

The change in organic sales was -59.3 percent. Organic growth was affected negatively by Covid-19 in all countries.

New hotels/exits contributed -374 MSEK net. New hotels made a negative contribution as net sales for these hotels decreased compared with the corresponding period they were in operation last year.

Average Revenue Per Available Room (RevPAR) decreased by 60.4 percent in local currency compared with the previous year. For comparable units, RevPAR fell by 60.3 percent.

Revenue from restaurant and conference operations decreased by 63.3 percent and the share of total net sales fell to 29.9 percent (32.2).

Rental costs excluding the effect of IFRS 16 dropped and amounted to -3,121 MSEK (-5,061). The sharp decrease in net sales meant that for almost all hotels, only fixed and guaranteed rent was paid from the second quarter. Rental costs were reduced by approximately 469 MSEK due to state aid received during the period. These reductions had a positive impact of 196 MSEK on results.

Costs for central functions fell to -298 MSEK (409). Personnel costs were reduced at the end of the first quarter due to terminations and furlough subsidies.

Adjusted EBITDA dropped to -1,503 MSEK (2,046). Substantial cost savings, mainly staff reductions, have reduced the negative effect of Covid-19 since the end of the first quarter.

Adjusted EBITDA includes state aid received during the period. Various forms of furlough subsidies were received to a varying degree in all countries. Direct state aid excluding furlough subsidies totaled 726 MSEK during the period.

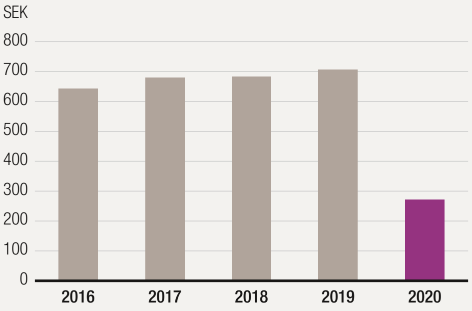
Effects of IFRS 16

As of January 1, 2019, the Group applies IFRS 16 Leases. The accounting principle means that lease agreements with fixed or minimum rent are recognized in the balance sheet as a right-of-use asset and a lease liability. IFRS 16 has a substantial impact on Scandic's income statement and balance sheet. Reported EBITDA has increased significantly as the cost of leases has fallen while depreciation of right-of-use assets and interest expenses for the lease liability has increased.

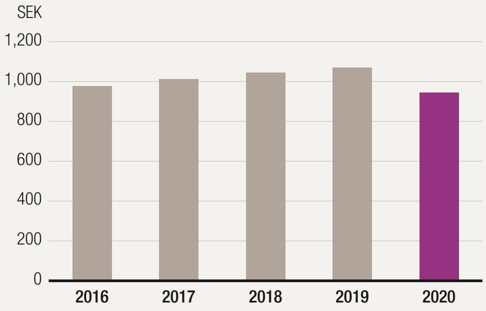
In connection with agreements for rent reductions, in some cases, leases have been extended. These extensions have impacted net results for 2020 and will have an impact several years going forward in addition to postponing the time at which the negative effect of IFRS 16 on net results is expected to cease. With the portfolio of lease agreements at the end of 2020, net profit after tax for 2021 is expected to be negatively impacted by about 480 MSEK. With an unchanged portfolio of lease agreements and unchanged assumptions, the negative effect on results is expected to diminish over time and affect the net result positively from 2027. This is because interest expenses for the lease debt decrease over time as the debt is constantly amortized.

The definition of adjusted EBITDA has not changed and excludes the effect of leases. The table on the next page shows the bridge between the income statement excluding the effect of finance leases to the reported income statement according to IFRS.

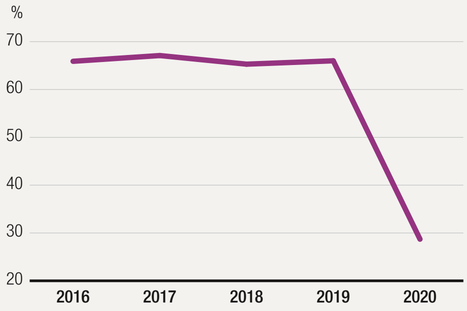
RevPAR, SCANDIC



AVERAGE ROOM RATES, SCANDIC



OCCUPANCY, SCANDIC



Summary of the effects of IFRS 16	2020 Excl. effects of IFRS 16	2020 Effect of IFRS 16	2020 Reported	2019 Reported
Net sales	7,470	0	7,470	18,945
EBITDAR	**1,619**	**0**	**1,619**	**7,107**
Total rental charges	-3,121	3,191	70	-1,770
Adjusted EBITDA	**-1,503**			
Pre-opening costs	-32	0	-32	-81
Items affecting comparability	-269	0	-269	169
EBITDA	**-1,804**	**3,191**	**1,387**	**5,425**
Amortization and depreciation	-3,761	-2,426	-6,187	-3,281
EBIT (Operating profit/loss)	**-5,565**	**765**	**-4,800**	**2,144**
Net financial items	-245	-1,036	-1,281	-1,242
EBT (Profit/loss before tax)	**-5,810**	**-271**	**-6,081**	**902**
Income tax	71	59	130	-177
Net profit/loss for the year	**-5,739**	**-212**	**-5,951**	**725**
Earnings per share, SEK	-38.62	-1.4	-40.02	7.01

Result excluding effect of leases	2020	2019
Net sales	7,470	18,945
EBITDAR	**1,619**	**7,107**
Total rental charges	-3,121	-5,061
Adjusted EBITDA	**-1,503**	**2,046**
Pre-opening costs	-32	-81
Items affecting comparability	-269	169
EBITDA	**-1,804**	**2,134**
Amortization and depreciation	-3,761	-859
EBIT (Operating profit/loss)	**-5,565**	**1,275**
Net financial items	-245	-99
EBT (Profit/loss before tax)	**-5,810**	**1,176**
Taxes	71	-234
Profit/loss for period	**-5,739**	**942**
Earnings per share, SEK	-38.62	9.15

Reported result

EBITDA was 1,387 MSEK (5,425) and -1,804 MSEK (2,134) excluding the effect of IFRS 16. EBITDA included pre-opening costs for new hotels of -32 MSEK (-81) and items affecting comparability of -269 MSEK (169). Items affecting comparability primarily referred to costs related to the reduction in the number of employees in Sweden, Norway and Denmark. Items affecting comparability for the same period of the previous year mainly comprised a capital gain of 181 MSEK from the sale of Scandic Hasselbacken in Stockholm and costs of -13 MSEK in connection with the change of President & CEO.

EBIT was -4,800 MSEK (2,144) and -5,565 MSEK (1,275) excluding the effect of IFRS 16. Due to the negative effects of Covid-19 on Scandic's operations, non-current assets were tested for impairment in connection with the preparation of the interim report for the first quarter. The impairment test showed an impairment of intangible assets of 2,955 MSEK. The impairment primarily involved assets in Norway and Sweden, but also in Denmark and Finland. Approximately 85 percent of the impairment was due to the increased discount rate caused by an estimated increased risk and ensuing return requirements on hotel operations. The remaining part of the impairment amount was due to the fact that future cash flows are expected to be somewhat lower.

Depreciation and amortization totaled -6,187 MSEK (-3,281). Excluding IFRS 16, depreciation and amortization amounted to -3,761 MSEK (859).

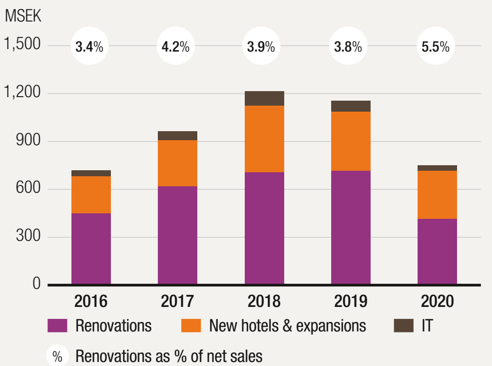
The Group's net financial income/expense was -1,281 MSEK (-1,242) and -245 MSEK (-99) excluding the effect of IFRS 16. The interest expense, excluding IFRS 16, was -193 MSEK (-101). The net financial expense included non-recurring items of -52 MSEK related to the amending and updating of a loan agreement.

The loss before tax was -6,081 MSEK (profit: 902) and -5,810 MSEK (profit: 1,176) excluding the effect of IFRS 16.

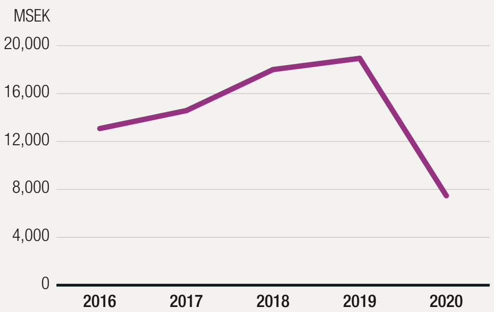
Reported tax amounted to 130 MSEK (-177). The Administrative Court in Finland rejected Scandic's claim regarding supplementary taxation of the Finnish branch of Scandic Hotels AB in the years 2007–2017. Scandic has appealed the decision. The supplementary taxation amounted to approximately 400 MSEK and was fully expensed in the first quarter. The amount is marginally lower than the company's previous payment to the Finnish Tax Administration. Scandic therefore received approximately 15 MSEK in the second quarter.

Net profit dropped to -5,951 MSEK (725) and to -5,739 MSEK (942) excluding the effect of IFRS 16.

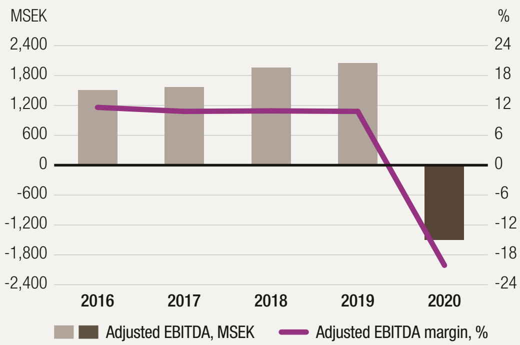
INVESTMENTS, 5 YEARS



NET SALES



ADJUSTED EBITDA & MARGIN



Total rental charges

Total rental charges	2020	2019
Fixed and guaranteed rental costs according to income statement	494	-74
Fixed and guaranteed rental costs, reversed effect of leases	-3,191	-3,291
Total fixed and guaranteed rental costs	**-2,697**	**-3,365**
Variable rental charges	-424	-1,696
Total rental charges	**-3,121**	**-5,061**
Fixed and guaranteed rental costs, % of net sales	36.1%	17.8%
Variable rental costs of net sales	5.7%	9.0%
Total rental costs of net sales	**41.8%**	**26.7%**

Earnings per share after dilution amounted to -40.02 SEK (7.01) per share and -38.62 SEK (9.15) IFRS 16. Adjusted for items affecting comparability, earnings per share amounted to -37.19 SEK (7.49) with a significant negative impact from the impairment of intangible assets and a tax expense from supplementary taxation in Finland.

Growth in RevPAR and net sales compared with 2019

Jan–Dec 2020	RevPAR, SEK	RevPAR, %	Net sales MSEK	Net sales %
Currency effects	-9	-1.2	-246	-1.3
Organic growth	-427	-60.4	-11,229	-59.3
– New hotels	-3	-0.4	-196	-1.0
– New/exited hotels	2	0.3	-178	-0.9
– LFL	-426	-60.3	-10,855	-57.4
Reported growth	-436	-61.6	-11,475	-60.6

LFL contribution to growth = LFL portfolio change in RevPAR and net sales in relation to the total portfolio.

Financial targets

At the beginning of 2016, Scandic adopted the following financial targets:

- Annual net sales growth of at least 5 percent on average over a business cycle, excluding potential M&As.
- An adjusted EBITDA margin of at least 11 percent on average over a business cycle.
- Net debt in relation to adjusted EBITDA of 2 to 3x.
- According to Scandic's dividend policy, the dividend shall amount to at least 50 percent of the year's results. For 2020, the Board of Directors proposes than no dividend be paid.

Five-year summary, MSEK

Five-year summary, MSEK	2020	2019	2018	2017	2016
Financial key ratios – income statement					
Net sales	7,470	18,945	18,007	14,582	13,082
Net sales growth, %	-60.6	5.2	23.5	11.5	7.3
Net sales growth, LFL %	-57.4	1.5	1.2	4.7	6.6
Adjusted EBITDA	-1,503	2,046	1,957	1,573	1,513
Adjusted EBITDA margin, %	-20.1	10.8	10.9	10.8	11.6
EBIT (Operating profit/loss)	-4,800	2,144	983	925	925
Operating margin (EBIT), %	-64.3	11.3	5.5	6.3	7.1
Profit/loss for year attributable to Parent Company	-5,949	721	674	707	879
Profit/loss excl. effect of finance leases	-5,739	942	700	711	882
Financial key ratios – Financial position					
Balance sheet total	38,283	43,509	17,737	16,964	14,144
Equity	2,071	6,601	7,806	7,356	7,103
Working capital	-1,573	-1,972	-1,575	-1,501	-1,161
Interest-bearing net liabilities	4,714	3,497	3,837	3,629	2,709
Interest-bearing net liabilities/adjusted EBITDA	neg	1.7	2.0	2.3	1.8
Free cash flow	-2,939	782	263	-629	789
Key ratios per share					
Average number of shares after dilution	148,645,691	103,036,484	103,075,976	103,003,004	102,457,837
Earnings per share, SEK	-40.02	7.01	6.54	6.86	8.58
Earnings per share, SEK, excl. effect of finance leases	-38.62	9.15	6.80	6.86	8.58
Earnings per share, SEK, excl. effect of leases & items affecting comparability	-37.19	7.49	7.87	7.04	6.85
Equity/share, SEK	10.8	64.1	75.4	71.4	69.3
Hotel-related key ratios					
RevPAR (Revenue Per Available Room), SEK	271	707	683	680	643
ARR (Average Room Rate), SEK	945	1,071	1,045	1,012	976
OCC (Occupancy), %	28.7	66.0	65.3	67.1	65.9
Total number of rooms at year-end	53,003	52,755	51,693	42,659	41,572

SEGMENT

Sweden

MSEK	2020	2019	Change %
Net sales	2,489	6,291	-60.4
Net sales growth, %	-60.4	0.3	
Organic growth, %	-60.4	0.3	
Net sales growth LFL, %	-60.3	1.6	
Adjusted EBITDA	-402	910	-144.2
Adjusted EBITDA margin, %	-16.2	14.5	
RevPAR, SEK	285	727	-60.8
ARR, SEK	911	1,052	-13.4
OCC, %	31.2	69.0	

Net sales declined by 60.4 percent to 2,489 MSEK (6,291). For comparable units, net sales decreased by 60.3 percent.

Scandic Hasselbacken in Stockholm was sold on March 1, 2019, which affected net sales negatively by 7 MSEK.

Average Revenue Per Available Room (RevPAR) decreased by 60.8 percent compared with the previous year. For comparable units, RevPAR fell by 60.8 percent.

Adjusted EBITDA dropped to -402 MSEK (910) including state aid. Direct state aid excluding furlough subsidies reduced costs by 228 MSEK of which rent concessions amounted to 145 MSEK.

Norway

MSEK	2020	2019	Change %
Net sales	2,236	5,343	-58.2
Net sales growth, %	-58.2	4.5	
Organic growth, %	-54.0	3.9	
Net sales growth LFL, %	-54.3	0.3	
Adjusted EBITDA	-48	539	-109.0
Adjusted EBITDA margin, %	-2.2	10.1	
RevPAR, SEK	271	654	-58.5
ARR, SEK	937	1,062	-11.8
OCC, %	29.0	61.6	

Net sales declined by 58.2 percent to 2,236 MSEK (5,343). For comparable units, net sales fell by 54.3 percent.

Changes in the hotel portfolio contributed 14 MSEK to net sales. Scandic Voss, which opened on January 30, 2020, and Stavanger Royal, which Scandic took over on October 1, 2019, contributed positively.

Average Revenue Per Available Room (RevPAR) decreased by 54.4 percent in local currency compared with the previous year. For comparable units, RevPAR fell by 55.0 percent.

Adjusted EBITDA decreased to -48 MSEK (539) including state aid. Direct state aid excluding furlough subsidies reduced costs by 329 MSEK of which rent concessions amounted to 233 MSEK.

Finland

MSEK	2020	2019	Change %
Net sales	1,714	4,547	-62.3
Net sales growth, %	-62.3	9.1	
Organic growth, %	-61.9	5.9	
Net sales growth LFL, %	-54.1	4.3	
Adjusted EBITDA	-456	707	-164.5
Adjusted EBITDA margin, %	-26.7	15.5	
RevPAR, SEK	258	676	-61.9
ARR, SEK	1,011	1,079	-6.3
OCC, %	25.5	62.7	

Net sales declined by 62.3 percent to 1,714 MSEK (4,547). For comparable units, net sales fell by 54.1 percent.

New hotels/exits contributed -357 MSEK net. Crowne Plaza, which closed for renovations in January 2020, had the greatest negative effect and new hotels made a negative contribution as net sales for these hotels have decreased compared with the corresponding period they were in operation last year.

Average Revenue Per Available Room (RevPAR) decreased by 61.5 percent in local currency compared with the previous year. For comparable units, RevPAR fell by 60.1 percent.

Adjusted EBITDA decreased to -456 MSEK (707) including state aid. In Finland, the state provided aid to cover the cost of employees who were furloughed with effect from the first quarter. Direct state aid excluding furlough subsidies was 10 MSEK.

Other Europe

MSEK	2020	2019	Change %
Net sales	1,031	2,764	-62.7
Net sales growth, %	-62.7	12.9	
Organic growth, %	-62.3	9.8	
Net sales growth LFL, %	-61.4	-0.9	
Adjusted EBITDA	-298	298	-200.0
Adjusted EBITDA margin, %	-28.9	10.8	
RevPAR, SEK	262	831	-68.5
ARR, SEK	952	1,124	-15.3
OCC, %	27.5	73.9	

Net sales declined by 62.7 percent to 1,031 MSEK (2,764). For comparable units, net sales fell by 61.4 percent.

Average Revenue Per Available Room (RevPAR) decreased by 68.2 percent in local currency compared with the previous year. For comparable units, RevPAR fell by 67.7 percent.

Adjusted EBITDA dropped to -298 MSEK (298) including state aid. Direct state aid excluding furlough subsidies reduced costs by 159 MSEK of which rent concessions amounted to 90 MSEK.

Central functions

Costs for central functions fell to -298 MSEK (-408). Personnel costs were reduced from the end of the first quarter due to terminations and furlough subsidies.

Cash flow and financial position

Operating cash flow for 2020 excluding IFRS 16 was -2,040 MSEK (1,705), which was impacted by the negative effects of Covid-19 on the company's operations. The cash flow contribution from the change in working capital amounted to -221 MSEK (158). The deterioration was primarily due to reduced operating liabilities and receivables related to state aid of approximately 145 MSEK in Norway, which was granted in January 2021 but has not yet been paid.

Paid tax amounted to -54 MSEK (-343).

Net investments totaled -751 MSEK (-1,155), of which hotel renovations accounted for -414 MSEK (-722) and IT for -35 MSEK (-71). Investments in new hotels and increased room capacity

HOTELS AND ROOMS IN OPERATION & UNDER DEVELOPMENT

	Operational										Under development	
	Lease agreements		Management agreements		Franchise and partner agreements		Owned		Total		Total	
December 31, 2020	Hotel	Rooms	Hotel	Rooms	Hotel	Rooms	Hotel	Rooms	Hotel	Rooms	Hotel	Rooms
Sweden	78	16,749	1	145	5	647			84	17,541	5	1,339
Norway	71	14,470			15	2,022	1	138	87	16,630		57
Denmark	26	4,745	1	210					27	4,955	3	1,574
Finland	60	12,092			1	67			61	12,159	4	1,113
Other Europe	6	1,718							6	1,718	2	739
Total	**241**	**49,774**	**2**	**355**	**21**	**2,736**	**1**	**138**	**265**	**53,003**	**14**	**4,822**

totaled -302 MSEK (-367). The rate of investment fell after the second quarter and only encompassed the completion of investments that were already contracted. During the previous year, Scandic received the purchase price of 232 MSEK for the divestment of Scandic Hasselbacken.

In total, free cash flow fell to -2,939 MSEK (782) 2020.

The proceeds of 1,765 MSEK from the new share issue were received before the end of the second quarter 2020 after the deduction of paid expenses of 64 MSEK for the rights issue.

Working capital	Dec 31, 2020	Dec 31, 2019
Current assets, excluding cash and cash equivalents	716	1,294
Current liabilities	-4,358	-3,266
Working capital	**-3,642**	**-1,972**

Operating cash flow

MSEK	2020	2019
Adjusted EBITDA	-1,503	2,046
Pre-opening costs	-32	-81
Items affecting comparability	-269	169
Items not included in cash flow	39	-173
Income tax paid	-54	-343
Change in working capital	-221	158
Paid interest, credit institutions	-148	-71
Cash flow from operations	**-2,188**	**1,705**
Investments in hotel renovations	-414	-717
Investments in IT	-35	-71
Free cash flow before investments in expansions	**-2,637**	**917**
Acquisitions/sales of operations	-	232
Investments in new capacity	-302	-367
Free cash flow	**-2,939**	**782**
New share issue	1,701	-
Other items in financing activities	-75	-20
Subscription rights	17	-
Transaction costs expensed	-4	-8
Exchange difference in net debt	84	-55
Dividends	-	-360
Exchange difference in net debt	**-1,217**	**339**

The balance sheet total on December 31, 2020 was 38,283 MSEK compared with 43,509 MSEK on December 31, 2019.

Interest-bearing net liabilities, excluding lease liabilities, increased by 1,217 MSEK during the year to 4,713 MSEK. The increase is due to the fact that the negative free cash flow exceeded the proceeds from the new share issue.

On May 22, 2020, Scandic entered into an agreement amending and updating an existing loan agreement, adding an additional credit facility of 1,150 MSEK in total, of which 500 MSEK was available from September 1, 2020 and an additional 650 MSEK was available from January 1, 2021. The additional credit facility will be available until December 31, 2021. The original 5,500 MSEK loan agreement will mature on June 22, 2022. Among other things, the updated loan agreement includes adjustments of interest terms, securities and terms and conditions for loans.

Interest-bearing net liabilities	Dec 31, 2020	Dec 31, 2019
Liabilities to credit institutions	4,526	3,036
Liabilities, commercial papers	201	487
Cash and cash equivalents	-14	-26
Interest-bearing net liabilities	**4,713**	**3,497**

Total agreed credit facilities including credit commitments amounted to 6,650 MSEK at the end of December 2020. Loans from credit institutions totaled 4,526 MSEK, commercial papers totaled 201 MSEK and cash and cash equivalents totaled 14 MSEK. Total available liquidity amounted to approximately 1,900 MSEK.

Liabilities to property owners fell to approximately 120 MSEK in the fourth quarter 2020 due to the offsetting of liabilities against rent concessions and excessive payments on account. It is estimated that approximately 40 MSEK of the rent liability will be repaid in the first six months of 2021. The liability for the payment respite for VAT and social security contributions amounted to approximately 240 MSEK. The payment respite has been extended until the first six months of 2022.

Before issue expenses, the new issue resulted in an increase of 1,765 MSEK in equity, of which 22.1 MSEK was an increase in share capital. The number of shares grew by 88,272,918. Total issue expenses amounted to 64 MSEK. As of December 31, 2020, the total number of outstanding shares was 191, 257,993 and the average number of shares after dilution was 191,284,879. Equity was 2,071 MSEK compared with 6,601 MSEK on December 31, 2019.

State aid

To mitigate the economic consequences of the Covid-19 pandemic, a number of government measures were introduced. The support packages that have been introduced in the countries Scandic operates in vary and the conditions that must be met to be eligible for the support in question naturally vary from country to country. Results for the year were impacted positively by state aid of 1,031 MSEK. This aid has been reported when there was reasonable assurance that the conditions associated with the aid will be met.

Aid received, 2020	Sweden	Norway	Finland	Other Europe	Total
Rent reductions	146	233	0	90	469
Furlough subsidies	177	0	0	127	304
Other aid received	83	95	10	69	258
Total	**406**	**329**	**10**	**286**	**1,031**

Acquisitions and exits

In 2020, Scandic did not acquire or divest any businesses.

Portfolio development

At year-end, Scandic had a total of 53,003 rooms in operation at 265 hotels, 241 of which had lease agreements. At year-end, the net number of hotels in operation was three fewer than at the end of 2019 while the number of rooms grew by 248. New hotels in operation over the year included Scandic Pasila, Finland (178 rooms) and Scandic Voss, Norway (215 rooms).

Research and development

No R&D work was carried out during the year since the operations of the company are not of the type requiring R&D.

Share and ownership structure

Scandic's share has been listed on Nasdaq Stockholm since December 2, 2015. According to the company's share register kept by Euroclear Sweden AB, Scandic had 536 shareholders at the end of 2020. At year-end 2020, the share capital of the company was 47.8 MSEK divided into 191,257,993 shares with all shares conferring equal voting rights, an equal share of assets and earnings and an equal share of any dividends.

As a result of the Covid-19 pandemic, Scandic needed to strengthen its capital structure and liquidity in 2020. For this reason, the company carried out a rights issue of approximately 1.76 billion SEK before transaction costs. Existing shareholders were offered the right to subscribe for six new shares per seven existing shares at a subscription price of SEK 20 per share. In total, the number of shares increased by 88,272,918.

Scandic's largest owner, Stena Sessan AB, increased its shareholding from 17.4 percent to 19.9 percent during the year. AMF Pension & Fonder increased its ownership during the year from 11.2 percent to 16.5 percent and at year-end was Scandic's second largest owner.

Scandic has entered into a share swap agreement with a third party to ensure the delivery of shares that may be allotted according to the long-term incentive program, LTIP. If the full number of matching shares and performance shares is allotted, the total number of shares allotted under the LTIP will be 586,020, which corresponds to approximately 0.3 percent of Scandic's share capital and votes.

Risks & risk management

A description of Scandic's significant risks and uncertainties is provided in the Risks and risk management section on pages 78–81.

Team members

The average number of employees was 6,152 on December 31, 2020 compared with 11,666 on December 31, 2019. At the end of the period, the equivalent of approximately 3,300 full-time employees were furloughed.

Scandic strives to be an equal opportunity employer and to provide a safe work environment, which among other things is governed by the Group's Code of Conduct. Scandic strives to have an inclusive culture throughout its operations and has clear goals for this. The gender distribution in the Group is 64 percent women and 36 percent men. The number of female general managers is 52 percent. Of the Group's team members, about 31 percent are under age 30.

Sustainability Report

Scandic has prepared a Sustainability Report in accordance with the Swedish Annual Accounts Act, which has been submitted by the Board of Directors. The Sustainability Report can be found on pages 1–19 and 36–67. The Sustainability Report covers the Parent Company and the Group.

Executive Committee and Board of Directors

Scandic's Executive Committee has solid experience from the hotel sector and consumer-oriented operations in various markets. The Executive Committee comprises the CEO and seven senior managers: the Chief Financial Officer, the Chief Commercial Officer and the Group's five country heads. Five nationalities are represented in the Executive Committee, which is composed of seven men and one woman.

The Board of Directors is responsible for Scandic's organization and the management of the company's affairs. According to the Articles of Association, the Board of Directors shall consist of no fewer than three and no more than eleven Board members, with no more than two alternates. In addition, trade unions are entitled to appoint two regular Board members and two alternates. Board members are elected annually at the Annual General Meeting for the period up until the end of the subsequent Annual General Meeting. The Annual General Meeting 2020 elected six Board members and in connection with this, an employee representative was appointed.

Guidelines for compensation to senior executives

Guidelines for compensation and other terms and conditions for the CEO and other senior managers were adopted at the Annual General Meeting held on June 15, 2020. See the Corporate Governance Report on page 82 for more information.

Long-Term Incentive Program

Scandic has a share-based long-term incentive program. The expected financial exposure to shares that may be allotted under the LTIP and the delivery of shares to the participants of the LTIP has been hedged through Scandic's entering into a share swap agreement with a third party on market terms.

See Note 05 and the Corporate Governance Report on page 82 for further details.

Events after the reporting date

Following negotiations with landlords, Scandic has reached agreements on rent reductions of up to 900 MSEK, primarily for the period 2020–2022, most of which apply in 2021. In connection with this, the planned openings of some of the hotels that were expected to open in 2021 have been postponed to better match the expected improvement in demand. In several cases, Scandic's leases have been extended.

On March 26, Scandic carried out a successful offering of convertibles due in October 2024, which raised approximately 1,609 MSEK in gross proceeds for the company. The Board of Director's decision to issue convertibles was approved at an Extraordinary General Meeting held on April 21. 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.

In conjunction with the issue, Scandic agreed with its lending banks DNB, Nordea and Handelsbanken to extend existing credit facilities of 6,650 MSEK until December 31, 2023, with certain adjustments to the terms, such as increased interest margins and increased collateral.

During the first quarter, the Administrative Court in Finland rejected Scandic's claim regarding supplementary taxation of the Finnish branch of Scandic Hotels AB in the years 2007–2017. The supplementary taxation amounted to approximately 400 MSEK. The amount has been paid and was fully expensed in during 2020.

Outlook

Scandic expects the hotel market to 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 80 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 (42 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 operating 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.

Parent Company

The operations of the Parent Company, Scandic Hotels Group AB, include management services for the rest of the Group. Revenues for 2020 amounted to 35 MSEK (57). The operating profit was 3 MSEK (0). Net financial items for the period totaled 7 MSEK (6). The Parent Company's profit before taxes was 10 MSEK (486).

Appropriation of profits

In accordance with the Board's dividend policy adopted on September 14, 2015, Scandic aims to distribute at least 50 percent of its net profit from the financial year 2016 onwards.

Decisions regarding the appropriation of profits are made with consideration for the company's future profits, financial position, capital requirements and macro-economic conditions.

The Board of Directors has proposed to the annual general meeting that no dividend be paid to the shareholders and that the amount at the meeting's disposal be carried forward.

	SEK
To be carried forward	8,058,104,487
Total	**8,058,104,487**

For more information, please see the following financial statements and notes.

RISKS & RISK MANAGEMENT

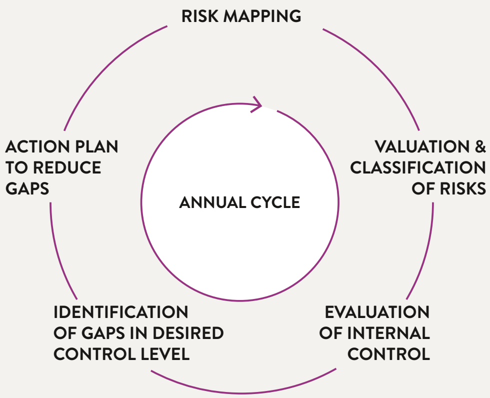
All business activities are associated with risks. Scandic has developed processes to handle different types of risks.

The ability to identify, assess, manage and monitor risks is an important part of the management and control of Scandic's business operations. The aim is for the Group to achieve its objectives through well-considered risk-taking within established limits.

The risk management process includes strategic, operational and financial risks.

Scandic has good underlying risk diversification in the form of a geographically diverse and balanced customer base. The company operates primarily in the Nordic market. Of the Group's revenues, corporate travel accounts for approximately 70 percent and leisure travel normally for about 30 percent. Scandic is not dependent on a specific industry or a few customers.

For a detailed description of internal controls designed to manage risks relating to financial reporting, see pages 88–89 of Scandic's Corporate Governance Report.



Risk management process

In addition to managing risks involved in day-to-day business, Scandic has a risk management process designed to identify and reduce risks that can have an adverse effect on the Group's earnings, cash flow, brand and reputation or long-term competitiveness. The process that provides a framework for the Group's risk management follows an annual cycle:

- The Executive Committee carries out risk mapping where risks are identified and measured based on the probability that they will occur as well as the consequences of their occurrence on the Group's operations and financial position. This results in a risk map where each risk is classified. The internal controls and the control environment are then evaluated to ensure that relevant controls are in place that can reduce risks both in terms of probability and consequences.
- Based on the Group's risk profile and risk strategy, any gaps in relation to the desired level of control are identified. Thereafter, an action plan is developed to reduce gaps where the value of reducing the risk is measured against the cost of establishing and maintaining internal controls.
- The structure and frequency of monitoring risk status and action plans is determined. Strategic risks are reported to the Board and monitored in conjunction with strategy meetings, establishing business plans and regular Board meetings. Financial risks are reported and monitored both in financial reporting to the Board and at Audit Committee meetings. Operational risks are managed by the Executive Committee, but more significant risks are reported regularly to the Board.

Responsibility & monitoring

The Board of Directors has overall responsibility for ensuring that the Group has appropriate risk management structures in place, including following up on strategic risks. The Audit Committee is responsible for evaluating the efficacy of the structure and risk management processes and monitoring financial risks.

The President & CEO is responsible for managing risks in line with the guidelines adopted by the Board. The risk management process and work within specially identified risk areas are driven centrally by the Group's Chief Financial Officer. Operational risks are managed by the Executive Committee where each significant risk identified is assigned to a designated manager who is responsible for proposing measures to fill any gaps and ensure the execution of action plans. Financial risks are managed by Group Finance in accordance with Board-approved policies and instructions and are reported by the Chief Financial Officer to the Audit Committee.

Sustainability risks

Managing sustainability risks is an integral part of the Group's risk management process and sustainability is taken into consideration in risk analysis as a whole. In addition, sustainability risks are evaluated specifically, including in all areas of the UN Global Compact: environment, human rights, labor law and anti-corruption. Evaluated risks are managed in accordance with the ordinary risk management process and also included in work to develop the company's sustainability strategy.

Strategic & operative risks

The following pages provide a description of the most significant risks within Scandic's operations. These are not the only risks and there may be other risks that are currently considered immaterial that may have a negative effect on the Group's business, financial performance or position. The order in which risks are presented should not be considered an indication of the probability of the occurrence of the risk or the seriousness of the consequences.

Strategic risks include external factors that may affect Scandic's business and long-term competitiveness as well as internal factors that could lower the prospects of achieving Scandic's strategic business objectives. Operational risks are risks over which Scandic has control and primarily include processes, assets and people.

MARKET RISKS

Scandic operates in a sector where demand for hotel nights and conferences is influenced by the underlying domestic development and purchasing power in the geographic markets in which Scandic does business as well as development in countries from which there is a significant amount of travel to Scandic's domestic markets. In addition, general attitudes in society toward travel, especially as it concerns the environment, impact the demand for Scandic's services.

The demand for hotel nights can be significantly impacted by external factors such as pandemics, which can lead to travel and meeting restrictions.

Additionally, profitability in the sector is impacted by changes in room capacity. When new hotels are established, occupancy can decrease in the short term. In the long term, however, greater availability of rooms can help generate interest in particular destinations for business and leisure travel, thereby increasing the number of hotel rooms sold.

Increased growth in apartment hotels and concepts such as Airbnb as well as the growing use of video conferencing may also impact demand for traditional hotel and conference services.

Competition from digital distribution channels and search engine companies may reduce traffic to Scandic's own distribution channels, which could have a negative impact on Scandic's operations and profitability.

Risk management

Scandic operates in the mid-market segment, a segment that historically has been highly resilient to economic downturns.

Scandic's business model is based on lease agreements where a majority of the agreements have variable rents or variable rents with a guaranteed minimum rents. This results in lower profit risks since revenue losses are partly offset by reduced rental costs. In recent years and up to 2019, fixed and guaranteed rents have accounted for approximately two-thirds of total rental costs, which limits flexibility in the event of significant drops in occupancy, for example, due to a pandemic. Scandic's other expenses also include a high share of variable costs where above all, staffing flexibility is important to be able to adapt cost levels to variations in demand. This gives Scandic a flexible cost structure that helps lessen the effects of seasonal and economic fluctuations.

Scandic has demonstrated a high degree of robustness in quickly reducing its cost base substantially when demand dropped as was the case during the Covid-19 pandemic in 2020. Among other things, the company has agreed on rent reductions of up to 900 MSEK.

Scandic sells products to a wide range of customers and sectors. Scandic enjoys a high percentage of satisfied and returning customers and guests.

A significant share of distribution, just over 60 percent, is achieved through Scandic's own channels, and a high level of revenue from members of Scandic's loyalty program contributes to revenue stability. Scandic invests regularly in its own digital distribution channels. To increase the inflow of international leisure travelers, distribution through digital channels with international reach is essential.

CHANGING ENVIRONMENT, TAXES & DECISIONS OF AUTHORITIES

Scandic is affected by a number of external factors that could limit movement in society, such as terror incidents and pandemics. Furthermore, there is a risk of incidents such as fire and accidents involving team members or guests.

Changes in value added tax and other taxes can impact demand for hotel nights, conferences and restaurants. Changes in taxes, social security fees and other fees that increase Scandic's costs may also have a negative effect on the Group's results.

Risk management

Scandic is working on a number of initiatives to adapt and maintain an adequate level of security. Scandic has a security program that includes crisis management in the event of fire, accidents or terror incidents. All employees receive regular training and self-inspections are carried out twice a year.

Through geographic spread, the risk that changes to legislation and regulations in a single country may impact Scandic's earnings negatively is reduced.

LEASE AGREEMENTS – FINANCIAL COMMITMENTS

Scandic's business model is based on lease agreements. These agreements are signed for a period of typically 15 to 20 years, with the option to extend in many cases. According to these agreements, the property owner and the tenant (Scandic) share responsibility for investments in and maintenance of the property. Scandic's commitment relates in general to maintenance and replacement of finishes, furniture, fixtures and equipment. Historically, these investments have accounted for 3 to 4 percent of Scandic's net sales.

Risk management

The risk involved in long-term financial commitments is reduced through a high proportion of agreements with variable rents. Of Scandic's total lease agreements (based on the number of rooms), most have fully variable rent or variable rent with a minimum guaranteed rent. The latter is the most common contract model in the Nordic countries. In recent years and up to 2019, fixed and guaranteed rents have accounted for approximately two-thirds of total rental costs.

Revenue-based rent and joint investment responsibility mean that the property owner and Scandic have a common interest in developing and maintaining the property in order to increase guest satisfaction and generate revenue. Scandic prepares rolling plans for renovating and maintaining hotels to ensure their standard, attractiveness and ability to continue to generate good revenue.

According to Scandic's portfolio strategy, the company only enters into lease agreements for hotels in markets that have good, stable demand, that are in attractive locations and that have the scale and configuration that allow for good profitability and thereby low commercial risk. Where these criteria are not met and the risk of entering into a lease agreement is deemed too high, a franchise agreement may be considered if the geographic location of the property has a strategic value or may contribute to increasing the value of Scandic's loyalty program by improving the company's geographic reach.

BRAND & REPUTATION

The hotel market is constantly evolving in terms of preferences and customer behavior. For this reason, it is extremely important for a hotel company to ensure that its brand and content as well as its perceived position remain relevant and appreciated at all times. Maintaining the strength and relevance of the Scandic brand and customer perception of Scandic's offering and concept is therefore critical to ensure long-term competitiveness.

Risk management

Scandic is the leading hotel brand in the Nordic countries and the Scandic brand is one of the Group's most valuable assets. Scandic's loyalty program, Scandic Friends, generates about 43 percent of the Group's revenues from accommodations. By owning its brand, Scandic can guarantee the consistency and quality of its offerings and services and also ensure that the content and offering are constantly adapted to the demands and preferences of both existing and new customers.

Scandic's Code of Conduct is based on social and environmental sustainability as well as ethical business conduct in all areas of its operations. The Code applies to all employees and also places demands on Scandic's suppliers and partners.

HUMAN RESOURCES & TALENT MANAGEMENT

Scandic operates in the service industry where each customer and guest experience has a great impact on how the Group's offering, quality and service are perceived. Employee engagement is a key driver in terms of customer satisfaction and is therefore also central to the Group's long-term results. The ability to attract, develop and retain talents and build a good service and corporate culture is therefore critical.

Risk management

Scandic has a strong corporate culture and works to maintain it fully in the Group. Each year, Scandic conducts an employee survey that has a very high response rate and high scores when it comes to job satisfaction. The insights obtained through this survey are an important tool for continued improvement throughout the entire organization.

Scandic develops leadership through regular evaluation and development programs at all levels of the organization.

SUSTAINABILITY

Supply chains

Scandic requires all suppliers to comply with the UN Global Compact criteria. In addition, Scandic has detailed requirements, including environmental aspects. There is a risk that suppliers may not comply with these high requirements.

Working conditions

There is a risk that working conditions may not reach the level where the health and safety of team members can be guaranteed.

Risk management

Scandic has a process where all suppliers are reviewed on the basis of different risk criteria during procurement. If Scandic identifies a potential risk, careful checks are carried out covering all areas of sustainability.

Scandic carries out regular safety audits in all hotels to ensure employee safety. These are followed up with annual self-inspections and evaluations by the employees of their physical and psycho-social work environment as part of the annual employee survey. In addition, Scandic has an anonymous whistleblowing system that enables employees and external parties to report gross deviations/incidents anonymously.

SUSTAINABILITY cont.

Risk management

Property ownership structure

Scandic does not own any hotel properties. This means that Scandic is dependent on the property owners implementing measures to reduce their environmental impact, such as systems for ventilation and heating. There is a risk that Scandic and property owners may not agree fully about these types of investments, making it more difficult for Scandic to meet its CO_2 emission targets.

Scandic is engaged in continuous dialogue with property owners and works to ensure that measures are taken to reduce environmental impact.

Corruption & fraud

There is a risk that Scandic's routines are not followed which can lead to corruption and/or fraud in various forms.

Scandic has internal rules and procedures in place that are intended to prevent corruption and fraud. These rules and procedures are updated and communicated continually. Managers and leaders also receive training in these areas.

Trafficking & prostitution

Hotels are locations where prostitution and trafficking may occur. This poses a direct danger to victims and constitutes a risk since these types of activity attract other forms of crime.

In cooperation with the police, the employer organization, the unions and the authorities, Scandic has developed a training program aimed at helping hotel employees detect if trafficking or prostitution is occurring at a hotel. This training is carried out regularly.

Climate change

Climate change is probably the most critical issue of our time. It can potentially affect Scandic's operations both physically and financially.

Altered weather conditions can lead to flooding or cause other damage to hotel properties. Here, Scandic must work closely with property owners to ensure that buildings are developed and renovated with these risks in mind. Climate change could also affect the ability of suppliers to produce the goods that Scandic purchases.

In addition to physical damage and problems in the supply chain, which in themselves could have negative financial consequences for Scandic, energy costs could increase and new rules and taxes could be introduced. New emission taxes for companies or restrictions on people's travel could have a significant impact on Scandic. Failure to analyze climate risks could therefore result in unforeseen costs.

Scandic follows international reporting on climate issues and maintains close contact with property owners and suppliers in order to be proactive.

Reputation & sustainability

Scandic's brand and financial performance could suffer it fails to communicate its sustainability initiatives adequately. Sustainability is increasingly highlighted and becoming more important to customers who want to live healthy lives and make environmentally conscious choices. If Scandic is not receptive to these trends, there is a risk that it will offer products that are not appreciated and in addition disappoint its team members.

Scandic has been offering a rich selection of plant-based and allergy-adapted foods for many years. The company's entire new sustainability strategy is built on Scandic being the most sustainable option for eating, sleeping and meeting. Scandic strives to be a role model within and outside of the industry and in this way hopes to grow its business by attracting customers and making its team members proud.

FINANCIAL RISKS

Risk management

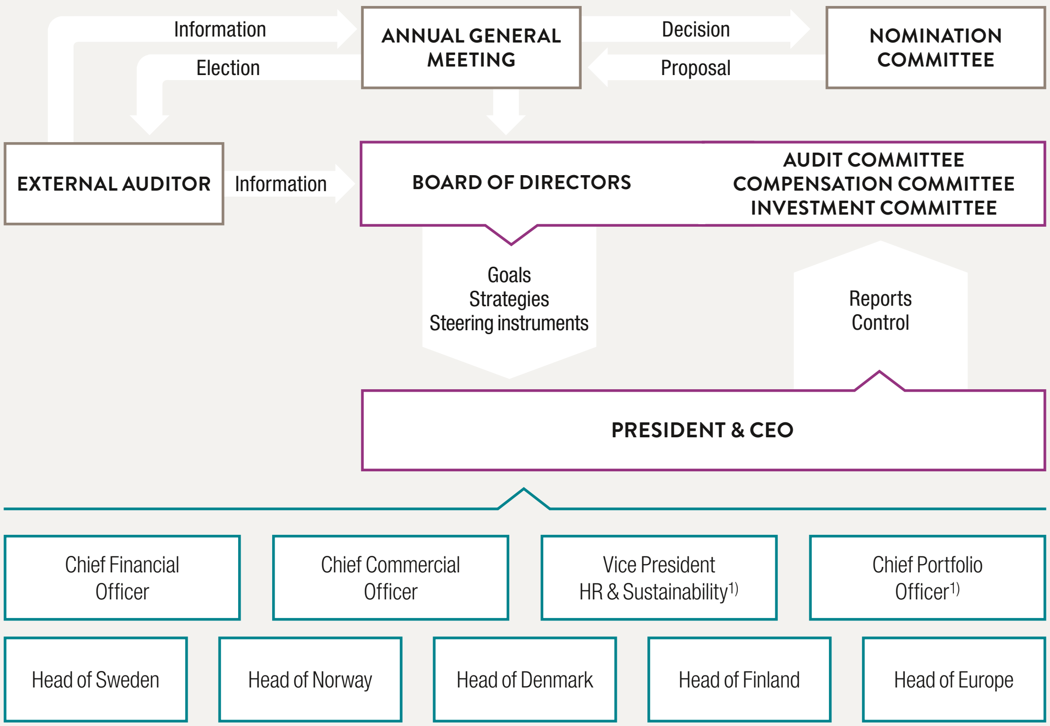
The Group's activities expose it to financial risks: exchange rate risk, interest rate risk, credit risk and liquidity risk. The Group's Finance Policy focuses on the unpredictability of the financial markets and seeks to minimize potential adverse effects on the Group's results and financial performance.

Risk management is handled by Group Finance in accordance with policies established by the Board of Directors. These include overall risk management as well as risk management for specific areas such as exchange rate risk, interest rate risk, credit risk, the use of derivatives and non-derivative financial instruments and investment of excess liquidity. Group Finance identifies, evaluates and hedges financial risks in close collaboration with the Group's operating units. For a description of financial risks and their management, see Notes 22b and 22c.

CORPORATE GOVERNANCE

Scandic is a Swedish public limited liability company, with its registered office in Stockholm, whose shares are listed on Nasdaq Stockholm's Nordic Mid Cap list. Scandic applies the Swedish Corporate Governance Code and hereby submits its Corporate Governance Report for the 2020 financial year.

CORPORATE GOVERNANCE AT SCANDIC



EXTERNAL STEERING INSTRUMENTS

- Swedish Companies Act
- Annual Accounts Act
- Other applicable legislation
- Nasdaq Stockholm's Rulebook for Issuers
- The Swedish Corporate Governance Code

INTERNAL STEERING INSTRUMENTS

- Articles of Association
- Rules of Procedure and Instructions for the CEO and the Board
- Values
- Code of Conduct
- Policies and guidelines

[1] Jens Mathiesen is currently Deputy Chief Portfolio Officer in the Executive Committee. The Executive Committee position of Vice President HR & Sustainability is vacant.

THE BASIS OF SCANDIC'S CORPORATE GOVERNANCE

Scandic's corporate governance aims to support the Board of Directors and the Executive Committee so that all operations create long-term value for shareholders and other stakeholders.

Governance includes upholding:

- an efficient organizational structure
- systems for risk management and internal control
- transparent internal and external reporting
- compliance

GOVERNANCE STRUCTURE

Responsibility for the governance and control of Scandic is distributed between the shareholders, the Board of Directors, its appointed committees and the CEO. The governance of Scandic is based on external and internal governance instruments. The external governance framework includes the Swedish Companies Act, Nasdaq Stockholm's Rulebook for Issuers, the Swedish Corporate Governance Code (the "Code") and other applicable Swedish and foreign legislation and regulations.

Scandic's internal binding governance instruments include the Articles of Association, the Rules of Procedure for the Board of Directors, instructions for the Board's committees and the CEO, Scandic's Code of Conduct, the authorization and delegation procedure, the Finance Policy, the Information Policy and the Insider Policy.

SIGNIFICANT EVENTS IN 2020

In 2020, Scandic made changes to its commercial organization and the company's two commercial units were merged. In connection with the change, Anna Spjuth started as Chief Commercial Officer (CCO) and replaced Scandic's Chief Customer Officer and Chief Commercial Optimization Officer on the Executive

Committee. Scandic's Chief Portfolio Officer (CPO) Svein Arild Steen-Mevold left the company on September 30 and Scandic's President & CEO took over the position of Deputy CPO until a permanent replacement can be found. Scandic's Vice President HR & Sustainability left the company during the year and the position on the Executive Committee is vacant.

At the Annual General Meeting 2020, Kristina Patek was elected as a new Board member. Susanne Mørch Koch, Riitta Savonlahti and Kristoffer Lundström declined re-election. During the year, the company carried out a new issue of shares with preferential rights to existing shareholders.

SHARE AND SHAREHOLDERS

The Scandic share has been listed on Nasdaq Stockholm's Nordic Mid Cap list since December 2, 2015. At year-end 2020, the share capital of Scandic was 47.8 MSEK divided into 191,257,993 shares with all shares conferring equal voting rights, an equal share of assets and earnings and an equal share of any dividends. During the year, the company carried out a rights issue that increased the number of shares by 88,272,918 and the company's share capital by 22.1 MSEK. Of the total share capital, 80.0 percent was held by Swedish investors and 20.0 percent by foreign investors. The ten largest shareholders represented 51.9 percent of the share capital and votes in the company. At year-end, Stena Sessan was the largest shareholder with holdings corresponding to 19.9 percent of the company's share capital and votes. AMF Pension & Fonder owned 16.5 percent of the company's share capital and votes at the end of the year.

SHAREHOLDERS' INFLUENCE THROUGH THE GENERAL MEETING

The shareholders exercise influence at the general meeting, which is Scandic's highest decision-making body. The general meeting adopts the Articles of Association and at the Annual General Meeting, which is the regular general meeting held annually, the shareholders elect the Board members, the Chairman of the Board and the auditor and determine their fees. The Annual General Meeting further adopts the income statement and the balance sheet and decides on the appropriation of profits and whether to discharge the Board members and the CEO from liability to the company. The Annual General Meeting also appoints the Nomination Committee and determines its work and adopts principles of compensation and terms of employment for the CEO and other senior executives. Scandic's Annual General Meeting is held annually in Stockholm before the end of June. Extraordinary general meetings may be held as and when needed.

EXTRAORDINARY GENERAL MEETING 2020

The Extraordinary General Meeting held on May 28, 2020 in Stockholm resolved to carry out a new issue of shares with preferential rights to existing shareholders.

ANNUAL GENERAL MEETING 2020

At the Annual General Meeting held on June 15, 2020 in Stockholm, resolutions on the following were passed:

- Adoption of the income statement and balance sheet for 2019.
- Resolution, in accordance with the Board of Directors' proposal, that no dividend be paid to the shareholders and that the amount at the meeting's disposal be carried forward.
- Discharge of the Board of Directors and the CEO from liability to the company.
- Per G. Braathen, Grant Hearn, Fredrik Wirdenius, Ingalill Berglund and Martin Svalstedt were re-elected as Board members. Kristina Patek was elected as a new Board member. Per G. Braathen was re-elected as Chairman of the Board.
- PricewaterhouseCoopers was reappointed as auditor with Sofia Götmar-Blomstedt as auditor-in-charge for the period until the end of the Annual General Meeting 2021.
- Compensation for the Board of Directors and the auditor.
- Guidelines for compensation for senior executives in accordance with the proposal of the Board.

ANNUAL GENERAL MEETING 2021

Scandic's Annual General Meeting 2021 will be held in Stockholm on May 31, 2021. For more information, see page 137.

NOMINATION COMMITTEE

The Nomination Committee represents the company's shareholders and is tasked with preparing proposals for the Annual General Meeting regarding the election of the Chairman for the Annual General Meeting, Board members, the Chairman of the Board and the auditor, as well as proposals for fees to the Board of Directors, fees to the auditors and, to the extent it is considered required, proposed changes to the instructions for the Nomination Committee. The Nomination Committee has adopted the guidelines stipulated in section 4.1 of the Code as the diversity policy as regards the composition of the Board of Directors. Proposals should be justified to reflect the requirement that the Board have a composition that is appropriate based on the company's needs, characterized by versatility and breadth. The Nomination Committee strives to meet the Code's requirements for an even gender distribution and diversity mainly with regard to age, nationality and skills.

The Nomination Committee consists of the Chairman of the Board and a representative of each of the three largest shareholders based on shareholder statistics from Euroclear Sweden AB as at the last banking day in August each year. The Nomination Committee's term of office shall run until a new Nomination Committee has been appointed.

Unless otherwise agreed by the members of the Nomination Committee, the Chairman of the Nomination Committee shall be the member who represents the largest shareholders based on the number of votes. If a shareholder should cease to be one of the three largest shareholders by number of votes during the Nomination Committee's term of office, the representative appointed by the shareholder in question shall resign and the shareholder that has become one of the three largest shareholders by number of votes may appoint a representative. Such a change is not necessary if the change in votes is marginal or if it occurs later than three months prior to the Annual General Meeting unless there are special reasons for such.

The names of the three shareholder representatives and the names of the shareholders they represent shall be announced no later than six months prior to the Annual General Meeting.

The Nomination Committee for the Annual General Meeting 2021

The Nomination Committee for the Annual General Meeting 2021 consists of four members and in addition to the Chairman of the Board of Directors includes representatives from the three largest shareholders as at August 31, 2020. The work of the Nomination Committee was led by Karl Swartling of Stena Sessan AB. The composition of the Nomination Committee was published in a press release on October 16, 2020.

Nomination Committee	Representing	% of votes as per 31/12 2020
Per G. Braathen	–	–
Karl Swartling	Stena Sessan AB	19.9
Dick Bergqvist	AMF Pension & Fonder	16.5
Olof Cato	Formica Capital AB	5.3

In the work on nominations for the Annual General Meeting 2021, the Nomination Committee assessed the size and composition of the current Board of Directors. Special consideration was given to industry-specific and financial expertise and an even gender distribution. The Nomination Committee complies with the guidelines in the Code regarding Board member independence. Scandic's Diversity Policy was considered chiefly as regards equal gender distribution and geographic distribution. The 2021 Nomination Committee held 5 meetings and maintained communication in between. The Nomination Committee based its work on the Chairman of the Board's report on the work of the Board of Directors and the Board evaluation that was carried out with the help of an external advisor.

The proposals of the Nomination Committee will be presented at the Annual General Meeting 2021 and on Scandic's website at scandichotelsgroup.com

The reasoning behind the proposals, a report on the committee's work and a full presentation of the proposed members will also be published on the site.

The Nomination Committee can be reached at nominationcommittee@scandichotels.com. For the Nomination Committee to consider suggestions, shareholders who wish to submit proposals may do so at any time before December 31. More information is available at scandichotelsgroup.com

BOARD OF DIRECTORS

The Board of Directors is responsible for Scandic's organization and the management of the company's affairs. According to the Articles of Association, the Board of Directors shall consist of no fewer than three and no more than eleven Board members, with no more than two alternates. In addition, trade unions are entitled to appoint two regular Board members and two alternates. Board members are elected annually at the Annual General Meeting for the period up until the end of the subsequent Annual General Meeting.

Composition of the Board of Directors in 2020

The Annual General Meeting 2020 elected six Board members and in connection with this, an employee representative was appointed. The CEO and the Group's Chief Financial Officer participate in Board meetings as well as the Board's secretary. Other employees of the Group participate in Board meetings to report on special matters as and when necessary.

Independence

None of the Board members elected at the Annual General Meeting are employed within the Scandic Group and all Board members are considered to be independent in relation to the company and the senior executives. Four of the six Board members that are independent in relation to the company and the senior executives are also independent in relation to the company's major shareholders. Scandic thereby complies with the requirements in the Code regarding the Board of Directors' independence in relation to the company, the senior executives and the company's major shareholders.

Work of the Board of Directors

The duties of the Board of Directors are regulated in the Swedish Companies Act, the company's Articles of Association and the Code. The work and procedures of the Board of Directors are established each year in written Rules of Procedure. These rules govern the distribution of work and responsibilities among the Board members, the Chairman of the Board and the CEO, and the routines for financial reporting. The Board of Directors also adopts instructions for the committees of the Board of Directors.

The duties of the Board of Directors include appointing the CEO, adopting strategies, business plans, budgets, interim reports, year-end accounts and annual reports as well as adopting instructions and guidelines. The Board of Directors also monitors the financial performance of the company, ensures the quality of financial reporting and internal control and evaluates the operations in relation to the objectives and guidelines adopted by the Board of Directors. Furthermore, the Board of Directors also resolves whether to enter into or extend leases, franchise

EXAMPLES OF ISSUES HANDLED BY SCANDIC'S BOARD OF DIRECTORS DURING THE YEAR

- Continuous assessment of effects of Covid-19 pandemic on Scandic's operations
- Measures to handle crisis in short and long term
- Resolution to withdraw previous dividend proposal for 2019
- Refinancing to mitigate effects of Covid-19 pandemic
- Evaluation of Executive Committee
- Approval of policies
- Compensation for senior executives
- Market analysis
- Financial reports
- Investment decisions
- Commercial initiatives

agreements and management agreements and whether significant investments or changes in the Group's organization and operations should be made.

The Chairman of the Board is responsible for managing the work of the Board of Directors, including ensuring that the work of the Board of Directors is conducted efficiently and that it fulfills its obligations in accordance with applicable laws and regulations. The Chairman shall, in close cooperation with the CEO, monitor the company's performance and prepare and lead Board meetings. The Chairman of the Board is also responsible for ensuring that Board members evaluate their work annually and regularly receive the information required to conduct their work efficiently. The Chairman of the Board represents the company vis-à-vis the shareholders.

Work during the year

During the year, 25 board meetings were held, which is clearly more than usual. This was because the Board more closely followed the development of the company's operations as a result of the Covid-19 pandemic, among other things by continuously assessing the company's financial position and strategy in order to mitigate the crisis in the short and long term. The Board also dealt with issues related to the evaluation of the Executive Committee, investment decisions, policies, compensation to senior executives and market analysis.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors has established three committees: the Audit Committee, the Compensation Committee and the Investment Committee. None of the committees are authorized to make decisions, but they prepare matters and present them to the Board of Directors for decisions. The work of the committees is carried out in accordance with the written procedures for each committee as adopted by the Board.

Compensation Committee

The Compensation Committee prepares resolutions in matters involving compensation principles, salaries, benefits and compensation for the CEO and senior executives who are subordinate to the CEO. The Compensation Committee also supervises and evaluates the outcome of programs for variable compensation and the company's compliance with the guidelines for compensation adopted at the Annual General Meeting.

The Compensation Committee shall consist of at least three Board members elected at a general meeting. The Chairman of the Board may also act as the Chairman of the Compensation Committee. The other members of the committee shall be independent in relation to the company and its senior executives.

The Compensation Committee consists of Per G. Braathen (Chairman), Grant Hearn and Martin Svalstedt.

The Compensation Committee held five meetings during the year. The committee conducted a review of the basic compensation for senior executives, the bonus program, other compensation and long-term incentive programs.

Audit Committee

The Audit Committee prepares the Board of Directors' work on matters involving risk assessments, internal control, the internal audit, accounting, financial reporting and audits. The work of the committee aims to ensure compliance with the adopted principles for financial reporting and internal control and that the company's relationship with its auditors is fit for the purpose.

The Audit Committee shall also carry out an evaluation of the audit and report the results to the Nomination Committee. The committee also submits the Nomination Committee's proposal for the appointment of an auditor.

In addition, the Audit Committee follows up and comments on non-auditing related services that Scandic procures from the company's auditor.

The Audit Committee shall consist of at least three members. The majority of the members shall be independent in relation to the company and the senior executives, and at least one shall be independent in relation to the company, the company's senior executives and the company's major

Composition of the Board of Directors, independence, attendance, committees and compensation

Name	Position	Elected, year	Independent in relation to: the company and senior executives	Independent in relation to: the largest shareholders	Attendance and number of meetings[1]	Attendance, number of meetings, committees	Compensation 2020
Per G Braathen	Chairman	2007	Yes	Yes	25 (25)	4 (4) Investment Committee 5 (5) Compensation Committee	791,288
Ingalill Berglund	Member	2016	Yes	Yes	25 (25)	9 (9) Audit Committee	423,541
Grant Hearn	Member	2014	Yes	Yes	23 (25)	4 (4) Investment Committee 5 (5) Compensation Committee	426,177
Martin Svalstedt[1]	Member	2017	Yes	No	25 (25)	2 (4) Investment Committee 9 (9) Audit Committee 3 (5) Compensation Committee	387,865
Fredrik Wirdenius	Member	2015	Yes	Yes	25 (25)	4 (4) Investment Committee	340,942
Kristina Patek	Member, new	2020	Yes	No	7 (25)	5 (9) Audit Committee	224,091
Susanne Mørch Koch	Member, resigned	2019	Yes	Yes	17 (25)	3 (9) Audit Committee	122,475
Christoffer Lundström	Member, resigned	2016	Yes	No	18 (25)	4 (9) Audit Committee	122,475
Riitta Savonlahti	Member, resigned	2019	Yes	Yes	16 (25)	2 (5) Compensation Committee	134,423
Marianne Sundelius	Employee rep.	2017	No	Yes	25 (25)		40,000
Total							**3,013,275**

1) Martin Svalstedt left the Investment Committee and joined the Compensation Committee in connection with the Annual General Meeting on June 15, 2020.

The Board waived 30 percent of its total fee during the period April–September 2020.

shareholders. He or she shall also have experience in auditing or accounting.

The Audit Committee consists of Ingalill Berglund (Chairman), Martin Svalstedt and Kristina Patek. The requirements of the Swedish Companies Act regarding independence and accounting or auditing expertise are thus satisfied.

The Compensation Committee held nine meetings during the year. The company's auditor attended all of the meetings during the year.

The following matters were addressed at the Audit Committee meetings:

- Interim reports – review prior to approval by the Board of Directors.
- Status of internal control and risk analysis as well as evaluation of the structures and efficiency of internal control.
- Auditors' reports on the review of the annual accounts, the interim report for the third quarter, "early warning" and internal control.
- Audit plan and auditors' fees as well as evaluation of the work and independence of the auditors.
- Evaluation of the requirement for an internal audit function for recommendation to the Board of Directors.
- IT Security Policy – review prior to approval by the Board of Directors.
- Status of ongoing disputes and legal matters.
- The status of work to introduce a Group-wide accounting program (ERP).
- Impairment test of intangible assets.
- Financing issues including updating bank agreements and the new share issue.

Investment Committee

The Investment Committee was established in 2018 and prepares decisions on issues related to investment proposals such as new investments and extensions as well as extensions of lease agreements. The Investment Committee shall also continually evaluate hotel investments and regularly review the development of the hotel portfolio, investment criteria and the process for managing the Group's investments.

The Investment Committee shall consist of at least three members of the Board elected at the Annual General Meeting. The Investment Committee consists of Grant Hearn (Chairman), Per G. Braathen and Fredrik Wirdenius. During 2020, the Investment Committee held four meetings.

EVALUATION OF THE WORK OF THE BOARD OF DIRECTORS

The Chairman of the Board is responsible for evaluating the work of the Board of Directors. The Board of Directors also evaluates its work annually. The evaluation refers to working methods and the main focus of the work of the Board of Directors. The evaluation also includes an evaluation of the need for and access to special expertise on the Board of Directors. The evaluation in 2020 was carried out through interviews with all Board members with support from an external party. The results were presented and discussed by the Board of Directors and the Nomination Committee. The evaluation was used as a tool to develop the work of the Board of Directors and also constitutes support for the work of the Nomination Committee.

Auditors

PricewaterhouseCoopers has been the company's auditor since 2012. At the Annual General Meeting held on June 15, 2020, PricewaterhouseCoopers was reappointed as auditor with Sofia Götmar-Blomstedt as the Auditor-in-Charge for the time until the end of the Annual General Meeting 2021. Sofia Götmar-Blomstedt is an authorized public accountant and a member of FAR (the institute for the accountancy profession in Sweden). During 2020, the auditor reported observations on one occasion to the Board of Directors. No members of the Executive Committee were present. Thereafter, the auditor participated in nine meetings with the Audit Committee.

The Audit Committee evaluates the auditors' work and independence annually.

The auditor receives a fee for its work, according to a resolution of the Annual General Meeting. Information on auditors' fees is provided in Note 04 on page 106.

EXECUTIVE COMMITTEE

Scandic's Executive Committee has solid experience from the hotel sector and consumer-oriented operations in various markets. The Executive Committee comprises the CEO and seven senior executives: the CFO, the Chief Commercial Officer and the Group's five country heads. Scandic's Chief Portfolio Officer (CPO) Svein Arild Steen-Mevold left the company on September 30 and Scandic's President & CEO took over the position of Deputy CPO until a permanent replacement can be found. In 2020, Scandic made changes to its commercial organization and the company's two commercial units were merged. In connection with this, Anna Spjuth took over as Chief Commercial Officer (CCO). Anna Spjuth thus replaced Scandic's Chief Customer Officer and Chief Commercial Optimization Officer on the Executive Committee. The new commercial organization took effect on October 1, 2020. Scandic's Vice President HR & Sustainability left the company during the year which is why the position on the Executive Committee is vacant. See pages 92–93 for more information about the Executive Committee.

The CEO's areas of responsibility and powers are governed by the Rules of Procedure for the Board of Directors and instructions for the CEO. The CEO is responsible for communicating and implementing Scandic's strategy, business plans and other decisions in the organization. The CEO is also ultimately responsible for ensuring that the governance, organization, risk management, internal processes and IT infrastructure are satisfactory.

To achieve economies of scale and ensure a consistent offering, Scandic has gathered a number of support functions centrally including accounting and finance, HR, purchasing, IT, marketing, product development and revenue management as well as restaurant and conference operations. Team members in charge of the various central functions are also responsible for developing Group-wide policies, guidelines and working methods and for following up on and ensuring that the Group's operations are conducted in compliance with adopted policies and standards.

Sustainability

Sustainability is an integrated part of Scandic's governance and reporting. The understanding of and commitment to challenges such as climate change, creating ethical and safe workplaces and being a responsible purchasing party are of major importance to the Group. In all of the countries where Scandic does business, the company strives to employ people who reflect the society in which the hotels operate. In this context, Scandic's governance documents in this area include the Code of Conduct, the Code of Conduct for Suppliers, the Anti-Corruption Policy, the Environmental Policy and the Diversity & Inclusion Policy. Scandic's Diversity & Inclusion Policy is an underlying policy for Scandic's Code of Conduct. The policy sets out that diversity contributes to the company's success and clearly stipulates that no form of discrimination is accepted.

When appointing Board members, the Nomination Committee strives for diversity mainly with respect to gender, age, nationality and skills. The Board of Directors has joint responsibility for sustainability. Within the Executive Committee, sustainability is delegated to the heads of each function: the CFO is responsible for anti-corruption and supplier control and the Acting SVP HR and the Acting

SVP Sustainability are responsible for reporting, ESG information, employment law, diversity and equality as well as for sustainability as a whole within Scandic.

SIGNIFICANT EVENTS HANDLED BY THE CEO & EXECUTIVE COMMITTEE IN 2020

During the year, the Executive Committee worked to adapt the company's operations to the changed business situation as a result of the Covid-19 pandemic. Due to the deteriorating business situation, a sharp reduction in costs was carried out among other things through extensive staff reductions. The Executive Committee also worked to adjust the level of investment, renegotiate rental terms with landlords and postpone the planned opening of a number of hotels in the pipeline. Another area of focus was securing financing for the company. Additionally, the Executive Committee concentrated on commercial initiatives.

Guidelines for compensation for the CEO and senior executives

At the Annual General Meeting held on June 15, 2020, guidelines for the CEO and senior executives were adopted. These are adapted to EU requirements on shareholder rights and are intended to apply for four years from adoption. The following is a summary of the guidelines for compensation. Full details can be found on Scandic's website at scandichotelsgroup.com

Scandic shall offer terms that are in line with market conditions and that enable the company to recruit and retain the managers required to meet its short and long-term targets. Compensation to senior executives may consist of a fixed salary, variable salary, pension and other benefits. In addition, the Annual General Meeting may resolve, among other things, on long-term share incentive programs. The compensation guidelines do not include share-based long-term incentive programs or ordinary board fees, which are subject to separate resolutions by the Annual General Meeting.

The fixed salary shall be commensurate with market conditions and reflect the demands and responsibility that the position entails as well as individual performance. The fixed salary of the CEO and the senior executives shall be reviewed annually.

Variable compensation shall be based on the company's fulfillment of criteria set out in advance. These are set with the aim of achieving Scandic's/the Group's short and long-term goals and securing long-term development and value creation as well as financial growth. Furthermore, they shall be designed in such a way that they do not encourage excessive risk-taking. Variable compensation is subject to a general cap and shall not amount to more than 100 percent of the fixed annual salary. Fixed annual salary refers to salary earned during the year excluding pension, supplements, benefits and such. The 100 percent cap also covers any variable cash benefits paid in extraordinary circumstances, such as extraordinary arrangements made at the individual level for the purpose of recruiting or retaining a senior executive or as a result of extraordinary work in addition to the person's ordinary duties. Scandic shall have the right, in accordance with applicable law or agreement and with the restrictions that may follow therefrom, to fully or partially reclaim annual variable compensation that has been paid on incorrect grounds (a claw back clause).

Long-term share and share price-related incentive programs may be resolved by the Annual General Meeting irrespective of these guidelines. The goal of long-term share and share price-related incentive programs is to create long-term commitment at Scandic, to attract and retain senior executives and other key personnel and to ensure that such key personnel have a shareholder perspective. To the extent that there are long-term share and share price-related incentive programs, these shall be a complement to fixed and variable compensation and participation shall be based, among other things, on expertise and performance. The outcome of a program shall depend on the fulfillment of certain predetermined performance requirements that shall ensure shareholder value, such as growth, profitability and capital efficiency. Pension benefits for senior executives shall be based on established market practices in the country where the senior executive is employed or resident and shall primarily consist of premium-based pension plans but may also be defined benefit schemes if required by a collective bargaining agreement.

Other benefits that may be offered must be in line with current market practices and may include, for example, car benefits and health and life insurance, etc. In addition, benefits linked to an assignment, such as relocation support, declaration assistance and such may be offered for a limited time.

As regards employment that is subject to rules other than those in Sweden, with regard to pension benefits and other benefits, appropriate adjustments may be made to comply with mandatory rules or established local practice whereby the overall purpose of these guidelines shall be satisfied as far as possible.

Senior executives' employment contracts are usually permanent although in special cases, fixed-term employment contracts may apply. In the event of termination of employment, the notice period may not exceed 12 months.

IMPORTANT ISSUES IN 2020

Scandic took measures to adapt to the changed business situation resulting from the Covid-19 pandemic.

1. Cost levels reduced sharply, among other things through extensive staff reductions.
2. Investment levels adjusted.
3. Rent discounts negotiated with landlords.
4. Schedule for opening a number of hotels in pipeline adjusted.
5. Financing strengthened through expanded credit facility at existing lending banks and new share issue.
6. Various commercial initiatives launched.

Fixed salary during notice periods and severance pay, including compensation for anti-competition restrictions, shall in aggregate not exceed an amount corresponding to the fixed salary for 18 months. The total severance pay for all members of the Executive Committee shall not exceed the fixed monthly salary for the remaining years until the employee reaches the age of 65. Upon termination of employment, a non-compete clause may restrict the employee from being employed by a competing business. The restrictions of such a non-compete clause shall apply for a maximum of nine (9) months from the termination of employment. During the period during which a non-compete clause applies, Scandic may remunerate the former employee with an amount corresponding to a maximum of 60 percent of nine (9) months' fixed salary.

Board members elected by the Annual General Meeting may in special cases receive compensation for services performed within their respective specialist areas, but which fall outside their ordinary board assignments. Compensation for such services must be on market terms and approved by the Board.

The Board of Directors has the right to deviate from the above-mentioned guidelines in whole or in part, if in an individual case there are special circumstances under which a deviation is necessary to serve the company's long-term interests, including its sustainability or to ensure the company's financial viability. For more information, see Note 05 on pages 107–109.

Compensation

For information on compensation for the CEO and senior executives, see Note 05 on pages 107–109.

Long-Term Incentive Program

Between 2016 and 2019, Scandic had an annual performance-based long-term incentive program. The most recent program, which was adopted at the Annual General Meeting held on May 7, 2019, is described in Note 05 on pages 107–109. The LTIP program launched in December 2017 ended during the second quarter 2020. The goals and degree to which the conditions for performance shares were met can be found in Scandic's Interim Report for the second quarter 2020. Results and the allotment of shares are described in Note 05 on pages 107–109. Terms and conditions for the program are also outlined in Note 05 on pages 107–109.

Guidelines for compensation to senior executives before the Annual General Meeting 2021

The Board of Directors has proposed that the Annual General Meeting 2021 adopt guidelines that in all material aspects correspond to the guidelines adopted at the Annual General Meeting 2019.

THE BOARD OF DIRECTORS' REPORT ON INTERNAL CONTROL

This description has been prepared in compliance with the Swedish Annual Accounts Act and the Swedish Corporate Governance Code (the "Code") and is therefore limited to internal control related to financial reporting. The report has not been reviewed by the company's auditor.

According to the Swedish Companies Act and the Code, the Board of Directors is responsible for ensuring that internal control mechanisms are developed, communicated to and understood by the employees of Scandic who carry out individual control measures, as well as ensuring that such control measures are carried out, monitored, updated and maintained.

Executives at all levels are responsible for ensuring that internal control mechanisms are established in their respective areas and that these controls achieve the desired results. Scandic's CFO is ultimately responsible for ensuring that the monitoring of and the work on Scandic's internal control is conducted in the format determined by the Board of Directors.

Scandic's structure for internal control is based on the COSO model, the framework of which is applied to Scandic's operations and conditions. According to this model, a review and assessment is carried out within the areas of control environment, risk assessment, control activities, information and communication and monitoring activities. Based on this review, certain areas of development are identified and prioritized in the company's ongoing work to maintain internal control.

The procedures for internal control, risk assessment, control activities and monitoring of financial reporting have been devised to ensure reliable and relevant reporting and external financial reporting in accordance with the IFRS, applicable laws and regulations and other requirements of companies listed on Nasdaq Stockholm. This work involves the Board of Directors, the senior executives and other employees.

The manner in which the Board of Directors monitors and ensures the quality of internal control is documented in the adopted Rules of Procedure for the Board of Directors and the instructions for the Audit Committee. The Audit Committee's duties include evaluating the company's structure and guidelines for internal control.

Financial reporting to the Board of Directors is carried out on a monthly basis according to a format described in the CEO's instructions for financial reporting. The company's CFO also conducts a review of the financial performance and latest forecast for the current year at each regular Board meeting. Drafts of interim reports are first presented to the Audit Committee for discussion and consideration at a committee meeting before they are presented to the Board of Directors for approval.

Scandic's internal financial reporting complies with a standardized format where a common set of definitions and key ratios is used for all subsidiaries and hotels. Reporting is carried out through a Group-wide reporting system that allows a high level of transparency and comparability of financial data. Financial performance is monitored through monthly reports from the subsidiaries and quarterly reviews where members of the Executive Committee, the central accounting department and the relevant country management teams participate. Detailed follow-up of key ratios for different parts of Scandic's hotel operations enables benchmarking between hotels and also provides information quickly on deviations in operating margins and operating profit/loss compared with the expected outcome. This detailed follow-up procedure is an important tool for ensuring internal control.

Control environment

The control environment forms the basis of internal control of financial reporting. An important element of the control environment is that channels for decision-making, authority and responsibility are clearly defined and communicated between different levels of the organization and that governance documents in the form of internal policies and guidelines are available. A good control environment is created through communication and training to ensure understanding of and compliance with policies and regulatory frameworks. The control environment is strengthened by a positive corporate culture and the transparent and relevant monitoring of financial performance and key ratios at all levels in the Group.

Risk assessment

Internal control is based on a risk analysis. The risk analysis related to internal control and the risk of errors in the financial reporting form a part of the risk analysis that the

Executive Committee performs and presents to the Audit Committee and Board of Directors annually. This analysis identifies and evaluates risks based on their likelihood of occurring and the potential impact of their occurrence on the operations and financial position of the Group. Thereafter, the Group's internal controls and control environment are evaluated and any gaps compared with the desired level of control are identified. An action plan aimed at reducing gaps is established where the value of and possibility to reduce the risk is weighed against the cost of establishing and maintaining internal controls. Based on the risk analysis, control activities are designed to reduce risk at a reasonable cost. The activities shall also contribute to improving internal procedures and operational efficiency.

Control activities

Scandic's internal control is based on the company's established channels for decisions and the delegation and authorization procedures documented in governing policies and guidelines.

Control activities may be IT based or manual. To the fullest extent possible, they shall form an integrated part of defined and documented processes and procedures.

A number of control activities that are common to all companies within the Group have been established. Some of these are implemented on the hotel level while others are implemented in the centralized accounting departments in each country. Control activities are described in Group-wide instructions.

Information and communication

The part of Scandic's governance documents in the form of policies, guidelines and manuals that involve financial reporting is chiefly communicated via monthly meetings at which all financial managers participate and via the Group's finance handbook. The finance handbook is published on the Group's intranet and is updated regularly based on changes in external requirements and in Scandic's operations.

Communication with internal and external parties is governed by a Communication Policy that provides guidelines on how such communication should be conducted. The purpose of the policy is to ensure compliance with all disclosure requirements in a correct and complete manner. Internal communication aims to ensure that each employee understands Scandic's values and business operations. To achieve the aim of having informed employees, work is carried out internally and information is communicated regularly via the Group's intranet.

Monitoring

Scandic's accounting functions are integrated through a common finance and accounting system and common accounting instructions. The Board of Directors and the Executive Committee regularly receive information on the Group's performance and financial position and the development of its operations. The efficiency of the internal control is evaluated annually by the company and the Audit Committee. It is also reviewed by the external auditors. The result of the evaluation forms the basis for improvements to processes and controls for subsequent years.

Internal control on the hotel and country levels is monitored through self-assessments and onsite audits as follows:

- All hotels conduct self-assessments at least once a year based on a Group-wide checklist with mandatory and recommended controls.
- Internal audits are carried out by employees at the company's central accounting department for a number of hotels per year. These involve a control checklist, spot checks within relevant areas and a general discussion with the general manager and department heads to ensure understanding of and compliance with Scandic's internal control.

The results of the self-assessments and onsite audits are reported by the local heads of finance to the management team of each country. The results are reported by the Group's CFO to the Audit Committee together with a report of measures undertaken to improve internal control if the results indicate a need to do so either on the hotel level or in general.

As part of their review, external auditors make additional hotel visits during which they test controls according to the internal checklist. The aim for these onsite audits by both Scandic's accounting department and external auditors is to cover approximately one-third of Scandic's hotels every year.

Internal audit

Based on the Audit Committee's evaluation, the Board of Directors has decided not to establish a separate internal audit function. The decision is based on the assessment that the existing process for internal control is well established, efficient and supported by a good control environment, a clear governance model and well-functioning regular financial monitoring. The Board of Directors evaluates the need for a special internal audit function annually.

Measures in 2020

Scandic works constantly to mitigate the risks that result from changing market conditions. IT security issues as well as market analysis and business intelligence accounted for much of the work of the Board of Directors and Board committees during the year. Special focus was also placed on the effects of the Covid-19 pandemic on the company and the Nordic hotel industry in the short and long term. Self-assessment for internal control was also discussed regularly by the Audit Committee. The Board and the Audit Committee also addressed issues relating to the ongoing implementation of a new Group-wide ERP system including the opportunities provided by a modernized system to further improve internal control.

BOARD OF DIRECTORS

PER G. BRAATHEN
Chairman of the Board since 2018.
Member of the Board since 2007.
Chairman of Compensation Committee
Member of Investment Committee.

Born: 1960.

Nationality: Norwegian.

Education: MBA from Schiller University London, UK.

Other assignments: CEO and Chairman of Braganza. Chairman of Bramora Ltd. Board member of Braathens Regional Airlines (BRA), Escape Travel AS, Parques Reunidos S.A. Industrial advisor to EQT.

Previous assignments: Chairman/CEO Tjæreborg, Always and Saga Tours. Chairman of Escape Travel A/S SunHotels AG. Board member of Arken Zoo Holding AB and Kristiansand Dyrepark AS, Ticket Leisure Travel AB and Ticket Biz AB.

Shareholding: 1,433,305 (private and through companies)

Independent in relation to major shareholders: Yes

Independent in relation to the company and management: Yes

INGALILL BERGLUND
Member of the Board since 2016.
Chairman of Audit Committee.

Born: 1964.

Nationality: Swedish.

Education: Special advanced course in economics, Frans Schartau Business Institute.

Other assignments: Board member of Veidekke ASA, AxFast AB, Kungsleden AB, Balco Group AB, Bonnier Fastigheter AB, Fastighets AB Stenvalvet, Stiftelsen Danviks Hospital, Juni Strategi and Analys AB.

Previous assignments: President and CFO within Atrium Ljungberg AB. Interim CEO at AxFast AB. Twenty-five years of experience from the real estate sector.

Shareholding: 9,284

Independent in relation to major shareholders: Yes

Independent in relation to the company and management: Yes

KRISTINA PATEK
Member of the Board since 2020.
Member of Audit Committee.

Born: 1969.

Nationality: Swedish.

Education: Master of Science in Business Studies and Economics, Uppsala University.

Other assignments: Senior Investment Director at Stena Sessan, Board member of Didner & Gerge Fonder and Resurs Holding AB.

Previous assignments: Management consultant at Accenture and Cell Network, Investment Manager at Ratos, Partner at private equity fund Scope and Head of M&A at Tieto Corporation.

Shareholding: 3,029 (in addition, Stena Sessan AB holds 37,974,365 shares)

Independent in relation to major shareholders: No

Independent in relation to the company and management: Yes

GRANT HEARN
Member of the Board since 2014.
Member of Compensation Committee.
Chairman of Investment Committee.

Born: 1958.

Nationality: British.

Education: Diploma in Hotel and Tourism Management, Shannon College of Hotel Management, Ireland.

Other assignments: –

Previous assignments: Chairman of The Hotel Collection, Amaris Hospitality, Shearings Holidays Ltd and UK Hospitality. Board member of London & Partners Ltd, Thame and London Ltd, TLLC Group Holdings Ltd and Travelodge Hotels Ltd.

Shareholding: 5,568

Independent in relation to major shareholders: Yes

Independent in relation to the company and management: Yes

Number of shares as per December 31, 2020.

MARTIN SVALSTEDT
Member of the Board since 2017.
Member of Audit Committee and Compensation Committee.

Born: 1963.

Nationality: Swedish.

Education: Master of Business Administration, University of Karlstad, Sweden.

Other assignments: Board member of Gunnebo AB and Stena International SA.

Previous assignments: CEO of Stena Adatum and Stena Sessan. CFO at Capio and other senior positions. Chairman of Ballingslöv International, Meda, Gunnebo, Stena Renewable, Envac, Mediatec Group and Blomsterlandet. Board member of Midsona and Song Networks among others.

Shareholding: 153,490

Independent in relation to major shareholders: No

Independent in relation to the company and management: Yes

FREDRIK WIRDENIUS
Member of the Board since 2015.
Member of Investment Committee.

Born: 1961.

Nationality: Swedish.

Education: Master of Science in Engineering, KTH Royal Institute of Technology, Stockholm, Sweden.

Other assignments: Chairman of Willhem AB, Hållbo AB and 3E Property AB. Board member of Kungsleden AB, AxFast AB and Nobelhuset AB.

Previous assignments: CEO of Vasakronan AB. Several senior positions within Skanska.

Shareholding: 5,816

Independent in relation to major shareholders: Yes

Independent in relation to the company and management: Yes

MARIANNE SUNDELIUS
Member of the Board since 2017.
Employee representative.

Born: 1967.

Nationality: Swedish.

Education: High school, consumer economics, post-secondary courses in leadership and psychology.

Other assignments: –

Previous assignments: Employee representative on boards of Sara Hotels AB and Reso Hotels AB.

Shareholding: 0

Independent in relation to major shareholders: Yes

Independent in relation to the company and management: No (employee representative).

Number of shares as per December 31, 2020.

EXECUTIVE COMMITTEE

JENS MATHIESEN
President & CEO

Born: 1969. Employed since 2008. Member of Scandic's Executive Committee since 2016.

Nationality: Danish.

Education: Shipping Broker, Transocean Shipping, Denmark.

Previous experience: Head of Scandic Denmark. Director of Sales & Marketing Choice Hotels Scandinavia. CEO Fountain Scandinavia A/S and Head of Sales & Marketing Avis Rent a Car.

Other assignments: Chairman of the Board of Dansk Erhverv (Danish Chamber of Commerce).

Shareholding: 168,886

JAN JOHANSSON
Chief Financial Officer

Born: 1962. Employed and member of Scandic's Executive Committee since 2016.

Nationality: Swedish.

Education: Masters of Business Administration, Uppsala University, Sweden.

Previous experience: CFO Apoteket, CFO Nobia AB and CFO Eniro.

Other assignments: –

Shareholding: 45,259

ANNA SPJUTH
Chief Commercial Officer

Born: 1970. Employed 1998–2011 and since 2020. Member of Scandic's Executive Committee since 2020.

Nationality: Swedish.

Education: Bachelor's degree (Hons) in Hospitality Management from Napier University, Edinburgh, Scotland. Franklin Covey – Habits of Highly Effective People & Great Leadership

Previous experience: Senior Vice President, Comfort Hotel Scandinavia and the Baltics; CEO of At Six, Hobo, Tak and Yasuragi. General Manager within Scandic Hotels Group.

Other assignments: Mentor and lecturer within sustainable leadership.

Shareholding: –

SØREN FAERBER
Head of Denmark

Born: 1970. Employed since 2006. Member of Scandic's Executive Committee since 2019.

Nationality: Danish.

Education: Currently doing MBA at Edinburgh Business School. Higher Commercial Examination Accounting and Finance.

Previous experience: District Director Copenhagen & Denmark East, Scandic. Director of Food & Beverage Denmark and Southern Europe, Scandic. Regional Director, Hard Rock International.

Other assignments: Board member of Wonderful Copenhagen.

Shareholding: 18,789

Number of shares as per December 31, 2020.

PETER JANGBRATT
Head of Sweden

Born: 1967. Employed 1995–2008 and since 2015. Member of Scandic's Executive Committee since 2016 as well as 2003–2008.

Nationality: Swedish.

Education: Scandic Business School and Hilton.

Previous experience: VP Brand, Marketing & Communication Scandic Hotels; COO Scandic Sweden; CEO Rica Hotels Sweden.

Other assignments: Board member of Visita and Svenskt Näringsliv.

Shareholding: 43,829

AKI KÄYHKÖ
Head of Finland

Born: 1968. Employed by the Group since 2012. Member of Scandic's Executive Committee since 2016.

Nationality: Finnish.

Education: Bachelor of Business Administration in International Business and Management, Schiller International University, London.

Previous experience: Several senior positions with Procter & Gamble and Reckitt Benckiser, Commercial Director at Oy Hartwall and CEO at Palace Kämp Group.

Other assignments: Chairman of the Finnish Hospitality Industry Association. Board member of Confederation of Finnish Industries. Deputy board member of Pension Insurance Company Elo.

Shareholding: 44,181

MICHEL SCHUTZBACH
Head of Europe

Born: 1961. Employed by the Group since 2009. Member of Scandic's Executive Committee since 2016.

Nationality: German and Swiss.

Education: Diploma from Hotels & Managment School, Glion, Switzerland.

Previous experience: Several senior positions within Rezidor including Vice President HR and Regional Director Poland and Ireland.

Other assignments: –

Shareholding: 48,090

ASLE PRESTEGARD
Acting Head of Norway

Born: 1968. Employed by the Group since 2001. Member of Scandic's Executive Committee since 2020.

Nationality: Norwegian.

Education: Norwegian School of Hotel Management.

Previous Experience: Board member of Visit Bergen. General Manager Bergen Hotel Gruppen AS. General Manager Scandic Bergen City.

Other assignments: District Director West Norway, Scandic Hotels AS.

Shareholding: 12,602

Number of shares as per December 31, 2020.

INCOME STATEMENT

GROUP

MSEK	Notes	2020	2019
INCOME	02, 03		
Room revenue		4,923	12,416
Restaurant and conference revenue		2,234	6,095
Franchise and management fees		19	30
Other hotel-related revenue		294	404
Net sales		***7,470***	***18,945***
Other income		0	0
TOTAL INCOME		**7,470**	**18,945**
OPERATING COSTS			
Raw materials and consumables		-611	-1,634
Other external costs	04	-1,751	-4,335
Staff costs	05	-3,489	-5,869
Fixed and guaranteed rental costs		494	-74
Variable rental costs		-424	-1,696
Pre-opening costs		-32	-81
Items affecting comparability	06	-269	169
EBITDA		**1,387**	**5,425**
Amortization, depreciation and impairment	11, 12	-6,187	-3,281
TOTAL OPERATING COSTS		**-12,269**	**-16,801**
EBIT (operating profit/loss)		**-4,800**	**2,144**
Financial items			
Finance income	07	5	11
Finance costs	08	-1,286	-1,253
Net financial items		**-1,281**	**-1,242**
EBT (earnings before taxes)		**-6,081**	**902**
Income tax	09	130	-177
PROFIT/LOSS FOR THE YEAR		**-5,951**	**725**
Attributable to the Parent Company's shareholders		-5,949	722
Non-controlling interests		-2	3
Profit/loss per share before dilution, attributable to: Parent Company shareholders (SEK per share)	10	-40.02	7.01
Profit/loss per share after dilution, attributable to: Parent Company shareholders (SEK per share)	10	-40.02	7.01

STATEMENT OF COMPREHENSIVE INCOME

GROUP

MSEK	Notes	2020	2019
Profit for the year		**-5,951**	**725**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Currency fluctuations from translation of foreign operations		-219	104
Changes in the value of electricity hedges, net of tax		-18	-35
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations		-10	-159
Total other comprehensive income, net of tax		**-247**	**-90**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**-6,198**	**635**

CONSOLIDATED BALANCE SHEET

GROUP

	Notes	Dec 31, 2020	Dec 31, 2019
ASSETS			
Non-current assets			
Goodwill	11	3,737	6,641
Trademarks	11	2,835	3,147
Other intangible assets	11	115	153
Land & buildings	12	25,762	26,759
Furniture, fittings and equipment	12	4,625	4,865
Shares in associates	13	20	22
Financial investments	14	6	7
Other non-current receivables		47	460
Deferred tax assets	23	405	127
Total non-current assets		**37,553**	**42,181**
Current assets			
Inventories	15	90	133
Trade receivables	16	153	649
Derivative instruments		-	8
Other current receivables		50	84
Prepaid expenses and accrued income	17	423	429
Cash and cash equivalents	18	14	26
Total current assets		**730**	**1,328**
TOTAL ASSETS		**38,283**	**43,509**

	Notes	Dec 31, 2020	Dec 31, 2019
EQUITY AND LIABILITIES			
Equity			
Share capital	19	48	26
Other contributed capital		9,544	7,865
Translation reserve		-155	148
Retained earnings		-7,403	-1,481
Equity attributable to the Parent Company shareholders		**2,035**	**6,557**
Non-controlling interests		36	43
Total equity		**2,071**	**6,601**
Non-current liabilities			
Liabilities to credit institutions	20	4,526	3,036
Provisions for pensions and similar commitments	21	920	872
Other provisions	22	162	149
Other liabilities		42	49
Lease liabilities	20	26,169	26,661
Deferred tax liabilities	23	35	272
Total non-current liabilities		**31,854**	**31,039**
Current liabilities			
Advance payments from customers		170	226
Trade payables		317	767
Derivative instruments		18	487
Liabilities for commercial papers	20	201	174
Current tax liabilities		10	2,116
Current lease liabilities	20	1,850	-
Other liabilities		121	365
Accrued expenses and prepaid income	24	1,671	1,735
Total current liabilities		**4,358**	**5,869**
Total liabilities		**36,212**	**36,909**
TOTAL EQUITY AND LIABILITIES		**38,283**	**43,509**

CASH FLOW STATEMENT

GROUP

MSEK	Notes	2020	2019
Operating activities			
Operating profit/loss		-4,800	2,144
Adjustments for items not included in cash flow, etc.	25	6,226	3,108
Taxes paid		-54	-343
Cash flow before changes in working capital		**1,372**	**4,909**
Changes in working capital			
Inventories		35	3
Trade receivables		465	51
Other current receivables		35	-120
Trade payables		-467	-17
Other current liabilities		-289	241
Cash flows from operating activities		**1,151**	**5,067**
Investing activities			
Acquisitions of property, plant and equipment	12	-751	-1,155
Sale of operations		-	232
Cash flows from investing activities		**-751**	**-923**
Cash flows after investing activities		**400**	**4,144**
Financing activities			
Dividend, share swap agreement		-37	-14
New issue of shares		1,701	-
Borrowings, credit institutions	20	4,571	626
Amortization, credit institutions	20	-2,999	-574
Amortization, leases	20	-2,155	-2,147
Issue of commercial papers	20	-285	-513
Financing costs	20	-38	-6
Interest paid, credit institutions		-148	-71
Interest paid, leases		-1,036	-1,143
Dividends		-	-361
Cash flows from financing activities		**-426**	**-4,203**
CASH FLOW FOR THE YEAR		**-26**	**-59**
Cash and cash equivalents at the beginning of the year		26	103
Translation differences in cash and cash equivalents		-26	-18
Cash flow for the year		14	-59
Cash and cash equivalents at end of year		**14**	**26**

CHANGES IN EQUITY

GROUP

MSEK	Equity attributable to the Parent Company shareholders: Share capital	Other contributed capital	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
OPENING BALANCE Jan 1, 2019	**26**	**7,865**	**85**	**-1,674**	**6,302**	**38**	**6,340**
Profit for the year	**-**	**-**	**-**	**722**	**722**	**3**	**725**
Other comprehensive income							
Items that may be reclassified to profit or loss							
Currency fluctuations from translation of foreign operations	-	-	98	-	98	6	104
Changes in the value of electricity hedges, net of tax	-	-	-35	-	-35	-	-35
Items that will not be reclassified to profit or loss							
Actuarial gains/losses for the year, net of tax	-	-	-	-159	-159	-	-159
Total other comprehensive income	**0**	**0**	**63**	**-159**	**-96**	**6**	**-90**
Total comprehensive income for the year	**0**	**0**	**63**	**563**	**626**	**9**	**635**
Transactions with shareholders							
Dividends	-	-	-	-357	-357	-4	-361
Share-based payments	-	-	-	3	3	-	3
Share swap agreement to repurchase own shares	-	-	-	-16	-16	-	-16
Total transactions with shareholders	**0**	**0**	**0**	**-370**	**-370**	**-4**	**-374**
CLOSING BALANCE Dec 31, 2019	**26**	**7,865**	**148**	**-1,481**	**6,558**	**43**	**6,601**
OPENING BALANCE Jan 1, 2020	**26**	**7,865**	**148**	**-1,481**	**6,558**	**43**	**6,601**
Profit for the year				**-5,949**	**-5,949**	**-2**	**-5,951**
Other comprehensive income							
Items that may be reclassified to profit or loss							
Currency fluctuations from translation of foreign operations	-	-	-214	-	-214	-5	-219
Changes in the value of hedge of net investment in a foreign operation, net after tax	-	-	-18	-	-18	-	-18
Items that will not be reclassified to profit or loss							
Actuarial gains/losses for the year, net of tax	-	-	-	-10	-10	-	-10
Total other comprehensive income, net of tax	**0**	**0**	**-232**	**-10**	**-242**	**-5**	**-247**
Total comprehensive income:	**0**	**0**	**-232**	**-5,959**	**-6,191**	**-7**	**-6,198**
Other adjustments	**0**	**0**	**-71**	**0**	**-71**	**0**	**-71**
Transactions with shareholders							
New share issue and share issue costs	22	1,679	-	-	1,701	-	1,701
Share-based payments	-	-	-	-2	-2	-	-2
Share swap agreement to repurchase own shares	-	-	-	39	39	-	39
Total transactions with shareholders	**22**	**1,679**	**0**	**37**	**1,739**	**0**	**1,739**
CLOSING BALANCE Dec 31, 2020	**48**	**9,544**	**-155**	**-7,402**	**2,035**	**36**	**2,071**

INCOME STATEMENT

PARENT COMPANY

MSEK	Notes	2020	2019
Net sales		**35**	**57**
Operating costs			
Other external costs	04	4	-16
Staff costs	05	-36	-41
Total operating costs		**-32**	**-57**
Operating profit/loss		**3**	**0**
Financial items			
Interest income and similar income	07	243	155
Interest expenses and similar expenses	08	-236	-149
Net financial items		**7**	**6**
Appropriations		**-**	**613**
Profit/loss before tax		**10**	**619**
Income tax	09	-3	-133
PROFIT/LOSS FOR THE YEAR		**7**	**486**

STATEMENT OF COMPREHENSIVE INCOME

PARENT COMPANY

MSEK	Notes	2020	2019
Profit for the year		**7**	**486**
Other comprehensive income			
Items that may be reclassified to profit or loss		-	-
Items that will not be reclassified to profit or loss		-	-
Total other comprehensive income, net of tax		**0**	**0**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**7**	**486**

BALANCE SHEET

PARENT COMPANY

MSEK	Notes	Dec 31, 2020	Dec 31, 2019
ASSETS			
Financial assets			
Participations in Group companies	27	8,415	5,039
Receivables from Group companies		4,537	4,397
Deferred tax assets	23	19	23
Total non-current assets		**12,971**	**9,459**
Current assets			
Current receivables			
Receivables from Group companies	30	4	618
Other current receivables		9	0
Total current assets		**13**	**618**
TOTAL ASSETS		**12,983**	**10,077**

MSEK	Notes	Dec 31, 2020	Dec 31, 2019
EQUITY AND LIABILITIES			
Equity			
Share capital	19	48	26
Total restricted equity		**48**	**26**
Non-restricted reserves		8,051	5,849
Profit for the year		7	486
Total non-restricted equity		**8,058**	**6,335**
Total equity		**8,106**	**6,361**
Liabilities			
Non-current liabilities			
Liabilities to credit institutions		4,526	3,036
Other liabilities		18	23
Total non-current liabilities		**4,544**	**3,059**
Current liabilities			
Liabilities for commercial papers	20	201	487
Other liabilities		27	143
Accrued expenses and prepaid income	24	104	28
Total current liabilities		**333**	**657**
Total liabilities		**4,877**	**3,716**
TOTAL EQUITY AND LIABILITIES		**12,983**	**10,077**

CASH FLOW STATEMENT

PARENT COMPANY

MSEK	Notes	2020	2019
Operating activities			
Operating profit/loss		3	0
Taxes paid		-	-68
Cash flow before changes in working capital		**3**	**-68**
Changes in working capital			
Other current liabilities		-21	11
Cash flows from operating activities		**-18**	**-57**
Investing activities			
Shareholders' contribution to subsidiaries		-3,376	-
Cash flows from investing activities		**-3,376**	**0**
Cash flows after investing activities		**-3,394**	**-57**
Financing activities			
Borrowings, credit institutions	20	4,554	626
Amortization, credit institutions	20	-2,999	-574
New issue of shares		1,701	-
Dividend, share swap agreement		-19	-
Dividends		-	-357
Issue of commercial papers		-279	-513
Financing costs		-38	-6
Interest paid, credit institutions		1	-72
Loans to/from subsidiaries		473	970
Cash flows from financing activities		**3,394**	**74**
CASH FLOW FOR THE YEAR		**0**	**17**
Cash and cash equivalents at the beginning of the year		0	1
Translation differences in cash and cash equivalents		0	-18
Cash flow for the year		0	17
Cash and cash equivalents at end of year		**0**	**0**

CHANGES IN EQUITY

PARENT COMPANY

	Restricted equity	Non-restricted equity		
MSEK	Share capital	Share premium reserve	Retained earnings	Total equity
OPENING BALANCE Jan 1, 2019	**26**	**1,534**	**4,685**	**6,245**
Profit for the year	**-**	**-**	**486**	**486**
Other comprehensive income	**-**	**-**	**-**	**-**
Total comprehensive income for the year	**0**	**0**	**486**	**486**
Transactions with shareholders:				
Dividends	-	-	-357	-357
Share-based payments	-	-	3	3
Share swap agreement to repurchase own shares	-	-	-16	-16
Total transactions with shareholders	**0**	**0**	**-370**	**-370**
CLOSING BALANCE Dec 31, 2019	**26**	**1,534**	**4,801**	**6,361**
OPENING BALANCE Jan 1, 2020	**26**	**1,534**	**4,801**	**6,361**
Profit for the year	**-**	**-**	**7**	**7**
Other comprehensive income	**-**	**-**	**-**	**-**
Total comprehensive income for the year	**0**	**0**	**7**	**7**
Transactions with shareholders				
New share issue and share issue costs	22	1,679	-	1,701
Share-based payments	-	-	-2	-2
Share swap agreement to repurchase own shares	-	-	39	39
Total transactions with shareholders	**22**	**1,679**	**37**	**1,738**
CLOSING BALANCE Dec 31, 2020	**48**	**3,213**	**4,845**	**8,106**

NOTES

Notes common to the Group and the Parent Company. Amounts in MSEK unless otherwise stated.

NOTE 01 Accounting principles

Basis for presentation

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the EU and in accordance with RFR 1 Supplementary accounting principles for groups of companies and the Swedish Annual Accounts Act. The annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and RFR 2 Accounting for legal entities.

The consolidated accounts have been drawn up in accordance with the cost method, except in respect of certain financial assets and liabilities that are valued at fair value in the income statement.

Drawing up annual accounts in accordance with the IFRS requires the use of certain important accounting estimations. The Board of Directors and Executive Committee are also required to make assessments when implementing the company's accounting principles. The areas that include a large degree of assessments that are complex, or areas where assumptions and estimations are significant for the consolidated accounts, are detailed in each note.

Consolidated accounts

The consolidated accounts cover the companies, including branches, in which the Group's ownership is equivalent to at least one half of the votes; these are fully consolidated into the Group. Subsidiaries are entities that are controlled by the Group. The Group controls a company when the investor is exposed, or has rights, to variable returns from its involvement with the company and has the ability to affect those returns through its power over the company. In subsidiaries that are not wholly owned, non-controlling interests are presented as a minority owner's portion of the subsidiary's equity. This is included as part of the Group's equity. The income statement includes the portion attributable to non-controlling interests. Information on the portion of profit/loss that is attributable to non-controlling interests is provided in connection to the income statement.

The Group's business combinations are accounted for using the acquisition method. The target company's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition are recognized at fair value as at the acquisition date. Goodwill and other intangible assets arising from an acquisition are comprised by the amount by which the acquisition cost exceeds the fair value of the recognized assets, liabilities and contingent liabilities of the acquired subsidiary. If the acquisition value is less than the fair value of the acquisition target's assets, liabilities and contingent liabilities, the difference is reported directly in the income statement. Acquisition-related costs are expensed as incurred.

Associates are incorporated in the Group's financial statements using the equity method. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost, adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of the individual investment.

Intra-Group transactions, balances and unrealized earnings from transactions between Group companies are eliminated. Sales between Group companies are priced according to market terms. Intra-Group profits arising in conjunction with intra-Group sales are eliminated in their entirety.

Translation of foreign currency

The consolidated financial statements are presented in Swedish kronor (SEK), which is the functional and reporting currency of the Parent Company. The results and financial position of all Group companies using a functional currency other than the reporting currency are translated into the Group's reporting currency as follows:

- Assets and liabilities for each of the balance sheets are translated at the daily closing rate
- Income and expenditure for each of the income statements are translated at the average exchange rate
- All exchange rate differences that arise are reported in Other comprehensive income and accumulated in the translation reserve in equity.

Transactions in foreign currencies are translated into the functional currency according to the exchange rates that apply on the transaction date or the date on which the items were revaluated. Exchange rate gains and losses that arise when paying such transactions and in the translation of monetary assets and liabilities in foreign currency at the daily closing rate are reported in the income statement.

The below exchange rates were used in the consolidation

Exchange rates	Jan–Dec 2020	Jan–Dec 2019
SEK = EUR		
Income statement (average rate)	10.4867	10.5892
Balance sheet (at end of period)	10.0375	10.4336
SEK = NOK		
Income statement (average rate)	0.9786	1.0747
Balance sheet (at end of period)	0.9546	1.0579
SEK = DKK		
Income statement (average rate)	1.4068	1.4183
Balance sheet (at end of period)	1.3492	1.3968

New and amended International Financial Reporting Standards (IFRS)

New and amended standards adopted by the Group

None of the IFRS or IFRIC interpretations that entered into force in 2020 are expected to have a material impact on the Group.

New standards and interpretations yet to be applied by the Group

No IFRS or IFRIC interpretations yet to be applied are expected to have a material impact on the Group.

The Parent Company's accounting principles

Unless otherwise stated, the Parent Company applies the same accounting principles as the Group.

The Parent Company has prepared its annual accounts in accordance with the Swedish Annual Accounts Act and RFR 2 Accounting for legal entities.

Differences between the accounting principles of the Group and the Parent Company

The Parent Company applies the alternative rule for Group contributions and reports both received and paid Group contributions as appropriations. In this respect, the Parent Company does not comply with IAS 27.

Financial instruments in the Parent Company are not reported according to IFRS 9 in view of the connection between reporting and taxation. Instead, IFRS 7 is applied when applicable and disclosure requirements are applied according to Chapter 5 of the Annual Accounts Act.

Compensation to employees in the Parent Company is not reported according to IAS 19 as the Parent Company, in accordance with RFR 2, applies reporting according to the Pension Obligations Vesting Act. The lease commitments of the Parent Company are reported in accordance with BFNAR 2012:1, which means that the Parent Company does not apply IFRS 16.

NOTE 02 Revenue by type of agreement

2020, MSEK	Sweden	Norway	Finland	Other Europe	Central functions	Group
Lease agreements	2,483	2,220	1,714	1,026	-	7,443
Management agreements	2	-	-	5	-	7
Franchise and partner agreements	4	7	0	-	-	11
Owned	-	9	-	-	-	9
Total	**2,489**	**2,236**	**1,714**	**1,031**	**0**	**7,470**
Other	-	-	-	-	57	57
Group eliminations	-	-	-	-	-57	-57
Group	**2,489**	**2,236**	**1,714**	**1,031**	**0**	**7,470**

2019, MSEK	Sweden	Norway	Finland	Other Europe	Central functions	Group
Lease agreements	6,280	5,294	4,546	2,757	-	18,877
Management agreements	5	-	-	7	-	12
Franchise and partner agreements	6	9	1	-	-	16
Owned	-	40	-	-	-	40
Total	**6,291**	**5,343**	**4,547**	**2,764**	**0**	**18,945**
Other	-	-	-	-	57	57
Group eliminations	-	-	-	-	-57	-57
Group	**6,291**	**5,343**	**4,547**	**2,764**	**0**	**18,945**

§ Accounting principles

Revenue recognition

The Group's revenue consists of the value of goods and services generated in hotels under lease agreements, management and franchise fees and other revenue generated in the Group's operations. All revenue in the Group is recognized in accordance with IFRS 15. Revenue is reported at the fair value of what has been received or will be received and corresponds to the receivable for delivered goods and services, less any discounts given and sales-related taxes. Scandic has no agreed performance obligations that exceed 12 months except for the customer loyalty program described below. Below is a description of the composition of the Group's revenue:

Lease agreements – Revenues from hotel operations, including all revenue from sold rooms, conferences, food and beverage sales and other services. Revenue is reported when the goods or services have been consumed, i.e. during checkout or when the services are invoiced. Revenue from restaurants and other services is included in IFRS 15, while revenue from rooms and conferences is also governed by IFRS 16.

Management fees – Fees from hotels managed by the Group through long-term agreements with hotel owners. Management fees usually consist of a proportion of the revenue and/or profits from the hotel and are recognized in the income statement at the end of the month when they are realizable according to the terms and conditions of the agreement. Invoicing occurs monthly in arrears.

Franchise fees – These are received in conjunction with license fees for the Group's trademarks, generally through long-term agreements with hotel owners. Franchise fees consist of a proportion of the revenue from the hotel and are reported in the income statement based on the underlying terms and conditions of the agreement. The fee is recognized in the income statement at the end of the month and is invoiced monthly in arrears.

Customer loyalty program

The Group has a customer loyalty program where customers are rewarded points for nights spent. These points give the customer future discounts. Revenue from bonus points is reported when the points are redeemed or when they expire, which is 36 months after the points are rewarded. A liability is reported until the points are used or expire. See also Note 22.

In accordance with IFRS 15, the total amount has been allocated to the bonus points based on relative stand-alone sales prices. The method means that the amount that is allocated to the bonus points is higher than the amount that would have been allocated based on the residual value method.

NOTE 03 Segment reporting

Scandic's main markets in which the Group operates are:

Sweden – Swedish hotels operated under the Scandic brand.

Norway – Norwegian hotels operated under the Scandic brand.

Finland – Finnish hotels operated under the Scandic brand as well as under the Hilton, Crowne Plaza and Holiday Inn brands.

Other Europe – hotels operated under the Scandic brand in Denmark, Poland and Germany. These countries have been aggregated into one segment based on the fact that they have similar economic situations, they operate their business in similar ways and they have similar types of customers. They also have the same currency, EUR, or a currency pegged to EUR.

Central functions – costs for financial control, business development, communication, investor relations, technical development, human resources, branding, marketing, sales, IT and purchasing. These central functions support all hotels in the Group, including those under lease agreements or under management and franchise agreements.

The division of revenues between segments is based on the location of the business activities and segment disclosures are determined after eliminating intra-Group transactions. Revenues derive from many customers in all segments.

The segments are reviewed and analyzed based on adjusted EBITDA. Adjusted EBITDA is earnings before amortization and depreciation, the effect of leases, royalties, financial items and taxes and excludes items affecting comparability that are not directly related to the normal operations of the Group, such as transaction and restructuring costs. Adjusted EBITDA also excludes pre-opening costs that refer to expenses for contracted and new hotels before opening day.

2020 **MSEK**	**Sweden**	**Norway**	**Finland**	**Other Europe**	**Central functions**	**Group**
Room revenue	1,755	1,404	1,113	652	-	4,924
Restaurant and conference revenue	688	678	509	358	-	2,233
Franchise and management fees	5	8	0	5	-	18
Other hotel-related revenue	41	145	92	16	-	294
Net sales	**2,489**	**2,236**	**1,714**	**1,031**	**0**	**7,470**
Other income		-		-	-	0
Intra-Group transactions	-	-	-	-	35	35
Group eliminations	-	-	-	-	-35	-35
Total revenue	**2,489**	**2,236**	**1,714**	**1,031**	**0**	**7,470**
Costs	-2,891	-2,284	-2,170	-1,329	-298	-8,972
Adjusted EBITDA	**-402**	**-48**	**-456**	**-298**	**-298**	**-1,503**
Adjusted EBITDA margin, %	-16.2%	-2.1%	-26.6%	-28.9%	-	-20.1%
EBITDA	**-**	**-**		**-**	**-**	**1,387**
EBITDA margin, %	-	-		-	-	18.6%
Depreciation and amortization	-	-		-	-	-6,187
EBIT (operating profit/loss)	**-**	**-**		**-**	**-**	**-4,800**
Net finance income	-	-		-	-	-1,282
EBT (earnings before taxes)	**-**	**-**		**-**	**-**	**-6,081**

2019 **MSEK**	**Sweden**	**Norway**	**Finland**	**Other Europe**	**Central functions**	**Group**
Room revenue	4,309	3,231	2,998	1,878	-	12,416
Restaurant and conference revenue	1,897	1,947	1,398	853	-	6,095
Franchise and management fees	11	11	1	7	-	30
Other hotel-related revenue	74	154	150	26	-	404
Net sales	**6,291**	**5,343**	**4,547**	**2,764**	**0**	**18,945**
Other income	-	-	-	-	-	0
Intra-Group transactions	-	-	-	-	57	57
Group eliminations	-	-	-	-	-57	-57
Total revenue	**6,291**	**5,343**	**4,547**	**2,764**	**0**	**18,945**
Costs	-5,381	-4,804	-3,840	-2,466	-408	-16,899
Adjusted EBITDA	**910**	**539**	**707**	**298**	**-408**	**2,046**
Adjusted EBITDA margin, %	14.5	10.1	15.5	10.8	-	10.8
EBITDA	**-**	**-**	**-**	**-**	**-**	**5,425**
EBITDA margin, %	-	-	-	-	-	28.6
Depreciation and amortization	-	-	-	-	-	-3,281
EBIT (operating profit/loss)	**-**	**-**	**-**	**-**	**-**	**2,144**
Net finance income	-	-	-	-	-	-1,242
EBT (earnings before taxes)	**-**	**-**	**-**	**-**	-	**902**

Assets and investments by segment	**Sweden**		**Norway**		**Finland**		**Other Europe**		**Central functions**		**Group**	
MSEK	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Non-current assets	10,624	10,862	8,466	11,913	13,626	13,923	5,384	5,394	-547	89	37,552	42,181
Investments in non-current assets	206	303	128	291	287	244	78	242	36	75	735	1,155

For definitions of key ratios, see page 136.

§ Accounting principles

Segment reporting

Segments are reported in accordance with IFRS 8 Operating segments. Scandic operates similar businesses with the same type of customers in several countries in Europe. The largest markets for Scandic are Sweden, Norway and Finland. The segments have therefore been identified on a geographic basis and based on the financial importance of each segment.

Management follows up on the segments Sweden, Norway, Finland, Other Europe and central functions. Segment information is reported according to the same model and is followed up by the executive decision-makers: the CEO, the Executive Committee and the Board of Directors.

Revenue and non-current assets by geographic market	Revenue from external customers		Non-current assets	
MSEK	2020	2019	Dec 31, 2020	Dec 31, 2019
Sweden	2,489	6,291	10,624	10,862
Denmark	776	1,979	3,658	3,883
Finland	1,714	4,547	13,626	13,923
Norway	2,236	5,343	8,466	11,913
Poland	29	89	1,722	17
Germany	226	696	3	1,494
Group assets	-	-	-547	89
Total for the Group	**7,470**	**18,945**	**37,552**	**42,181**

The allocation of revenue and assets is based on where the Group is domiciled, i.e. where the individual hotels are located. Scandic does not have any large customers from which revenue exceeds 10 percent of the total revenue of the Group.

NOTE 04 Audit fees

	Group		Parent Company	
MSEK	2020	2019	2020	2019
Audit assignment				
PwC	5	5	-	-
Other	0	0	-	-
Other statutory assignments				
PwC	1	0	-	-
Other	-	-	-	-
Tax advice				
PwC	1	1	-	-
Other	-	-	-	-
Fees for other services				
PwC	2	1	-	-
Other	-	-	-	-
Total	**9**	**7**	**0**	**0**

The auditing assignment includes auditing the Annual Report and accounts as well as the administration of the company by the Board of Directors and CEO, other duties the company auditor must perform as well as advice and other assistance arising from the audit or in carrying out these duties.

The Parent Company's audit fee has been charged to the subsidiary Scandic Hotels AB.

Of the fees for audit assignments, 3 MSEK refers to PwC Sweden, for other statutory assignments, 0 MSEK refers to PwC Sweden, for tax advice, 1 MSEK refers to PwC Sweden and for other services, 1 MSEK refers to PwC Sweden.

Other services mainly refer to services related to certificates for variable rent. Tax advice chiefly refers to compliance services.

NOTE 05 Employees, staff costs and compensation to the Board of Directors

Staff costs MSEK	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Salaries and other compensation	2,737	4,713	23	24
Payroll overhead excluding pension costs	496	780	7	8
Pension costs	258	376	6	9
Total staff costs	**3,490**	**5,869**	**36**	**41**

The Executive Committee of the Group is employed by the Parent Company and the subsidiaries Scandic Hotels Holding AB, Scandic Hotels AB, Scandic Hotel A/S, Scandic Hotels AS and Scandic Hotels Deutschland GmbH.

A 12-month notice period applies if the CEO is terminated by the company and a 9-month notice period applies if the CEO resigns. In addition, the CEO is entitled to severance pay corresponding to 6 months' salary at the end of the employment if the company gives notice of termination or the duties are substantially changed after a change of control in the company, resulting in the CEO's resignation within one year of the change of control.

If other senior executives are terminated by the company, they are entitled to 6 to 12 months of severance pay, and if they resign at their own request, a notice period of 6 months applies.

Compensation and fringe benefits

Compensation to the Board of Directors, SEK	2020 Board fees	Fees for committee work	Fringe benefits	Total
Per G. Braathen, Chairman of the Board	659,318	131,970	-	791,288
Grant Hearn	274,358	151,818	-	426,177
Ingalill Berglund	274,904	148,636	-	423,541
Fredrik Wirdenius	289,275	51,667	-	340,942
Martin Svalstedt	281,198	106,667	-	387,865
Kristina Patek [1]	185,909	38,182	-	224,091
Christoffer Lundström [2]	102,475	20,000	-	122,475
Susanne Mørch Koch [3]	102,475	20,000	-	122,475
Riitta Savonlahti [4]	101,090	33,333	-	134,423
Marianne Sundelius, employee representative	40,000	-	-	40,000
Total compensation	**2,311,003**	**702,273**	**0**	**3,013,275**

1) Kristina Patek was elected to the Board of Directors at the AGM on June 15, 2020.
2) Christoffer Lundström resigned from the Board of Directors at the AGM on June 15, 2020.
3) Susanne Mørch Koch resigned from the Board of Directors at the AGM on June 15, 2020.
4) Riitta Savonlahti resigned from the Board of Directors at the AGM on June 15, 2020.

The Board of Directors waived 30 percent of its fees in the period April–September 2020.

Compensation to the Board of Directors, SEK	2019 Board fees	Fees for committee work	Fringe benefits	Total
Per G. Braathen, Chairman of the Board	766,667	83,333	-	850,000
Ingalill Berglund	346,667	150,000	-	496,667
Grant Hearn	346,667	116,667	-	463,334
Lottie Knutson [1]	113,333	-	-	113,333
Christoffer Lundström	346,667	56,667	-	403,334
Eva Moen Adolfsson [2]	113,333	33,333	-	146,666
Martin Svalstedt	346,667	90,000	-	436,667
Fredrik Wirdenius	346,667	50,000	-	396,667
Susanne Mørch Koch [3]	233,333	40,000	-	273,333
Riitta Savonlahti [4]	233,333	66,667	-	300,000
Marianne Sundelius, employee representative	40,000	-	-	40,000
Total compensation	**3,233,333**	**686,667**	**0**	**3,920,000**

1) Lottie Knutson resigned from the Board of Directors at the AGM on May 7, 2019.
2) Eva Moen Adolfsson resigned from the Board of Directors at the AGM on May 7, 2019.
3) Susanne Mørch Koch was elected to the Board of Directors at the AGM on May 7, 2019.
4) Riitta Savonlahti was elected to the Board of Directors at the AGM on May 7, 2019.

Compensation to senior executives, SEK	2020 Base salary	Variable compensation [1]	Fringe benefits	Pension expense	Total
Jens Mathiesen, President & CEO	7,003,500	1,306,680	684,839	1,932,000	10,927,019
Other senior executives (12 people)	19,396,285	787,137	2,676,007	4,552,495	27,411,924
Total compensation and benefits	**26,399,785**	**2,093,817**	**3,360,846**	**6,484,495**	**38,338,943**

1) Variable compensation includes share-based payments of 99,180 SEK to the CEO and 308,841 SEK to other senior executives.

The number of other senior executives is the total over the year. At year-end, other senior executives included 7 people.

Compensation to senior executives, SEK	2019 Base salary	Variable compensation [2]	Fringe benefits [3]	Pension expense	Total
Jens Mathiesen, President & CEO [1]	5,328,750	3,776,139	286,981	1,554,212	10,946,082
Even Frydenberg, President & CEO	241,667	28,836	13,857,214	159,828	14,287,544
Other senior executives (13 people)	23,402,748	14,279,466	4,832,250	4,998,212	47,512,676
Total compensation and benefits	**28,973,165**	**18,084,441**	**18,976,445**	**6,712,252**	**72,746,302**

1) Jens Mathiesen took over as President and CEO on January 17, 2019 at the same time as Even Frydenberg resigned.
2) Variable compensation includes share-based payments of 742,725 SEK to the CEO and 2,982,175 SEK to other senior executives.
3) Fringe benefits to the former CEO and other senior executives, 1 person, includes severance pay of 4,350,000 SEK as well as salaries and compensation of 920,861 SEK during the notice period.

The number of other senior executives is the total over the year. At year-end, other senior executives included 11 people.

Compensation to the CEO and other senior executives may include fixed salary, variable salary, pension and fringe benefits. Terms and conditions for compensation to senior executives are described in the Corporate Governance Report on page 82.

Pensions

The CEO is covered by a defined contribution pension plan until he reaches the age of 65. The pension premium for the Group's current CEO amounts to 30 percent of the fixed salary. The CEO has no part in the pension liability.

Other senior executives are covered by defined contribution pension plans, and to a lesser extent defined benefit pension plans. The retirement age is in accordance with applicable local laws and collective agreements. Other senior executives' part of the pension liability was 1 (1) MSEK.

Long-Term Incentive Program

Since the IPO in 2015 until 2019, the Annual General Meeting has resolved every year to launch a share-based Long-Term Incentive Program (LTIP). No LTIP was launched in 2020. The share-based Long-Term Incentive Program that was implemented in 2017 (LTIP 2017) expired on the same day that Scandic published its interim report for the first quarter 2020. The allotment according to the program was 127,874 shares and the total cost was 6.7 MSEK.

The LTIP enables participants to receive matching shares and performance shares, provided they make their own investments in shares or allocate shares already held to the program. For each such savings share, the participants in the LTIP 2018 and the LTIP 2019 may, free of charge, be assigned matching shares, of which 50 percent are subject to the meeting of a requirement related to the total return on the shares (TSR) and 50 percent are free of charge. In addition, participants may receive a number of performance shares, depending on the degree of meeting certain performance criteria adopted by the Board of Directors related to EBITDA and cash flow for the 2018–2020 (LTIP 2018) and 2019–2021 (LTIP 2019) financial years, respectively. Matching shares and performance shares will be allocated after the end of a vesting period that ends on the date of publication of Scandic's interim reports for the first quarter 2021 and the first quarter 2022, respectively, subject to the participant remaining a permanent employee within the Group for the entire vesting period and retaining the savings shares.

The expected financial exposure to shares that may be allotted under the LTIP 2018 and the LTIP 2019 and the delivery of shares to the participants has been hedged by Scandic's entering into a share swap agreement with a third party on market terms.

Summary of granted rights in the LTIP:

	2020	2019	2018	2017
As of January 1	614,867	579,546	615,602	516,610
Awarded during the year	0	252,214	236,626	188,510
Exercised during the year	-127,874	-120,132	-246,820	-
Forfeited during the year	-98,901	-96,761	-25,862	-89,518
Total as at December 31	388,092	614,867	579,546	615,602
– of which exercisable on December 31	-	-	-	-

The strike price is 0 SEK.

		Number of rights			
Award date	Expiry date	Dec 31, 2020	Dec 31, 2019	Dec 31, 2018	Dec 31, 2017
December 2, 2015	May 8, 2020	-	-	-	251,952
June 10, 2016	May 14, 2019	-	-	170,162	183,890
September 25, 2017	May 20, 2020		162,689	176,685	179,760
May 31, 2018	April 28, 2021	182,953	203,443	232,699	-
June 14, 2019	April/May 2022 [1)]	205,139	248,735	-	-
Total		**388,092**	**614,867**	**579,546**	**615,602**

1) The expiry date is after the publishing of Scandic's interim report for the first quarter, which is still to be determined.

Fair value calculations

The fair value is measured using a combination of the Black-Scholes model and Monte Carlo simulation. The following input factors were used:

	LTIP 2019	LTIP 2018	LTIP 2017
Share price on the award date, SEK	80.55	85.95	109.75
Duration	2.90 years	2.91 years	2.62 years
Deduction of expected dividends	4%	4%	3%
Risk-free interest	not applicable	not applicable	not applicable
Expected volatility	not applicable	not applicable	not applicable
Fair value, in SEK, on the reporting date, 31 December 2020	59	74	not applicable
Fair value, in SEK, on the reporting date, 31 December 2019	197	151	93

As the strike price (zero) is significantly lower than the share price on the award date, the value has limited sensitivity to expected volatility and risk-free interest.

Cost of share-based payments that are settled in equity instruments

	LTIP 2020		LTIP 2019		LTIP 2018		LTIP 2017[1)]	
MSEK	Group	Parent Company	Group	Parent Company	Group	Parent Company	Group	Parent Company
Expected cost of the entire program			1	0	2	0	6	2
Maximum cost of the entire program			29	7	28	8	30	10
Cost in 2020			-1	0	-2	0	1	0
Cost in 2019			3	1	3	1	2	1
Cost in 2018			-	-	2	0	4	1
Cost in 2017			-	-	-	-	1	0

1) The expected cost of the LTIP 2017 corresponds to the actual cost.

The cost of the programs, which is included in the income statement for the Group, is calculated in accordance with IFRS 2 and distributed over the vesting period. The calculation is based on the following assumptions: (i) an annual dividend yield of 4 percent for the LTIP 2018 and the LTIP 2019; (ii) an estimated annual employee turnover of 10 percent; and (iii) an average fulfillment of each performance condition of 50 to 100 percent.

The participants have invested in the program and may be allocated (iv) a maximum of 276,259 shares for the LTIP 2018 and 309,761 shares for the LTIP 2019, corresponding to approximately 0.3 percent of Scandic's share capital and votes. This calculation took into account the new issue that was carried out at the end of June 2020 and made a corresponding increase in the maximum number of shares and performance shares that can be awarded. In total, the costs of the two remaining programs, 2018 and 2019, are estimated to total 3.1 MSEK, including social security contributions. The estimate is also based on the assumption of an annual share price increase of 10 percent during the program. In the final quarter 2020, a new assessment of the assumptions in the programs regarding the share price was made, where the 2018 program was determined to have an annual reduction of 25 percent and the 2019 program was determined to have an annual reduction of 20 percent.

Assuming that the cap of the program is reached, that the maximum number of matching and performance shares are awarded and that all participants remain in the program until the end of the vesting period, the maximum cost of the two programs will amount to 56 MSEK, including social security contributions.

The expected financial exposure to shares that may be awarded under the LTIP and the delivery of shares to the participants of the LTIP has been hedged through Scandic's entering into a swap agreement with a third party on market terms, whereby the third party undertakes to, in its own name, acquire and transfer shares to the participants.

Average number of employees per country	2020 Average number of employees	2020 of which men	2019 Average number of employees	2019 of which men
Parent Company	10	4		
Sweden			11	4
Subsidiaries				
Sweden	2,541	898	4,951	1,750
Denmark	730	300	1,312	538
Finland	997	299	1,671	501
Norway	1,649	679	3,281	1,348
Poland	84	23	96	27
Germany	141	79	344	193
Total for the Group	**6,152**	**2,282**	**11,666**	**4,361**

Gender distribution of the Board of Directors and Executive Committee on the reporting date	2020 Total	2020 of which men	2019 Total	2019 of which men
Board of Directors	7	4	9	5
Executive Committee	7	6	11	9
Total for the Group	**14**	**10**	**20**	**14**

§ Accounting principles

Severance pay

Employees receive severance pay on termination before the normal retirement age or when they voluntarily accept termination in exchange for such compensation. The Group recognizes severance pay where it is under a manifest obligation either to give notice to employees following a detailed formal plan without the right to rescission or as compensation in the event of termination due to an offer made as an incentive for voluntary resignation. Benefits that fall due more than 12 months after the reporting date are discounted to the present value.

Share-based payments

Scandic has a share-based incentive plan where settlement is made in equity instruments and the Group is provided with services from the employees participating in the program as payment for the equity instruments. The cost of the program amounts to the fair value of the share on the award date multiplied by the number of vested shares and the cost is distributed over the duration of the program. At the end of each reporting period, the Group reviews its assessment of the number of shares that are expected to vest based on the non-market vesting conditions and terms of employment. Any deviation from the initial assessments caused by this review is recognized in the income statement, and corresponding adjustments are made in equity. It may sometimes happen that employees render services before the award date, in which case an estimate of the fair value is made in order to recognize a cost to be distributed over the period between the time when the employee begins performing services and the award date. The social security contributions incurred due to the granting of equity rights are seen as an integrated part of the allotment, and this cost is treated as cash-settled share-based compensation.

Pensions

The Group has both defined benefit and defined contribution plans. For the defined contribution plans, the Group makes payments to public or privately administered pension insurance plans. These payments can either be mandatory, according to an agreement or voluntary. The Group has no further obligations after these payments are made. The fees are reported as staff costs during the period to which they relate. See Note 21 for further information on pension plans.

Share swap agreement to repurchase own shares

Scandic has a swap agreement with Nordea for repurchasing its own shares. This swap agreement is reported as a financial liability for the agreed amount payable on the maturity date and as a deduction from equity. Interest expenses related to the swap agreement are recognized in the income statement in the period they occur. When the agreement has reached the maturity date and the obligation and agreed amounts have been paid, the liability will be derecognized from the balance sheet.

NOTE 06 Items affecting comparability

Items affecting comparability MSEK	Group Dec 31, 2020	Group Dec 31, 2019
Restructuring costs	-269	-11
Sales of operations	-	180
Total	**-269**	**169**

§ Accounting principles

Items affecting comparability refer to items that are not directly related to the Group's normal activities, such as transaction costs when buying or selling a business, integration costs, restructuring costs as well as capital gains/losses from the sale of operations.

NOTE 07 Finance income

Division by income type MSEK	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Interest income	1	2	-	-
Interest income from Group companies	-	-	182	155
Revaluation of derivative instruments	-	7	-	-
Profit/loss from associates	1	2	-	-
Exchange rate gains, net	3	-	61	-
Total	**5**	**11**	**243**	**155**

§ Accounting principles

Finance income and costs

All interest income and interest expenses are recognized at amortized cost. Interest rate derivatives are recognized at fair value through profit or loss. Revaluation of electricity derivatives is recognized as other external costs. Associates are recognized using the equity method.

NOTE 08 Finance costs

Distribution by type of cost MSEK	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Interest expenses, bank	-190	-74	-216	-74
Interest expenses, pension plan	0	-15	-	-
Interest expenses to Group companies	-	-	-4	-13
Interest expenses, leasing	-1,036	-1,144	-	-
Revaluation of derivative instruments	-8	-2	5	-
Exchange rate losses, net	-	-4	-	-48
Share of transaction costs expensed during the year[1)]	-52	-14	-21	-14
Total	**-1,286**	**-1,253**	**-236**	**-149**

1) Part of interest expenses was expensed over the duration of the borrowings, see Note 20.

§ Accounting principles

Finance income and costs

All interest income and interest expenses are recognized at amortized cost. Interest rate derivatives are recognized at fair value through profit or loss. Revaluation of electricity derivatives is recognized as other external costs. Associates are recognized using the equity method.

NOTE 09 Income tax

MSEK	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Tax expense				
Current tax expense	-11	-159	-9	-133
Adjustment of tax for previous year	-401	-51	6	-
Deferred tax relating to temporary differences	-15	-31	-	-
Deferred tax on untaxed reserves	0	7	-	-
Deferred tax relating to loss carry-forwards	498	-1	-	-
Deferred tax relating to IFRS 16	59	57	-	-
Income due to change in tax rate	-	1	-	-
Total tax income/expenses	**130**	**-177**	**-3**	**-133**
Connection between tax expenses for the year and reported profit before tax, MSEK				
Tax in accordance with current rate, 21.4% (21.4%)	1,301	-193	-2	-133
Adjustment of tax expense from previous year	-402	-50	6	-
Tax effect of non-deductible expenses	-685	-41	-8	-1
Tax effect of non-taxable income	2	75	0	-
Adjustment for differing tax rates	-12	-1	-	-
Loss carry-forwards from previous year for which a deferred tax asset has not been reported	-80	31	-	1
Loss carry-forwards from previous year for which a deferred tax asset has been reported	6	-	-	-
Tax effect of changed tax rate on deferred taxes	0	1	-	-
Total tax income/expenses	**130**	**-177**	**-3**	**-133**

The current tax rate, 21.4 percent (21.4 percent), was calculated based on the tax rate applicable to the Parent Company.

In Sweden, the tax rate will be reduced to 20.6 percent as of January 1, 2021. Due to these changes, certain deferred tax assets and deferred tax liabilities were restated depending on when temporary differences will be reversed or when loss carry-forwards will be utilized.

Deferred tax was reported in Other comprehensive income relating to actuarial losses of -3 MSEK (-33) and hedge accounting of 5 MSEK (10).

NOTE 10 Earnings per share

Before dilution Group	2020	2019
Profit/loss for the year attributable to shareholders of the Parent Company, MSEK	-5,949	722
Average number of shares outstanding, before dilution	148,618,805	103,006,267
Earnings per share, before dilution, SEK	-40.02	7.01

After dilution Group	2020	2019
Profit/loss for the year attributable to shareholders of the Parent Company, MSEK	-5,949	722
Average number of shares outstanding, before dilution	148,618,805	103,006,267
Dilutive effect of stock purchase plans	26,886	30,217
Average number of shares outstanding, after dilution	148,645,691	103,036,484
Earnings per share, after dilution, SEK	-40.02	7.01

The calculation of earnings per share is based on the profit/loss for the year attributable to shareholders of the Parent Company divided by the weighted average number of shares outstanding during the reporting period.

When calculating earnings per share after dilution, the average number of shares is adjusted to take into account the dilutive effect of share-based incentive programs offered to employees. Dilution from share-based incentive programs affects the number of shares and only occurs when the strike price is less than the share price.

The potential shares are not viewed as dilutive if they result in better earnings per share after dilution, which is the case when there is a loss for the year.

NOTE 11 Intangible assets

Group, MSEK	2020 Acquisition value	2020 Accumulated amortization	2020 Reported residual value	2019 Acquisition value	2019 Accumulated amortization	2019 Reported residual value
Goodwill						
Opening balance	6,680	-39	6,641	6,571	-11	6,560
Increase through business combinations	-	-	-	-	-	0
Sale of Group companies	-	-	0	-30	-	-30
Impairment	-	-2,678	-2,678	-	-	-
Reclassifications	-75	-38	-114	38	-	38
Exchange rate differences	-207	95	-112	101	-28	73
Closing balance	**6,397**	**-2,660**	**3,737**	**6,680**	**-39**	**6,641**
Trademarks						
Opening balance	3,260	-113	3,147	3,236	-80	3,156
Increase through business combinations	-	-	0	-	-32	-32
Amortization for the year	-	-21	-21	-	-	-
Impairment	-	-228	-228	-	-	-
Reclassifications	-61	-	-61	-	-	-
Exchange rate differences	-12	9	-3	24	-1	23
Closing balance	**3,187**	**-352**	**2,835**	**3,260**	**-113**	**3,147**
Other intangible assets						
Opening balance	432	-279	153	423	-240	183
Reclassifications	2		2	-	-	0
Procurement	-	-	0	1	-	1
Amortization for the year	-	-29	-29	-	-36	-36
Exchange rate differences	-25	14	-10	8	-3	5
Closing balance	**409**	**-294**	**115**	**432**	**-279**	**153**
Total intangible assets						
Opening balance	10,372	-431	9,941	10,230	-331	9,899
Sale of Group companies	-	-	0	-30	-	-30
Reclassifications	-134	-38	-172	38	-	38
Procurement	-	-	0	1	-	1
Impairment	-	-2,906	-2,906	-	-	-
Amortization for the year	-	-50	-50	-	-68	-68
Exchange rate differences	-245	119	-126	133	-32	101
Closing balance	**9,993**	**-3,306**	**6,687**	**10,372**	**-431**	**9,941**

Goodwill and trademarks, MSEK	Goodwill Dec 31, 2020	Goodwill Dec 31, 2019	Trademarks Dec 31, 2020	Trademarks Dec 31, 2019[1]	Total Dec 31, 2020	Total Dec 31, 2019
Sweden	725	1,836	2,312	2,312	3,037	4,148
Norway	681	1,756	508	579	1,189	2,335
Finland	2,328	2,881	15	30	2,343	2,911
Other Europe	3	168	0	226	3	394
Total goodwill and trademarks	**3,737**	**6,641**	**2,835**	**3,147**	**6,572**	**9,788**

1) The Scandic Hotels trademark, which has an indefinite useful life, has a residual value as per December 31, 2020 of 2,802 (3,081) MSEK. The full amount is recognized in Sweden.

Impairment testing

Goodwill and other intangible assets are tested for impairment annually and at any given time when indications of impairment are identified. The Group has four cash-generating units: Sweden, Norway, Finland and Other Europe, see also Note 03.

The recoverable amount of cash-generating units is determined based on value-in-use calculations. These calculations are based on estimated future cash flows after tax based on a six-year period. The cash flow for 2021 is based on a budget adopted by the Board of Directors of the company and, from 2022 to 2026, on the company's long-term forecast.

From 2021–2026, annual revenue growth is expected to be in the range of 17–26 percent. The revenue growth of the Scandic Group is estimated to be 19 percent. Revenue growth forecasts are based on industry data on market trends and revenue is expected to increase gradually but only exceed 2019 levels at the end of the forecast period. With regard to new hotels, historic experience of the development of new and refurbished hotels was used. Cost forecasts are based on industry data on inflation and wage trends and historical experience.

Market growth was estimated at 2 (2) percent per year after the forecast period of 2021–2026. When calculating value-in-use, a discount rate after tax and a sustained growth rate were used in accordance with the following table.

Due to negative effects of Covid-19 on Scandic's operations, non-current assets were tested for impairment in connection with the preparation of the interim report for the first quarter. The impairment test showed an impairment of intangible assets of 2,955 MSEK. The impairment primarily involved assets in Norway and Sweden, but also in Denmark and Finland. Approximately 85 percent of the impairment was due to the increased discount rate caused by estimated increased risk and ensuing return requirements on hotel operations. The remaining part of the impairment was due to the fact that future cash flows are expected to be somewhat lower.

Corresponding impairment testing was performed at year-end and showed no additional impairment losses for any of the segments.

If the discount rate is increased by 1.0 percentage points, there will be an impairment loss of 177 MSEK and if the EBITDA margin decreases by 1.0 percentage points, there will be an impairment loss of 167 MSEK. For the interest rate applied per country, see the table below.

	Sweden	Norway	Finland	Other Europe
Forecast period, years	6 (5)	6 (5)	6 (5)	6 (5)
WACC rate, before tax, %	9.6 (8.3)	9.2 (9.2)	9.6 (8.2)	9.7 (8.1)
Terminal growth rate, %	2 (2)	2 (2)	2 (2)	2 (2)

§ Accounting principles

Intangible assets

Goodwill

Goodwill represents the excess of the value of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired operation on the date of acquisition. Goodwill resulting from business combinations is reported as an intangible asset. Goodwill recognized is tested annually for impairment and is reported at the acquisition value less the accumulated impairment.

Goodwill is allocated across cash-generating units when tested for impairment. The allocation is made to the cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

A contingent consideration of 17 MSEK was paid during the first quarter 2018 for the acquisition of Restel Hotellit Oy and is fully recognized as an increase in goodwill.

Trademarks

Acquired trademarks are recognized at historical cost less amortization and any impairment. The Scandic Hotels trademark has an indefinite useful life and is not amortized but is instead tested annually for impairment. In the acquired companies in the Scandic Group, the Scandic Hotels trademark has existed in the market since 1984 and currently forms the basis of the Group's operations. The trademark is used in all markets where the companies are established.

The Rica Hotel brand, which was acquired in April 2014, and the Cumulus brand, which was acquired in December 2017, have a finite useful life of eight years. In 2018, the amortization period of the Cumulus brand was reassessed and changed to four years. The remaining amortization period as at December 31, 2020, is therefore one year. Amortization is carried out on a straight-line basis over the estimated useful life.

Other intangible assets

Other intangible assets include customer relationships identified in connection with the acquisition of Rica Hotels and the acquisition of Restel Hotellit Oy. Customer relationships have a defined useful life of ten years and are amortized on a straight-line basis over the estimated useful life.

Development costs that are directly attributable to the development of identifiable systems for operations are also capitalized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- it is the company's intention to complete the software and to use it;
- there is an ability to use the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

! Important estimates and assumptions for accounting purposes

The estimates that may have the greatest effect on the future performance and position of the Group are the assumptions made when considering the impairment of intangible assets. Every year, the Group tests goodwill and trademarks for impairment in accordance with the accounting principle described above. Recoverable amounts for cash-generating units were determined through calculation of the value-in-use. Assumptions made in this calculation are described in the table in the section Impairment testing from which it can be seen that revenue is expected to rise in coming years. Should growth be considerably weaker, an impairment loss that significantly affects the Group's performance and position may arise.

NOTE 12 Property, plant and equipment

Group, MSEK	2020 Acquisition value	2020 Accumulated depreciation and impairment	2020 Reported residual value	2019 Acquisition value	2019 Accumulated depreciation	2019 Reported residual value
Land and buildings [1]						
Opening balance	114	-25	89	1,788	-112	1,676
Reversed finance lease according to IAS 17 as of January 1, 2019 [2]	-	-	0	-1,677	89	-1,588
Depreciation for the year	-	-2	-2	-	-2	-2
Exchange rate differences	-10	2	-8	4	1	5
Closing balance	**104**	**-25**	**79**	**114**	**-25**	**89**
Furniture, fittings and equipment						
Opening balance	11,001	-6,247	4,754	10,054	-5,695	4,359
Procurement	751	-	751	1,155	-	1,155
Retirements/disposals	-136	130	-6	-342	309	-34
Depreciation for the year	-	-794	-794	-	-774	-774
Impairment for the year	-	0	0	-	-14	-14
Exchange rate differences	-483	306	-177	135	-73	62
Closing balance	**11,133**	**-6,605**	**4,528**	**11,001**	**-6,247**	**4,754**
Total property, plant and equipment						
Opening balance	11,115	-6,271	4,844	11,842	-5,806	6,035
Reversed finance lease according to IAS 17 as of January 1, 2019 [2]	-	-	0	-1,677	89	-1,588
Procurement	751	-	751	1,155	-	1,155
Retirements/disposals	-136	130	-6	-342	309	-34
Depreciation for the year	-	-796	-796	-	-776	-776
Impairment for the year	-	0	0	-	-14	-14
Exchange rate differences	-495	308	-187	138	-72	66
Closing balance	**11,235**	**-6,629**	**4,606**	**11,115**	**-6,271**	**4,844**

1) Of buildings and land, 79 (89) MSEK of the reported residual value relates to the property in Gardermoen in Oslo, Norway.

2) Reversed value refers to finance leases according to IAS 17 from 2018. As of January 1, 2019, these are included in the table for right-of-use assets below.

Inventories, installations and equipment include ongoing new establishments of 470 MSEK (375).

In connection with the acquisition of Restel Hotellit Oy, 10 of the acquired lease agreements were identified as finance leases according to the definition in IFRS 16. The lease payments consisted of both minimum lease and variable fee payments. The lease agreements had a remaining term of up to 30 years and depreciation is calculated over the same term. These agreements have been recognized in accordance with IFRS 16 since 2019. For 2020, the remaining agreements are included in the table below, in accordance with IFRS 16.

Right-of-use assets

Group, MSEK	Dec 31, 2020 Acquisition value	Dec 31, 2020 Accumulated depreciation	Dec 31, 2020 Carrying amount	Dec 31, 2019 Acquisition value	Dec 31, 2019 Accumulated depreciation	Dec 31, 2019 Carrying amount
Buildings						
Opening balance	40,820	-14,150	26,670	36,473	-11,673	24,800
Adjustment of new right-of-use assets	2,563	-	2,563	3,921	-	3,921
Depreciation for the year	-	-2,396	-2,396	-	-2,393	-2,393
Exchange rate differences	-1,682	528	-1,154	426	-85	341
Closing balance	**41,701**	**-16,018**	**25,683**	**40,820**	**-14,150**	**26,670**
Furniture, fittings and equipment						
Opening balance	226	-115	111	193	-84	109
Adjustment of new right-of-use assets	19	-	19	27	-	27
Depreciation for the year	-	-30	-30	-	-29	-29
Exchange rate differences	-8	5	-3	6	-2	4
Closing balance	**237**	**-140**	**97**	**226**	**-115**	**111**

Lease-related amounts included in the income statement

Group	2020	2019
Depreciation of right-of-use assets	-2,426	-2,422
Interest expense, lease liabilities	-1,036	-1,144
Expenses related to short-term leases	-6	-7
Expenses related to leases of low value	-18	-34
Variable lease expenses not included in the lease liability	-424	-1,696

Total cash outflow for lease agreements amounted to 3,191 MSEK in 2020 (3,291).

§ Accounting principles

Property, plant and equipment

Land and buildings comprise mainly hotel buildings. Land and buildings are reported at the Group's acquisition value based on a external valuation made in conjunction with the business combination less subsequent depreciation of buildings.

Buildings are subject to component depreciation, where different parts of the building are depreciated based on differing useful lives. The depreciation period for buildings is between 25 and 50 years. Land is not subject to depreciation.

Furniture, fittings and equipment are reported at the acquisition value less depreciation and impairment. The acquisition value includes expenditure that is directly attributable to the acquisition of the asset. Assets are depreciated on a straight-line basis over the calculated useful life, which varies depending on the character of the assets. Assets consist of various types of furniture, fittings and equipment such as furniture, fixtures and fittings in hotel rooms and shared spaces, kitchen equipment and IT equipment, with varying useful lives. For this reason, several depreciation periods are used. In general, IT equipment is depreciated over 3 years, while other fixtures and fittings, installations and equipment are depreciated over 3 to 20 years.

Furniture, fittings and equipment with a useful life of less than 3 years are reported as expenses in the income statement.

Right-of-use assets

As of January 1, 2019, the Group applies IFRS 16 to lease agreements. This means that lease agreements are recognized as right-of-use assets and a corresponding lease liability on the date when the leased asset is available to the Group. Assets and liabilities arising out of lease agreements are initially recognized at present value. The lease liability includes the present value of future lease payments in the form of fixed fees as well as index. Lease payments that are expected to be made for reasonably certain options to extend are also included in the lease liability. The Group also has commitments for lease agreements that have been signed but where the term of the lease has not yet started. These agreements are not included in the lease liability, as the right-of-use asset is not yet available to Scandic. By the end of 2020, these obligations amounted to approximately 14 billion SEK (13) in future undiscounted lease payments. The right-of-use assets are recognized at the acquisition value and include the amount at which the lease liability was initially recognized as well as lease fees paid on or before the starting date. Lease payments are allocated between repayments of the principal and interest. Interest is recognized in the income statement over the term of the lease. The right-of-use asset is normally depreciated on a straight-line basis over the shortest of the useful life and the term of the lease. Revenue-based rents are recognized as variable rental expenses in profit or loss in the period in which the condition that triggers those payments occurs.

In all material respects, the Group's lease commitments refer to the premises at which Scandic's hotel operations are carried out. In addition, Scandic leases vehicles, machines and other equipment. In most lease agreements for premises, the majority of the rental cost is dependent on the revenue from the leased premises. Scandic has three different types of lease agreements: those that comprise only fixed rental fees, those that comprise a combination of fixed fees and revenue-based fees and finally, those where the rent is fully revenue-based.

The Group is exposed to potential future increases in lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are discounted using the interest rate implicit in the lease agreement. If this rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate should be used. The marginal interest is calculated based on how the underlying asset, a building, should have been financed in a corresponding term period as the lease agreements, via an evaluated marketable split between senior and junior loans. For a maturity analysis of the lease liabilities, see Note 20.

Scandic has lease agreements in all countries where the Group operates, and the same discount rate has been used for portfolios of agreements that are in the same country. Lease agreements of low value, less than 50,000 SEK, and lease agreements with a term of less than 12 months are not included in the lease liability but are expensed on a straight-line basis over the leasing period. Direct acquisition expenses in the valuation of right-of-use assets have also been excluded. See also Note 20b for a maturity analysis of lease liabilities.

In 2020, Scandic received 469 MSEK in state aid in the form of rent concessions. These were recognized as a cost reduction when there was reasonable assurance that the conditions associated with the aid would be met.

! Important estimates and assumptions

Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be measured reliably.

All other forms of maintenance of property, plant and equipment are reported as expenses in the income statement.

If there is an impairment loss, property, plant and equipment are written down to the lowest of the recoverable amount and the reported value.

NOTE 13 Interests in associates

Group, MSEK	Share Dec 31, 2020	Share Dec 31, 2019	Carrying amount Dec 31, 2020	Carrying amount Dec 31, 2019
Gress-Gruppen AS	33%	33%	10	11
Aulangon Kylpylä Oy	25%	25%	8	9
Rukan Kokouskeskus Oy	33%	33%	2	2
Total			**20**	**22**

Gress-Gruppen AS is one of Norway's largest purchasing companies in which Scandic and the other owners and paying members combine their purchasing volumes. The purpose of the ownership is to ensure efficient purchasing and achieve the best possible commercial terms from suppliers.

Aulangon Kylpylä Oy and Rukan Kokouskeskus Oy were included in the Restel acquisition made by the Group at the end of 2017. Both companies are cooperating regarding spa and conference facilities at two hotels in Finland.

Changes during the year, MSEK	2020	2019
Accumulated acquisition values, opening balance	22	22
Exchange rate differences	-2	-
Accumulated acquisition values, closing balance	**20**	**22**

§ Accounting principles

Investments in associates

An associate is an entity over which the Group has significant influence that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the company's financial and operating strategy decisions but does not entail direct or indirect control of such strategic decisions. There is generally significant influence if the company holds shares or participations ranging from 20 percent to 50 percent of the voting rights.

The share of profits from associates represents the company's share in profit or loss (after tax) from these associates and is recognized directly in the income statement. Transactions and balances with associates were immaterial in 2020 and 2019.

NOTE 14 Financial investments

The Group's changes during the year, in MSEK	Dec 31, 2020	Dec 31, 2019
Accumulated acquisition values, opening balance	7	9
Impairment	0	-2
Exchange rate differences	-1	0
Accumulated acquisition values, closing balance	**6**	**7**

Financial investments on the reporting date consisted of approximately 70 (70) minor investments.

NOTE 15 Inventories

The Group's inventories consist entirely of raw materials, mainly for restaurant operations.

§ Accounting principles

Inventories

Inventories are stated at the lower of the acquisition value and net realizable value. The acquisition value is determined using the first in, first out (FIFO) principle.

NOTE 16 Trade receivables

Trade receivables, gross values, MSEK	Dec 31, 2020	Dec 31, 2019
Total trade receivables	155	656
Less provisions for credit losses	-2	-7
Trade receivables, book value	**153**	**649**

Change in provision for credit losses	Dec 31, 2020	Dec 31, 2019
January 1	-7	-11
Provision for doubtful trade receivables	-3	-2
Receivables written off during the year as uncollectable	6	3
Reversed unutilized amount	2	3
Exchange rate difference	0	0
December 31	**-2**	**-7**

Age analysis, MSEK	Dec 31, 2020	Dec 31, 2019
Current receivables	109	425
Receivables, 1–30 days past due	37	193
Receivables, 31–60 days past due	2	25
Receivables, 61–90 days past due	2	5
Receivables, 91–120 days past due	1	6
Receivables, more than 120 days past due	4	3
Trade receivables, book value	**155**	**656**

§ Accounting principles

Loan receivables and trade receivables

The Group's loan receivables and trade receivables are recognized in accordance with IFRS 9 in the category Financial assets at amortized cost.

Financial assets should meet the following criteria to be measured at amortized cost:

- the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows; and
- the contractual terms for the financial asset give rise to cash flows at specific times that are solely payments of principal and interest on the outstanding principal.

Financial assets are not reclassified after initial recognition, except if the Group changes the business model for the management of the financial assets.

These receivables should be valued at amortized cost using the effective interest method, but as trade receivables have very short durations and the interest effects are very small, the reported value of the Group is not deemed to diverge materially from the fair value. Loan receivables are subject to variable interest, so the fair value is also not considered to diverge materially from the recognized value. Loan receivables and trade receivables are therefore recognized at the acquisition value, less any credit loss provisions.

! Important estimates and assumptions

According to IFRS 9, the provision for credit losses on doubtful trade receivables should be calculated based on an impairment model for expected future credit losses. According to this model, expected changes in the customers' markets should also be considered. Since the majority of Scandic's sales are paid at booking or when staying at the hotel, the part that is invoiced is very small.

The Group applies the simplified method for trade receivable provisions. This means that a provision is made in the amount of the expected credit losses for the remaining term. The provision amount is reported in the income statement. An impairment loss for trade receivables is recognized when there is objective evidence that the Group will not be able to recover all of the amounts due in accordance with the original terms and conditions of the trade receivables.

NOTE 17 Prepaid expenses and accrued income

Distribution by type of cost MSEK	Group Dec 31, 2020	Group Dec 31, 2019	Parent Company Dec 31, 2020	Parent Company Dec 31, 2019
Prepaid rent	149	199	-	-
Other prepaid expenses	245	170	-	-
Accrued income	29	60	-	-
Total	**423**	**429**	**0**	**0**

NOTE 18 Cash and cash equivalents

MSEK	Group Dec 31, 2020	Group Dec 31, 2019	Parent Company Dec 31, 2020	Parent Company Dec 31, 2019
Cash at bank and in hand	14	26	0	0
Total cash and cash equivalents	**14**	**26**	**0**	**0**

The Parent Company does not have any bank balances as all excess liquidity is used to amortize long-term loans. This also explains the decrease in cash and cash equivalents for the Group compared with the previous year.

§ Accounting principles

Cash and cash equivalents include cash, bank balances and other current investments with a due date within three months of the time of acquisition.

NOTE 19 Share capital

	Ordinary shares	Total number of outstanding shares	Share capital, SEK	Quota value, SEK
Number of shares on December 31, 2019	102,985,075	102,985,075	25,746,269	0.25
Number of shares on December 31, 2020	191,257,993	191,257,993	47,796,175	0.25

NOTE 20A Borrowings

Changes during the year, MSEK	Liabilities to credit institutions	Commercial papers	Leases	Total borrowings
Opening balance Jan 1, 2019	**2,940**	**1,000**	**1,606**	**5,546**
Effect of IFRS 16 as at Jan 1, 2019	-	-	24,984	24,984
Borrowings	372	-	-	372
Increase through business combinations		-	-	0
Capitalization of interest	-	-	-	0
Capitalization of transaction costs[1)]	-6	-	-	-6
Transaction costs expensed during the year[1)]	14	-	-	14
Amortization	-574	-513	-2,147	-3,234
Sales	-	-	-	0
Changes in overdraft facilities	254	-	-	254
New financial liabilities according to IFRS 16, net	-	-	3,906	3,906
Exchange rate differences	36	-	428	464
Closing balance Dec 31, 2019	**3,036**	**487**	**28,777**	**32,300**
Opening balance Jan 1, 2020	**3,036**	**487**	**28,777**	**32,300**
Borrowings	4,673	-	-	4,673
Capitalization of transaction costs[1)]	-41	-	-	-41
Transaction costs expensed during the year[1)]	45	-	-	45
Amortization	-2,999	-286	-2,155	-5,440
Changes in overdraft facilities	-119	-	-	-119
New financial liabilities according to IFRS 16, net	-	-	2,698	2,698
Exchange rate differences	-69	-	-1,301	-1,370
Closing balance Dec 31, 2020	**4,526**	**201**	**28,019**	**32,746**

1) Refers to transaction costs for the renegotiation of credit facilities in May 2020, which have been capitalized. The old transaction costs were expensed in total in 2020.

The Group's external loans partly refer to an original facility of 5,500 MSEK, which expires on June 22, 2022, comprising a fixed loan of 1,500 MSEK and a revolving part of 4,000 MSEK, as well as a new revolving facility of 1,150 MSEK, which expires on December 31, 2021, that was entered into in May 2020. The interest rate is STIBOR plus a margin of 1.00 to 4.50 percent.

For all loans, the margin within the range is dependent on the company's indebtedness. The terms and conditions of the loan stipulate that the following covenants should be within certain limits: available liquidity risk and adjusted EBITDA. At each measurement period and on the reporting date, all terms and conditions of the loan were met. No amortization is required, and no collateral has been pledged for the loans. The Board of Directors closely monitors the company's financial position with respect to the fulfillment of the terms and conditions of the loans.

The lease liability consists of future rent payments that are discounted to the present value and recognized as a lease liability. See also Note 12.

With the unutilized part of the revolving credit facility as a backup, a 2,000 MSEK commercial paper program was established. On the reporting date, 201 MSEK was utilized. The commercial papers in issue have a maturity of up to three months.

§ Accounting principles

Borrowings

Borrowings are financial liabilities that are initially reported at fair value, net of transaction costs incurred. Borrowings are subsequently reported at amortized cost and any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as liabilities to credit institutions and as leases in the balance sheet. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

As of January 1, 2019, the Group applies IFRS 16 to lease agreements, which means that the majority of all former operating leases are recognized as lease liabilities.

NOTE 20B Financial risk management

Market risk – foreign exchange

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

Risk management

Foreign exchange risk arises when future business transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency. The operations of the Scandic Group companies are mainly local, with revenues and expenses denominated in domestic currencies, and intra-Group sales are low. This means that the exchange rate exposure related to transactions is limited. According to the Group's Finance Policy, which requires Group companies to manage their foreign exchange risk against their functional currency, the Group companies shall hedge their foreign exchange risk in major future business transactions via Group Finance. To manage the foreign exchange risk arising from future business transactions, the Group companies use forward contracts signed with Group Finance. Exchange rate effects in the Group arise from the translation of foreign subsidiaries' financial statements into SEK. Of the Group's sales during the year, 33 percent (33) were in SEK, 30 percent (28) in NOK and 37 percent (39) in EUR and other currencies.

Borrowings in EUR and NOK are matched by the Parent Company's loans to subsidiaries. The currency exposure arising from internal loans to the Group's foreign operations is reduced by borrowing in the corresponding currencies, which is referred to as a natural hedge.

The Group's borrowings broken down by currency are shown in the table below. The Board of Directors has resolved that other currency risks for assets and liabilities should not be hedged.

	Dec 31, 2020	Dec 31, 2019
Group borrowings by currency		
SEK, %	80	72
EUR, %	14	10
NOK, %	6	18

Sensitivity analysis

The book value of liabilities to credit institutions is exposed to currency risk for the part where the borrowing is in a foreign currency. The sensitivity analysis below presents how changes in relevant foreign currencies affect the book value of liabilities to credit institutions as well as net debt.

Sensitivity analysis for currencies as at Dec 31, 2020	Change, %	Effect on net debt, MSEK
Exposure of liabilities to credit institutions at a change in:		
NOK/SEK	+/-1	+/-3
EUR/SEK	+/-1	+/-7

Market risk – interest rate

Interest rate risk arises from changes in market interest rates that can have a negative effect on the Group's revenue, cash flow and interest-bearing assets and liabilities.

Risk management

As the Group has no significant interest-bearing assets, the Group's revenues and cash flow from operating activities are essentially independent of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings. Loans issued with variable interest expose the Group to interest rate risk related to cash flow. Loans issued with fixed interest expose the Group to interest rate risk related to the fair value. The Group's Finance Policy stipulates that 25 to 75 percent of Scandic's loans must be taken at fixed interest rates. Any deviations from the policy must be approved by the Board of Directors. When needed, the Group uses interest rate swaps to achieve this. The Group's borrowings on the reporting date are shown below.

The Group normally takes out long-term loans at variable interest rates and converts them into fixed interest rates using interest rate swaps. In such transactions, the Group agrees with other parties to exchange, at specified intervals, the difference between the agreed fixed and variable interest rates, calculated based on the agreed nominal value.

	Dec 31, 2020	Dec 31, 2019
Group borrowings by fixed and variable interest		
Fixed interest, %	26	37
Variable interest, %	74	63

All external borrowings at fixed interest rates are arranged using interest rate swaps.

Credit risk

Credit risk refers to the risk that counterparties cannot fulfill their obligations. Credit risk arises from cash and cash equivalents, derivative instruments and deposits with banks and financial institutions as well as credit exposures to customers, including outstanding receivables and agreed transactions.

Risk management

Credit risk is managed on the Group level. Only banks and financial institutions that have received an independent minimum credit rating of A-1 are accepted. In cases where no independent credit rating is available, a risk assessment of the customer's creditworthiness is carried out based on the customer's financial position, previous experience and other factors. The use of credit limits is followed up regularly. Sales in the company's operations are primarily settled in cash or by commonly occurring credit cards, although invoicing is also used. Provisions for bad debt loss as at December 31, 2020, amounted to 3 MSEK (2), see also Note 16.

Maturity analysis for financial liabilities

Group, MSEK	< 1 year	1–3 years	3–5 years	> 5 years
As at December 31, 2020				
Liabilities to credit institutions [1]	170	4,637	-	-
Commercial papers	201	-	-	-
Derivative instruments [2]	4	-	-	-
Trade payables and other liabilities	316	-	-	-

Group, MSEK	< 1 year	1–3 years	3–5 years	> 5 years
As at December 31, 2019				
Liabilities to credit institutions [1]	74	3,178	-	-
Commercial papers	487	-	-	-
Derivative instruments [2]	-	0	-	-
Trade payables and other liabilities	767	-	-	-

1) Liabilities to credit institutions includes future cash flows related to liabilities such as future interest payments.
2) Market value as at December 31.

Maturity analysis of lease liabilities

Group, MSEK	Dec 31, 2020	Dec 31, 2019
Years 1–3	8,541	9,551
Years 3–5	5,330	5,457
Years 5–10	11,144	11,573
Years 10–15	7,020	7,211
Years <15	6,922	5,316
Total payments	**38,957**	**39,108**
Effect of discounted amounts	-10,938	-10,331
Total liabilities according to balance sheet	**28,019**	**28,777**
Classification:		
Non-current liabilities	26,169	26,661
Current liabilities	1,850	2,116

The above maturity analysis includes agreed undiscounted cash flows.

Liquidity risk

Liquidity risk is the risk that the Group will not have sufficient liquidity to pay its debts and meet its commitments.

Risk management

Liquidity risk is managed by maintaining within the Group sufficient cash and cash equivalents and short-term investments with a liquid market, available financing through agreed credit facilities and the ability to close market positions. The Group's liquidity in the form of cash and cash equivalents and short-term investments is monitored and forecast on a daily basis by Group Finance. The Group's liquidity reserve on December 31, 2020, consisting of cash and unutilized credit facilities, amounted to 1,241 MSEK (1,973).

Sensitivity analysis for the interest rate swap as at Dec 31, 2020	Change, %	Effect on profit or loss, MSEK
Interest expense at the current fixed interest rate in the event of a change in interest rates	+/-1	+/-34
Interest expense in the event of a change in the average interest rate level	+/-1	+/-48

The effect on equity is the same as on profit or loss.

If the variable market rate differs from the current fixed rate of the interest rate swap, a theoretical over or undervaluation of the financial instrument will occur. Interest rate swaps are recognized at fair value in Other comprehensive income and the change in value, which does not impact cash flow, is recognized in profit or loss for the year. The sensitivity analysis is based on net debt.

Electricity derivatives

Since July 1, 2018, the Group has used cash flow hedging to hedge against fluctuations in electricity prices. The electricity derivatives used by the Group have been identified as cash flow hedges. The relationship between the hedge instrument and the hedged risk is documented when the cash flow hedge is set up. Effectiveness testing is carried out at the starting point of the hedge and further on a monthly basis during the term of the cash flow hedge. The effective part of the value change in the derivatives, which meets the requirements for cash flow hedging, is recognized in Other comprehensive income. The ineffective part of the value change in the derivatives is recognized directly in Other external costs. The effective part of the hedge is recognized in Other external costs when the hedged item affects profit or loss.

In 2020, the ineffective part of the value change for electricity derivatives amounted to 1 MSEK (-2).

NOTE 20C Capital risk management

The Group's goal for capital structure is to safeguard the ability to maintain its operations so that it can continue to generate returns for shareholders and benefits for other stakeholders and maintain an optimal capital structure to keep capital costs down.

The Group's managed capital is made up of shareholders' equity. To maintain or adjust the capital structure, the Group may change the dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce liabilities.

Just like other companies in the industry, the Group evaluates its capital based on the debt/equity ratio. This key ratio is calculated as interest-bearing net debt divided by equity. Interest-bearing net debt is calculated as liabilities to credit institutions and commercial papers less cash and cash equivalents.

Group, MSEK	Dec 31, 2020	Dec 31, 2019
Total borrowings	32,746	32,300
Less: leases	-28,019	-28,777
Less: cash and cash equivalents	-14	-26
Interest-bearing net liabilities	4,713	3,497
Total equity	2,071	6,601
Debt/equity ratio	2.3 x	0.5 x

	Dec 31, 2020		Dec 31, 2019	
Maturity dates, MSEK	Liabilities to credit institutions	Commercial papers	Liabilities to credit institutions	Commercial papers
Liabilities due for payment				
– within 1 year	-	201	-	487
– between 1 and 5 years	4,526	-	3,036	-
– in more than 5 years	-	-	-	-
Total	**4,526**	**201**	**3,036**	**487**

Revolving credit facility, MSEK	Dec 31, 2020	Dec 31, 2019
Amount utilized	3,273	2,053
Amount not utilized	1,227	1,947
Total revolving credit facility	**4,500**	**4,000**

NOTE 21 Provisions for pensions and similar obligations

Provisions for pensions and similar obligations refer in their entirety to defined benefit pension plans in which the employees have the right to benefits after their employment ends and where the level of benefits is based on final salary and length of service. Provision for such plans has been made for FPG/PRI occupational pensions in Sweden. In other countries, defined contribution pension plans have been adopted. The defined benefit plan in Sweden provides the employees that are covered by the pension plan with a guaranteed level of pension payments during their lifetime. The defined benefit plan is adjusted according to a long-term inflation target of 2 percent which corresponds to assumptions about inflation from the Swedish Central Bank. As of January 1, 2021, the earning of new premiums will be made via Alecta instead of via PRI.

Defined benefit pension plans

Calculation of provision, MSEK	Dec 31, 2020	Dec 31, 2019
Present value of obligations	920	872
Fair value of plan assets	-	-
Total provision for defined benefit pension plans	**920**	**872**

Changes in provision during the year, MSEK	2020	2019
Net liability, opening balance	872	627
Revaluations of net pension obligation reported in Other comprehensive income[1]	10	164
Net expense reported in the income statement	39	44
Pensions paid	-6	-6
Change in special employer contribution	5	43
Net liability, closing balance[2]	**920**	**872**

1) Items reported in Other comprehensive income consist of an actuarial loss of -30 MSEK (-158) in 2020 due to changes in financial assumptions and a loss of -20 MSEK (-6) from experience-based adjustments.
2) The weighted average duration of pension obligations is 25 years.

Important estimates and assumptions

Important actuarial assumptions, %	Dec 31, 2020	Dec 31, 2019
Discount rate	1.40	1.55
Future annual salary increases	3.00	3.00
Future annual pension increases (inflation)	2.00	2.00
Employee turnover	3.00	3.00

Sensitivity analysis in actuarial assumptions	Change	Increase %	Decrease %
Discount rate	+/-0.5%	13.4	-11.5
Future annual salary increases	+/-0.5%	0.0	0.0
Future annual pension increases (inflation)	+/-0.5%	-11.4	13.1
Life expectancy	+/-1 year	-4.2	4.3

The above sensitivity analysis is based on a change in an assumption while keeping all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. The above table shows the effect in percent on the pension liability when such changes in the actuarial assumptions are made. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method has been applied as when calculating the pension liability recognized in the balance sheet. The methods and assumptions used in preparing the sensitivity analysis are unchanged compared with the previous year.

Pension costs for defined benefit and defined contribution pension plans

MSEK	2020	2019
Current service cost, defined benefit pension plans	-40	-28
Current service cost, defined contribution pension plans	-218	-348
Total pension expenses included in staff costs	**-258**	**-376**
Interest expenses for defined benefit pension plans	-12	-15
Total expenses in the income statement	**-270**	**-391**

Payments for the following year are expected to be at the same level as this year.

Multi-employer plans

The company has insured the ITP plan through insurance from the insurance company Alecta. Although this plan is classified as a defined benefit plan, it is not possible to obtain sufficient information from Alecta to report it as a defined benefit plan. Information on the allocation between employers is missing; instead, all earnings are allocated to the most recent employer. A breakdown of Alecta's assets and provisions by individual is not possible, which means that these plans are recognized as defined contribution plans. Collective consolidation is the buffer of Alecta's insurance commitments against fluctuations in investment returns and insurance risks, and it is calculated as the difference between assets and insurance commitments to those insured. The consolidation level is calculated as Alecta's assets as a percentage of the insurance commitments. Alecta's consolidation level varies between 125 and 175 percent. In 2020, the consolidation level was 148 percent (148 percent). Contributions to the plan that are payable in 2021 are estimated at 49 MSEK (24).

§ Accounting principles

Pension commitments

Group companies operate various pension plans. These are usually financed through payments to insurance companies or managed funds where the payments are determined according to actuarial calculations. The Group has both defined benefit and defined contribution plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate legal entity. The Group has no legal or constructive obligations to pay further contributions if this legal entity does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

A defined benefit plan is a pension plan that is not a defined contribution plan. Defined benefit plans are characterized by the fact that they define the amount the employee will receive in pension benefits on retirement, usually dependent on one or more factors such as age, years of service and salary. Within the Group, defined benefit plans exist only in Sweden.

For defined contribution pension plans, the Group pays fees to publicly or privately managed pension insurance schemes on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the fees are paid. The fees are reported as staff costs during the period to which they relate.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation on the reporting date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows. The calculation uses interest rates of mortgage bonds that are denominated in the same currency that the benefits will be paid in and have maturities that are comparable with the terms of the related pension obligation.

Actuarial gains and losses that arise from experience-based adjustments and changes in actuarial assumptions are reported in Other comprehensive income during the period in which they arise.

Past service costs are recognized directly in the income statement.

NOTE 22 Other provisions

Changes in other provisions during the year, MSEK	Dec 31, 2020 Provision for loyalty program	Dec 31, 2020 Other provisions	Dec 31, 2020 Total other provisions	Dec 31, 2019 Provision for loyalty program	Dec 31, 2019 Other provisions	Dec 31, 2019 Total other provisions
Opening balance	**149**	**0**	**149**	**138**	**0**	**138**
Change through the income statement	-	-	-	11	0	11
Transfer to current liabilities	13	-	13			
Closing balance	**162**	**0**	**162**	**149**	**0**	**149**

Scandic has a loyalty program, Scandic Friends, in which members earn points for overnight stays that can then be used for free overnight stays. This loyalty program is covered by the rules in IFRS 15. The liability is valued at the market value of the anticipated free-night usage.

In measuring the liability for the loyalty program, the first step is to calculate the number of free nights expected to be used based on the level of utilization and estimated point withdrawal per free night, based on the outstanding balance of points on the reporting date. The anticipated utilization of free nights is then multiplied by the average market price of such free nights.

The part of the liability that is expected to be utilized after more than one year is reported under Other provisions above, while the part that is expected to be utilized within one year is recognized under Accrued expenses and deferred income (see Note 24). The total liability for the loyalty program and its allocation between current and non-current liabilities is shown in the table below. The provision is expected to be utilized within 3 years.

Total liability in respect of the loyalty program	2020 Non-current provision	2020 Current liability	2020 Total liability in respect of the loyalty program	2019 Non-current provision	2019 Current liability	2019 Total liability in respect of the loyalty program
Opening balance	149	100	249	138	92	230
Change through the income statement	-	-	-	11	8	19
Transfer to current liabilities	13	9	22	-	-	-
Closing balance	**162**	**109**	**271**	**149**	**100**	**249**

The assessed market value of free overnight stays used during the year amounted to 167 MSEK (161). For the current liability, see Note 24.

§ Accounting principles

Provisions

Provisions for environmental restoration measures, restructuring costs and legal claims are reported when the Group has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are valued based on the best possible estimate of the expenditure required to resolve the obligation in question on the reporting date. Provisions for restructuring include costs for terminating lease agreements and severance pay. Provisions are not recognized for future operating losses.

! Important estimates and assumptions

Reporting of provisions for loyalty programs for customers

In accordance with IFRS 15, provisions for loyalty programs for customers are reported as a reduction in revenue in conjunction with earning the right to future use. The reserve outstanding at any time is divided into a long-term portion, which is reported under Other provisions, and a short-term portion, which is reported under Accrued expenses and deferred income.

NOTE 23 Deferred tax assets and liabilities

Deferred tax assets and liabilities are reported net when there is a legally enforceable right to offset the recognized tax assets and liabilities and when the deferred taxes are expected to be settled at the same time.

	Dec 31, 2020					
Distribution of deferred tax items by underlying balance sheet items and their changes during the year, MSEK	**Pensions**	**Derivative instruments**	**Elimination of goodwill on acquired assets**	**Loss carry-forwards**	**Net of right-of-use assets & lease liability**	**Total deferred tax assets**
Deferred tax assets						
Opening balance Jan 1, 2020	122	0	10	76	452	660
Reported in the income statement	3	1	-6	479	59	536
Tax attributable to items in Other comprehensive income	3	0	-	-	-	3
Exchange rate differences	-	-	0	4	1	-35
Closing balance Dec 31, 2020	**128**	**1**	**4**	**540**	**490**	**1,164**
– of which receivables expected to be utilized within 12 months	-	-	-			0

	Intangible assets	Land & buildings	Untaxed reserves	Accelerated depreciation	Hedge accounting	Total deferred tax liabilities
Deferred tax liabilities						
Opening balance Jan 1, 2020	-752	-10	-25	-16	-2	-804
Reclassification	-	-	-10	10	-	0
Tax attributable to items in Other comprehensive income	-	-	-	-	5	5
Exchange rate differences	4	1	0	0	-	6
Closing balance Dec 31, 2020	**-748**	**-9**	**-35**	**-6**	**3**	**-794**
– of which liabilities expected to be paid within 12 months						0

	Deferred tax liabilities, net
Deferred tax liabilities, net	
Opening balance Jan 1, 2020	-145
Reported in the income statement	537
Tax attributable to items in Other comprehensive income	8
Exchange rate differences	-29
Closing balance Dec 31, 2020	**370**

Distribution of deferred tax items by underlying balance sheet items and their changes during the year, MSEK	Dec 31, 2019 Pensions	Derivative instruments	Elimination of goodwill on acquired assets	Loss carry-forwards	Net of right-of-use assets & lease liability	Total deferred tax assets
Deferred tax assets						
Opening balance Jan 1, 2019	75	2	8	98	0	183
Effect of IFRS 16 as at Jan 1, 2019	-	-	-	-	394	394
Reported in the income statement	3	-2	2	-25	57	35
Tax attributable to items in Other comprehensive income	44	0	-	-	-	44
Exchange rate differences	-	-	0	4	1	5
Closing balance Dec 31, 2019	**122**	**0**	**10**	**76**	**452**	**660**
– of which receivables expected to be utilized within 12 months	-	-	-	-	-	*0*

	Intangible assets	Land & buildings	Untaxed reserves	Accelerated depreciation	Hedge accounting	Total deferred tax liabilities
Deferred tax liabilities						
Opening balance Jan 1, 2019	-740	-10	-32	-14	-12	-808
Reported in the income statement	-8	0	7	-2	0	-2
Reclassification	-	-	-	-	-	0
Tax attributable to items in Other comprehensive income	-	-	-	-	10	10
Exchange rate differences	-3	0	0	0	-	-4
Closing balance Dec 31, 2019	**-752**	**-10**	**-25**	**-16**	**-2**	**-804**
– of which liabilities expected to be paid within 12 months	*-57*	*-1*	-	-	-	*-58*

	Deferred tax liabilities, net
Deferred tax liabilities, net	
Opening balance Jan 1, 2019	-625
Effect of IFRS 16 as at Jan 1, 2019	394
Reported in the income statement	33
Tax attributable to items in Other comprehensive income	54
Exchange rate differences	1
Closing balance Dec 31, 2019	**-144**

Loss carry-forwards

The Group has reported loss carry-forwards of 2,765 MSEK (356) mainly in Sweden, Norway, Denmark and Germany. These loss carry-forwards can be utilized against future taxable surpluses. Recorded deferred tax assets related to reported loss carry-forwards amounted to 540 MSEK (76). The Group has assessed that it will be possible to offset these loss carry-forwards in all countries in the future, based on the forecasts of the Group for coming years. Non-recorded deficiencies amounted to 366 MSEK (162) in 2020 and are mainly related to Denmark where it still is uncertain to what extent they can be offset. These deficiencies amount to 81 MSEK (36).

None of the loss carry-forwards are limited in time.

§ Accounting principles

Deferred income tax

Deferred income tax is reported using the balance sheet method on all temporary differences arising between the tax bases of assets and liabilities and their reported amounts in the consolidated accounts. However, deferred tax is not reported if it arises as a result of a transaction that constitutes the first reporting of an asset or liability that is not a business combination and which, at the time of the transaction, does not affect either accounting profit or taxable profit. Deferred tax is also not recognized on the first reporting of goodwill. Deferred income tax is determined using the tax rates (and laws) that have entered into force or been announced on the reporting date and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

Deferred tax assets are reported to the extent it is probable that future tax surpluses will be available against which the temporary differences can be offset. The Group accounts net for deferred tax assets and deferred tax liabilities in the balance sheet if there is a legal right to offset.

The Parent Company and its wholly-owned subsidiaries have applied tax consolidation legislation, which means that these entities are taxed as a single entity.

NOTE 24 Accrued expenses and deferred income

	Group		Parent Company	
Distribution by type of expense, MSEK	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Accrued rental expenses	252	214	-	-
Accrued staff costs	870	903	10	11
Accrued interest expenses, leases	96	96	-	-
Accrued interest expenses, other	10	2	10	2
Deferred income, current portion of loyalty program	108	100	-	-
Deferred income, bonus checks[1]	24	29	-	-
Other items	311	391	84	14
Total	**1,671**	**1,735**	**104**	**28**

1) Bonus checks are a payment method permitting discounted stays at all Scandic hotels. Bonus checks have a limited period of validity. When bonus check booklets are sold, a liability is recorded. The liability is liquidated when the checks are utilized or when it is deemed that the customer is no longer able to utilize or redeem the bonus check.

NOTE 25 Adjustment for items not included in cash flow

	Group		Parent Company	
Adjustment for items not included in cash flow, MSEK	2020	2019	2020	2019
Amortization, depreciation and impairment	6,187	3,281	-	-
Change in accrued expenses/income and provisions	39	-173	-	-
Total	**6,226**	**3,108**	**0**	**0**

§ Accounting principles

The cash flow analysis has been prepared in accordance with the indirect method. The cash flow reported includes only transactions that involve payments made or received.

In addition to cash on hand and bank balances, short-term financial investments that are exposed only to an insignificant risk of value fluctuations and have a remaining maturity of less than three months from the acquisition date are classified as cash.

NOTE 26 Statement of cash flows

			Non-cash items				
MSEK	Opening balance Jan 1, 2020	Cash flows from financing activities	Transaction costs	Exchange rate difference	Interest expense	Net new financial liabilities under IFRS 16	Closing balance Dec 31, 2020
Loans	3,523	1,270	4	-69	-	-	4,728
Leases	28,777	-2,155	-	-1,301	-	2,698	28,019
Accrued interest expenses, leases	96	-1,036	-	-	1,036	-	96
Accrued interest expenses, other	2	-142	-		149	-	10
Subtotal	**32,398**	**-2,063**	**4**	**-1,370**	**1,185**	**2,698**	**32,853**
Cash and cash equivalents	-26	26		-14	-	-	-14
Total	**32,372**	**-2,037**	**4**	**-1,384**	**1,185**	**2,698**	**32,839**

				Non-cash items				
MSEK	Opening balance Jan 1, 2019	Effect of IFRS 16 as at Jan 1, 2019	Cash flows from financing activities	Transaction costs	Exchange rate difference	Interest expense	Net new financial liabilities under IFRS 16	Closing balance Dec 31, 2019
Loans	3,940	-	-461	8	36	-	-	3,523
Leases	1,606	24,984	-2,147	-	428	-	3,906	28,777
Accrued interest expenses, leases	0	-	-1,143	-	-	1,144	95	96
Accrued interest expenses, other	3	-	-71	-	-33	103	-	2
Subtotal	**5,549**	**24,984**	**-3,822**	**8**	**431**	**1,247**	**4,001**	**32,398**
Cash and cash equivalents	-103	-	59	-	18	-	-	-26
Total	**5,446**	**24,984**	**-3,763**	**8**	**449**	**1,247**	**4,001**	**32,372**

The table above shows the changes in non-current liabilities affecting cash flow.

NOTE 27 Shares in Group companies

Changes during the year MSEK	Parent Company Dec 31, 2020	 Dec 31, 2019
Accumulated acquisition values, opening balance	5,039	5,039
Shareholders' contribution provided	3,376	-
Accumulated acquisition values, closing balance	**8,415**	**5,039**

Holdings on the reporting date	Corporate identity number	Registered address	Dec 31, 2020 Proportion of equity	Dec 31, 2019 Proportion of equity	Dec 31, 2020 Carrying amount	Dec 31, 2019 Carrying amount
Scandic Hotels Holding AB	**556723-5725**	**Stockholm, Sweden**	**100**	**100**	**8,415**	**5,039**
● Scandic Hotels AB	556299-1009	Stockholm, Sweden	100	100	-	-
● Rica Hotels AB [1)]	556520-9797	Stockholm, Sweden	100	100	-	-
● Scandic Hotels AS	953 149 117	Oslo, Norway	100	100	-	-
Scandic Hotels Gardermoen AS	880 289 772	Gardermoen, Norway	50	50	-	-
● Scandic Hotels Holding A/S	30 61 64 56	Copenhagen, Denmark	100	100	-	-
● Scandic Hotel A/S	12 59 67 74	Copenhagen, Denmark	100	100	-	-
● Scandic Polen Sp.z o. o.	288532	Warsaw, Poland	100	100	-	-
● Scandic Hotels Europe AB [2)]	556351-7373	Stockholm, Sweden	100	100	-	-
● Scandic Hotels Deutschland GmbH	HRB 146065 B	Berlin, Germany	100	100	-	-
● Scandic Hotels Oy	1447914-7	Helsinki, Finland	100	100	-	-
Total					**8,415**	**5,039**

1) Rica Hotels AB was merged with Scandic Hotels AB in January 2020.
2) Scandic Hotels Europe AB was merged with Scandic Hotels Holding AB in January 2020.

NOTE 28 Pledged assets and contingent liabilities

MSEK	Group Dec 31, 2020	 Dec 31, 2019	Parent Company Dec 31, 2020	 Dec 31, 2019
Assets pledged as security				
Property mortgages	-	-	-	-
Shares in subsidiaries	0	-	0	-
Total assets pledged as security	**0**	**0**	**0**	**0**
Contingent liabilities				
Guarantee commitments, FPG/PRI	6	6	-	-
Lease guarantees	-	82	-	-
Bank guarantees	62	43	62	43
Tax disputes	-	403	-	-
Travel guarantees	3	3	2	2
Loans pledged as security in subsidiaries	3,286	-	3 286	-
Total contingent liabilities	**3,357**	**537**	**3,350**	**45**

Lease guarantees relate mainly to guarantees for lease agreements for premises in Scandic's Danish and Norwegian subsidiaries. These have remaining terms of up to 13 years. Fixed rental fees for the whole remaining term have been reported above. Loans in the subsidiaries have been pledged as security in accordance with current external loan agreements.

No material liabilities are expected to arise due to the reported contingent liabilities. Scandic is involved in a few commercial disputes. None of these disputes is deemed to have any major negative impact on the company's financial position or profit/loss. No contingent assets have been identified within the Group.

! Important estimates and assumptions

On October 19, 2017, Scandic announced that the Finnish Tax Administration had decided that the Finnish branch of Scandic Hotels Holdings AB would be subject to supplementary taxation for the 2008 tax year. The Finnish Tax Administration is of the opinion that Scandic's Finnish operations should be subject to additional taxes, fees and interest as the deduction of intra-Group loans was denied. Since then, the Finnish Tax Administration has made similar decisions for the 2009–2017 tax years.

The administrative court in Finland rejected Scandic's appeal regarding the supplementary taxation of the Finnish branch of Scandic Hotels AB in the years 2007–2017. The supplementary taxation amounts to approximately 400 MSEK, which is marginally lower than the company's previous payment to the Finnish Tax Administration. Scandic will therefore receive approximately 15 MSEK. Scandic will analyze the judgment and is considering appealing the decision. The full amount has already been paid in full. The cost was recognized in connection with the rejection in the first quarter 2020.

During the first quarter of 2021, the Supreme Administrative Court rejected Scandic's application for leave to appeal.

NOTE 29 Financial assets and liabilities

Dec 31, 2020, MSEK	Financial assets/liabilities at amortized cost	Financial assets/liabilities at fair value through profit or loss	Financial assets/liabilities at fair value through Other comprehensive income	Total reported value
Financial investments	-	6	-	6
Trade receivables	153	-	-	153
Cash and cash equivalents	14	-	-	14
Total financial assets	**167**	**6**	**-**	**173**
Liabilities to credit institutions	4,526	-	-	4,526
Liabilities for commercial papers	201	-	-	201
Trade payables	316	-	-	316
Derivatives – electricity derivatives	-	14	-	14
Derivatives – interest rate swaps	-	4	-	4
Other current liabilities – share swap	-	-	16	16
Total financial liabilities	**5,043**	**18**	**16**	**5,077**

Dec 31, 2019, MSEK	Financial assets/liabilities at amortized cost	Financial assets/liabilities at fair value through profit or loss	Financial assets/liabilities at fair value through Other comprehensive income	Total reported value
Financial investments	-	7	-	7
Trade receivables	649	-	-	649
Derivatives – electricity derivatives	-	8	-	8
Cash and cash equivalents	26	-	-	26
Total financial assets	**675**	**15**	**0**	**690**
Liabilities to credit institutions	3,036	-	-	3,036
Liabilities for commercial papers	487	-	-	487
Trade payables	767	-	-	767
Derivatives – interest rate swaps	-	0	-	0
Other current liabilities – share swap	-	-	73	73
Total financial liabilities	**4,290**	**0**	**73**	**4,363**

The Group has entered into a share swap agreement related to the Long-Term Incentive Program, see Note 05.
The fair value of other financial assets and liabilities is not considered to diverge materially from the carrying value. See Note 14.

Fair value measurement:

The table below shows the fair value of financial instruments based on its classification in the fair value hierarchy. The different levels are defined as follows:
Level 1: Quoted prices in active markets for identical assets or liabilities.
Level 2: Observable data regarding the asset or liability other than those included in Level 1, either directly or indirectly.
Level 3: Data regarding the asset or liability that is not based on observable market data.

For liabilities to credit institutions and liabilities for commercial papers, the carrying value is the same as the fair value. Financial assets and liabilities valued at fair value refer to electricity derivatives and interest rate swaps.

Dec 31, 2020, MSEK	Level 1	Level 2	Level 3	Total
Derivative instruments used for hedging	-	-	-	0
Total financial assets	**0**	**0**	**0**	**0**
Derivative instruments used for hedging	-	18	-	18
Total financial liabilities	**0**	**18**	**0**	**18**

Dec 31, 2019, MSEK	Level 1	Level 2	Level 3	Total
Derivative instruments used for hedging	-	8	-	8
Total financial assets	**0**	**8**	**0**	**8**
Derivative instruments used for hedging	-	0	-	0
Total financial liabilities	**0**	**0**	**0**	**0**

In accordance with the Group's Finance Policy, the Group has recognized derivative instruments, interest rate swaps and electricity derivatives. The Group has entered into interest rate swaps to hedge the Group against interest rate risk and has invested in derivatives to hedge the Group against the price risk for electricity. On the reporting date, these derivative instruments were measured at the market value declared by the issuers, which constitutes a Level 2 measurement under IFRS 7. Market values are calculated using mid-rates based on current available market rates.

§ Accounting principles

Financial assets and liabilities

The Group classifies its material financial assets and liabilities in the following categories:
Financial assets and liabilities are measured at amortized cost, fair value through the income statement and fair value through Other comprehensive income. The classification of financial assets is based on the Group's business model for managing assets and the asset's contractual cash flow characteristics. The Group's financial liabilities are classified based on the purpose of the acquired liability.

(a) Financial assets/liabilities at fair value through the income statement
Financial assets/liabilities measured at fair value through the income statement are financial assets/liabilities held for resale or hedging. Assets/liabilities in this category are classified as current assets/liabilities. Changes in the value of these financial assets/liabilities are reported as finance income/costs in the income statement.

(b) Financial assets/liabilities at amortized cost
Trade receivables are part of current assets, except for items with due dates more than 12 months after the reporting date, in which case they are classified as non-current assets.

Cash and cash equivalents and trade receivables less any provision for impairment are recognized at amortized cost. According to IFRS 9, trade receivables should be measured at amortized cost using the effective interest method, but as trade receivables have very short durations and the interest effects are very small, the Group's reported value is not deemed to diverge materially from the fair value. See also Note 16, Trade receivables.

Financial liabilities are initially recognized at fair value, net of transaction costs incurred. They are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the term of the loan using the effective interest method.

Liabilities to credit institutions and commercial papers are classified as current liabilities unless the Group has an unconditional right to defer the payment of the liability for at least 12 months after the reporting date.

Trade payables are part of current liabilities, except for items with due dates more than 12 months after the reporting date, which are classified as non-current liabilities. Trade payables are recognized at amortized cost.

According to IFRS 9, trade payables should be measured at amortized cost using the effective interest method, but as the Group's trade payables have very short durations and the interest effects are very small, the reported value of the Group is not deemed to diverge materially from the fair value.

(c) Financial assets/liabilities at fair value through Other comprehensive income
The share swap agreement to repurchase Scandic's own shares is reported as a financial liability with the agreed amount to be paid on the maturity date.

NOTE 30 Transactions with related parties

The group Braganza AB is treated as a related party based on its ownership and representation on the Board of Directors during the year. For transactions with subsidiaries, the OECD Transfer Pricing Guidelines are applied. The following transactions were carried out with related parties:

	Group		Parent Company	
MSEK	**Dec 31, 2020**	**Dec 31, 2019**	**Dec 31, 2020**	**Dec 31, 2019**
Purchases of services				
Braganza AB [1]	-	1	-	-
Total purchases of services	**0**	**1**	**0**	**0**
Sales of services				
Braganza AB [2]	-	4	-	-
Subsidiaries	-	-	35	57
Total sales of services	**0**	**4**	**35**	**57**
Closing balances at year-end from purchases and sales of services				
Receivables from related parties:				
Braganza AB	-	-	-	-
Subsidiaries	-	-	4	618
Total receivables from related parties	**0**	**0**	**4**	**618**
Liabilities to related parties:				
Braganza AB	-	-	-	-
Subsidiaries	-	-	0	0
Total liabilities to related parties	**0**	**0**	**0**	**0**
Loans to related parties				
Subsidiaries				
Opening balance	0	0	4,397	5,377
Payments made or received during the year	-	-	83	-1,171
Interest	-	-	177	142
Exchange rate differences	-	-	-120	49
Closing balance	**0**	**0**	**4,537**	**4,397**

1) Purchases mainly relate to air travel.
2) Sales relate entirely to income from accommodation.

The Parent Company's loans to related parties consist of long-term loans to Group companies as well as receivables and liabilities within the cash pool of the Group. These are classified as long term.

For information on terms of employment and compensation to senior executives, see the Corporate Governance Report.

NOTE 31 Appropriation of profits

In accordance with the Board of Directors' dividend policy adopted on September 14, 2015, Scandic aims to distribute at least 50 percent of its profit from the financial year 2016 onwards. However, for 2020, the Board of Directors proposes that no dividend be paid due to the current market situation.

Proposed appropriation of profits	
The Board of Directors and the CEO propose that the funds that are at the disposal in the Parent Company's balance sheet:	
Share premium reserve	3,213,643,887
Retained earnings	4,838,384,322
Profit for the year	6,076,278
Total	**8,058,104,487**
Be distributed as follows:	
To be carried forward	8,058,104,487
Total	**8,058,104,487**
Total, KSEK	**8,058,104**

The Board of Directors and the CEO certify that the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and give a true and fair view of the Group's financial position and performance. This Annual Report has been prepared in accordance with generally accepted accounting principles and gives a true and fair view of the Parent Company's financial position and performance.

Income statements and balance sheets will be submitted to the Annual General Meeting on May 31, 2021 for adoption.

NOTE 32 Events after the reporting date

Following completed negotiations with landlords, Scandic has reached agreements on rent reductions of up to 900 MSEK, primarily for the period 2020–2022, most of which apply in 2021. In connection with this, the planned openings of some of the hotels that were expected to open in 2021 have been postponed to better match the expected improvement in demand. In several cases, Scandic's leases have been extended.

On March 26, Scandic carried out a successful offering of convertibles due in October 2024, which raised approximately 1,609 MSEK in gross proceeds for the company. The Board of Director's decision to issue convertibles was approved at an Extraordinary General Meeting held on April 21. 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.

In conjunction with the issue, Scandic agreed with its lending banks DNB, Nordea and Handelsbanken to extend existing credit facilities of 6,650 MSEK until December 31, 2023, with certain adjustments to the terms, such as increased interest margins and increased collateral.

During the first quarter, the Administrative Court in Finland rejected Scandic's claim regarding supplementary taxation of the Finnish branch of Scandic Hotels AB in the years 2007–2017. The supplementary taxation amounted to approximately 400 MSEK. The amount has been paid and was fully expensed in during 2020.

ADOPTION

The Board of Directors and the CEO certify that the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and give a true and fair view of the Group's financial position and performance. The Administration Report of the Group and Parent Company gives a true and fair view of the progress of the Group's and Parent Company's operations, financial position and performance, and states significant risks and uncertainty factors facing the Parent Company and Group companies. This Annual Report has been prepared in accordance with generally accepted accounting principles and gives a true and fair view of the Parent Company's financial position and performance.
Income statements and balance sheets will be submitted to the Annual General Meeting on May 31, 2021 for adoption.

Stockholm, May 5, 2021

Per G. Braathen
Chairman of the Board

Ingalill Berglund
Board member

Grant Hearn
Board member

Kristina Patek
Board member

Martin Svalstedt
Board member

Fredrik Wirdenius
Board member

Marianne Sundelius
Employee representative

Jens Mathiesen
President & CEO

Our audit report was presented on May 5, 2021
PricewaterhouseCoopers AB

Sofia Götmar-Blomstedt
Authorized Public Accountant
Auditor-in-Charge

AUDITOR'S REPORT

To the general meeting of shareholders of Scandic Hotels Group AB (publ), corporate identity number 556703-1702

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Scandic Hotels Group AB (publ) for the year 2020 except for the corporate governance statement on pages 82–93. The annual accounts and consolidated accounts of the company are included on pages 70–127 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company and the group as of 31 December 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with The Annual Accounts act and present fairly, in all material respects, the financial position of the Group as of 31 December 2020 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts act. Our opinions do not cover the corporate governance statement on pages 82–93. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and the consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1. have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Our audit activities

The focus and scope of the audit

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there is evidence of bias representing a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

The major portion of Scandic's operations are in Sweden, Norway, Finland and Denmark and represent 99% of the group's net sales and EBITDA. For the largest reporting units, we have examined the year-end book closing, undertaken hotel visits and we have assessed and tested key controls regarding the financial reporting. The consolidated accounts, disclosures in the notes in the annual report and complex transactions of a one-off nature have been examined by the group team. This has included impairment testing of the group's goodwill and brands which are not subject to ongoing depreciation.

The Covid-19 pandemic has during 2020, significantly affected Scandic's business. A significant loss of revenue has resulted in negative consequences for both profits and cash flow. Extensive measures have been taken to ensure the continuity of the Group and future financing and liquidity needs.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually, or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality of the consolidated financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were most significant in our audit of the annual accounts and consolidated accounts of the current period. These areas were addressed in the context of our audit of, and in in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matter
Going concern – Financing and liquidity needs We refer to the Administration report and the heading Outlook and Note 32 Events after the reporting date. Management has, as a consequence of the Covid-19 Pandemic, updated their assessment of the Group's ability to continue operations and future liquidity and financing needs. An updated business plan for the period 2021–2026 and a cash flow forecast until the end of 2026 have been prepared. In March 2021 the Board of Directors of Scandic carried out an offering of convertibles due in October 2024, which raised approximately 1,609 MSEK in gross proceeds for Scandic. The Board's decision on the issue of the convertibles was approved at an Extraordinary General Meeting held on April 21, 2021. In conjunction with the issue, Scandic agreed with its lenders DNB, Nordea and Handelsbanken to extend existing credit facilities of 6,650 MSEK until December 31, 2023, with certain adjustments to the terms, such as increased interest margins and increased collateral. Based on the prepared business plan and the cash flow forecast it is management's best estimate that the above described measures to strengthen liquidity combined with continued good business practices regarding managing revenue, expenses and cash flow will suffice to ensure liquidity and continuity both this year and the next.	To assess the Company's and Group's going concern and that the provided disclosures in the Annual report gives a true and fair view of the estimated future financing and liquidity needs we have performed the following audit procedures: We have obtained management's analysis of the expected business impact of the Covid-19 pandemic and the updated business plan. We have challenged and assessed the reasonability of significant assumptions made by management and by random sample, tested the calculations. We have also performed a sensitivity analysis to assess the impact of underlying assumptions in the cash flow forecast. As for the resolved financing arrangements, in terms of the issue of convertibles and the extension of the existing credit facilities, we have obtained supporting documentation and the decision of the General Meeting as well as evidence of the extension of the credit facilities.
Valuation of goodwill and other acquisition-related assets We refer to Note 11 Intangible assets. Goodwill and other acquisition-related assets, including brands, comprise a significant portion of the Scandic group's balance sheet total. As at 31 December, goodwill and brands amounted to MSEK 6 572 which is equivalent to 52% of the balance sheet total (excl activated leases according to IFRS16). These items are not only significant in terms of their amount but also in their nature, as they are impacted by management's estimations and judgements. Management and the Board of Directors annually undertake an impairment test of the value of goodwill and brands, and in conjunction with each occasion on which there are indications that a decline in value has been identified, to assess whether there is an impairment requirement. Due to negative effects of Covid-19 on the operations, non-current assets were tested for impairment in connection with the preparation of the interim report for the first quarter 2020. The impairment test showed an impairment of intangible assets of 2,955 MSEK, which was also booked as per 31 March 2020. The impairment primarily involved assets in Norway and Sweden, but also in Denmark and Finland. The estimated value as per 31 December 2020 is based on the Board of Directors approved future budgets and forecasts for the next six years. The cash flow for the years after the next six-year period is extrapolated based on the business plan. This assessment includes, therefore, assumptions of significant importance to the testing of an impairment requirement. This includes assumptions on sales growth, the development of margins and the discount rate (WACC). The value that is calculated in the testing is equivalent to the value of the discounted cash flows for the identified cash-generating units: Sweden, Norway, Finland and Other Europe. Even if a given unit shows no impairment requirement in a testing as per 31 December 2020, future developments negatively deviating from the assumptions and judgements providing the basis of that testing can lead to an impairment requirement. Other acquisition-related intangible assets are subject to ongoing depreciation. For these assets, a testing of the valuation is undertaken if there is a suspicion that the value of the assets has decreased so that a write-down needs to be undertaken. Based on the impairment testing undertaken for goodwill and brands, which is based on best estimate and on the information available in preparing the annual testing as per 31 December 2020, Scandic's assessment is that there is no impairment requirement regarding the above-mentioned assets as at 31 December 2020.	We have performed the following audit procedures: We have verified the mathematical correctness of the company's impairment testing, the correctness of the model applied, as such, and have determined if the model agrees with IFRS. We also challenged and evaluated the reasonability of significant assumptions made by management. In order to examine the model, itself, and the assumptions we have utilised valuation experts to test and evaluate the applied models and methods, as well as significant assumptions. On a random sample basis, we have tested and challenged the details applied in the calculations against the company's budgets and financial plan prepared as per 31 December 2020. We have, then, focused on the assumptions regarding growth, margin development and the applied discount rate per cash-generating unit. We have also, where possible, evaluated and challenged against available external information. Furthermore, we have reviewed the sensitivity analysis that has been prepared by the Company in regards of the valuation of negative changes in significant parameters which, individually or on a collective basis, could imply that an impairment requirement exists.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–67 and 132–137. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden 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 annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on the Swedish Inspectorate of Auditors' website: www.revisorsinspektionen.se/rn/showdocument/documents/rev dok/revisors_ansvar. This description is part of the auditor´s report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Scandic Hotels Group AB (publ) for the year 2020 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of the parent company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our 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 opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on the Swedish Inspectorate of Auditors' website: www.revisorsinspektionen.se/rn/showdocument/documents/rev dok/revisors_ansvar. This description is part of the auditor´s report.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 82–93 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR´s auditing standard RevR 16 The auditor´s examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph of the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

PricewaterhouseCoopers AB, Stockholm, was appointed auditor of Scandic Hotels Group AB (publ) by the general meeting of shareholders on 15 June 2020 and has been the company's auditors since 9 May 2012.

Stockholm, May 5, 2021
PricewaterhouseCoopers AB

Sofia Götmar-Blomstedt
Authorized Public Accountant

COMPENSATION REPORT 2020

INTRODUCTION

This Compensation Report describes how Scandic's guidelines for compensation to senior executives, which were adopted by the 2020 Annual General Meeting, were implemented in 2020. It also provides information on compensation to the CEO and a summary of the company's outstanding share-based incentive program. The report was prepared in accordance with the Swedish Companies Act and the rules on compensation issued by the Swedish Corporate Governance Board.

Further information on compensation to senior executives can be found in Note 05 on pages 107–109 in the Annual Report 2020. Information on the work of the Compensation Committee in 2020 is provided in the Corporate Governance Report on page 85.

The CEO's total compensation in 2020 (in SEK)

Jens Mathiesen, CEO	
Fixed compensation	
Base salary	7,003,500
Fringe benefits	684,839
Variable compensation	
One-year variable	0
Multi-year variable [1]	470,671
Fringe benefits [2]	1,207,500
Pension expense	1,932,000
Total compensation	**11,298,510**
Proportion of fixed [3] and variable [4] compensation	85% / 15%

1) The value of shares allocated in the LTI Program that expired in 2020.
2) One-time bonus in cash based on signficant responsibility and contributions to the process of ensuring the company's survival.
3) Fixed = fixed compensation + pension expense.
4) Variable = variable compensation + fringe benefits.

Compensation to the Board of Directors is not included in this report. It is determined annually by the Annual General Meeting and is described in Note 05 on page 107 in the Annual Report.

2020 IN BRIEF

The CEO summarizes Scandic's financial year in his CEO statement on page 3 of the Annual Report.

APPLICATION OF THE COMPENSATION GUIDELINES FOR 2020: SCOPE, PURPOSE & DEVIATIONS

Scandic shall offer terms that are in line with market conditions and enable the company to recruit and retain the managers required to meet its short and long-term targets. Compensation to senior executives may consist of a fixed salary, variable salary, pension and other benefits. In addition, the Annual General Meeting may resolve, among other things, on long-term share incentive programs. The guidelines for compensation to senior executives are available on Scandic's corporate website at scandichotelsgroup.com/corporate-governance/compensation-guidelines/

No deviations from the guidelines were made in 2020. The auditor's report on the company's compliance with the guidelines is available at scandichotelsgroup.com

SHARE-BASED COMPENSATION

The goal of long-term incentive programs is to create long-term commitment at Scandic, to attract and retain senior executives and other key personnel and to ensure the shareholder perspective.

Long-term incentive programs constitute a supplement to fixed and variable salary, with participants nominated based on skills and performance. The outcome depends on whether certain predetermined performance requirements are met. These requirements are set to ensure long-term and sustainable value creation for Scandic's stakeholder groups.

OUTSTANDING SHARE-BASED INCENTIVE PROGRAMS

From the IPO in 2015 until 2019, the Annual General Meeting resolved every year to launch a share-based Long-Term Incentive Program (LTIP). No LTIP was launched in 2020. The program implemented in 2017 (LTIP 2017) expired on May 20, 2020 – the day that Scandic published its interim report for the first quarter 2020.

The LTIP enables participants to receive matching shares and performance shares, provided they make their own investments in shares or allocate shares already held to the program. For each such savings share, the participants in the LTIP 2018 and the LTIP 2019 may, free of charge, be assigned matching shares, where 50 percent are subject to the meeting of a requirement related to the total return on the shares (TSR) and 50 percent are free of charge. Participants may also, free of charge, be allocated a number of performance shares, depending on whether certain performance criteria set by the Board of Directors are met. These criteria are related to adjusted EBITDA and cash flow for the years 2018–2020 (LTIP 2018) and 2019–2021 (LTIP 2019).

Matching shares and performance shares will be allocated after the end of the vesting period until the date of publication of Scandic's interim report for the first quarter 2021 and the first quarter 2022, respectively, subject to the participant remaining a permanent employee within the Group and retaining the savings shares.

The CEO invested in 3,069 shares in the LTIP 2018 and therefore received 3,069 matching shares and 12,276 performance shares. Under the LTIP 2019, the CEO invested in 5,864 savings shares and received 5,864 matching shares and 29,320 performance shares. Matching shares and performance shares were allocated free of charge and are subject to a vesting period of three years, continued permanent employment and an uninterrupted holding of the savings shares.

In the LTIP 2018 and the LTIP 2019, 50 percent of the matching shares are subject to meeting a requirement related to the total return on the shares (TSR) and 50 percent are free of charge. In both programs, the allocation of performance shares is free of charge, depending on the extent to which certain performance criteria adopted by the Board of Directors are met. These criteria are related to adjusted EBITDA (weighted 50 percent) and cash flow (weighted 50 percent) for the financial years 2018–2020 (LTIP 2018) and 2019–2021 (LTIP 2019), respectively.

COMPLIANCE WITH THE COMPENSATION GUIDELINES & APPLICATION OF PERFORMANCE CRITERIA

No general STI plan or LTIP was launched in 2020. For this reason, no performance criteria for variable compensation were defined in 2020.

Share-based incentive program (CEO)	LTIP 2017	LTIP 2018	LTIP 2019
Jens Mathiesen, CEO			
The main conditions of share-based incentive programs			
Specification of plan	LTIP 2017	LTIP 2018	LTIP 2019
Performance period	2017–2019	2018–2020	2019–2021
Award date	September 25, 2017	May 31, 2018	June 14, 2019
End of program period	May 20, 2020	April 28, 2021	Date of publication of Q1 2022
End of holding period	May 20, 2020	April 28, 2021	Date of publication of Q1 2022
Information regarding the reported financial year			
Opening balance			
Rights vested at the beginning of the year	13,410	15,345	35,184
During the year			
Rights vested	0	0	0
Shares awarded [1]	10,870	0	0
Closing balance			
Rights subject to a performance condition	0	13,811	32,252
Rights vested but not transferred	0	1,534	2,932
Shares subject to a holding period	0	0	0

1) The shares granted under the LTIP 2017 are divided into 1,453 shares that are not subject to a performance condition and 9,417 shares that are subject to a performance condition. The total value of the shares awarded was SEK 470,662.

Information on changes in compensation and company performance

Year	2016–2015	2017[1]–2016	2018–2017[1]	2019–2018	2020–2019	2020
The CEO's compensation, in TSEK[2]	-7,354 (-35.2%)	-578 (-4.3%)	-4,883 (-37.6%)	3,280 (40.5%)	-73 (-0.6%)	11,299
Adjusted EBITDA for the Group, in MSEK	267 (21.4%)	60 (4.0%)	384 (24.4%)	89 (4.5%)	-3,549 (-173.5%)	-1,503
Profit/loss for the year, Group, MSEK	-350 (-84.3%)	189 (290.8%)	424 (166.9%)	47 (6.9%)	-6,676 (-920.8%)	-5,951
Average compensation on a full-time equivalent basis of employees, entire Group, in TSEK	39 (11.1%)	31 (7.8%)	4 (1.0%)	9 (2.0%)	46.6 (10.6%)	487

1) In 2017, there was a change of CEO. Here, the compensation consists of the total remuneration for both CEOs for each period, respectively.

2) The CEO's compensation includes share-related remuneration with the value of the shares allocated each year, respectively.

THE SHARE & SHAREHOLDERS

SHARE PRICE TREND IMPACTED BY COVID-19 PANDEMIC

From the first day of trading in the Scandic share, December 2, 2015, until the closing price on the last day of trading in 2019, including dividends for three financial years, the Scandic share had a total return of 78.8 percent. Since the end of February 2020, however, development in Scandic's share price has been weak due to the significant negative effect of the Covid-19 pandemic on Scandic's operations. During 2020, Scandic's share price dropped 52.8 percent while the OMX Stockholm Index increased 13 percent during the same period. At year-end 2020, Scandic's stock market value was approximately 6.7 billion SEK.

NEW SHARE ISSUE TO STRENGTHEN CAPITAL STRUCTURE & LIQUIDITY

As a result of the Covid-19 pandemic, Scandic decided to strengthen its capital structure and liquidity in 2020. For this reason, the company carried out a rights issue of approximately 1.76 billion SEK before transaction costs. Existing shareholders were offered the right to subscribe for six new shares per seven existing shares at a subscription price of SEK 20 per share. In total, the number of shares increased by 88,272,918 to 191,257,993.

STENA SESSAN AB INCREASED HOLDINGS

Scandic's largest owner, Stena Sessan AB, increased its ownership share from 17.4 percent to 19.9 percent during the year. AMF Pension & Fonder also increased its ownership during the year from 11.2 percent to 16.5 percent and at year-end was Scandic's second largest owner. During the year, Formica Capital AB bought 5.3 percent of the shares in Scandic and thus became the company's third largest owner. Novobis, which owned 16.3 percent of Scandic's shares at the beginning of the year, sold its shareholding in 2020.

SWEDISH OWNERSHIP CONTINUES TO GROW

The share of Swedish owners increased during 2020 and at year-end, Swedish shareholders accounted for 80 percent of ownership compared with 66.1 percent the previous year. Foreign ownership was 20 percent, of which shareholders in Norway and the US accounted for about half.

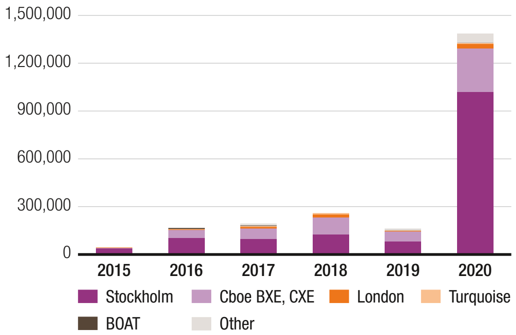
SHARE CAPITAL

At year-end 2020, the share capital of the company was 47.8 MSEK divided into 191,257,993 shares with all shares conferring equal voting rights, an equal share of assets and earnings and an equal share of any dividends. Following the new issue of 88,272,918 shares, Scandic's share capital increased by 22.1 MSEK to 47.8 MSEK.

DIVIDEND & DIVIDEND POLICY

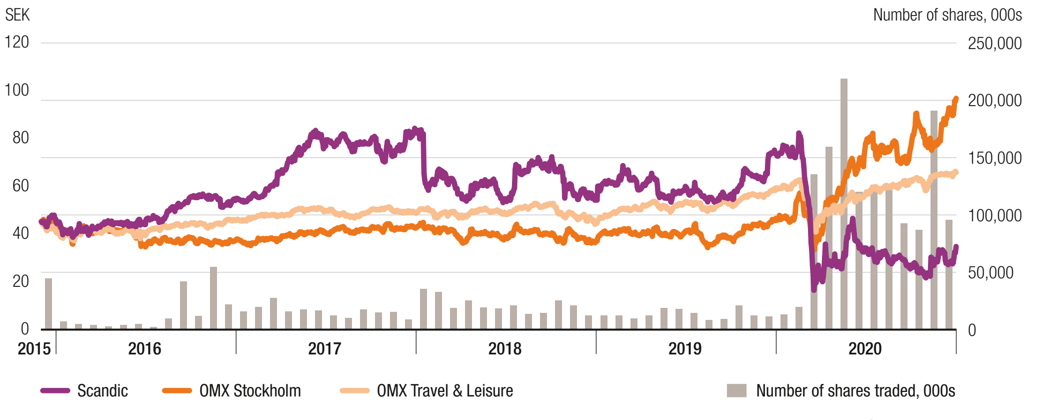
The Board of Directors has adopted a dividend policy that aims to distribute at least 50 percent of Scandic's net profit. The dividend is based on the net result excluding effects from IFRS 16. As a result of the company's significantly worsened business situation in 2020, the Board decided to withdraw its previous dividend proposal for 2019 and not pay a dividend. For 2020, the Board of Directors has proposed that no dividend be paid.

MARKETS WHERE SCANDIC SHARE WAS TRADED



Source: Fidessa.

SHARE PRICE & TURNOVER, DEC 2, 2015 – DEC 30, 2020



Source: Bloomberg and Fidessa.

[1] Historical value adjusted for new issue in 2020.

Analysts following Scandic	
Stefan Andersson	SEB
Karl-Johan Bonnevier	DNB
Adela Dashian	Handelsbanken
Oscar Holm	Erik Penser
André Juilliard	Deutsche Bank
Jamie Rollo	Morgan Stanley
Becky Lane	Jefferies

Shareholder concentration	Share of capital and votes, %
10 largest shareholders	51.9%
25 largest shareholders	57.2%
30 largest shareholders	59.7%

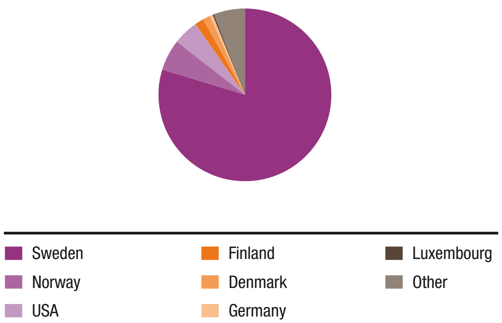
Source: Monitor of Modular Finance AB. Compiled and processed data from Euroclear, Morningstar and the Swedish Financial Supervisory Authority, among others.

Share data	
Ticket symbol	SHOT
ISIN	SE0000635401
Trading lot	1 share
List	Nasdaq Stockholm Nordic Mid Cap list
Sector index	OMX Stockholm Travel & Leisure

Shareholders	Share of capital and votes, %	Number of shares
Stena	19.9	37,974,365
AMF Försäkring & Fonder	16.5	31,500,000
Formica Capital AB	5.3	10,047,142
Periscopus AS	2.7	5,138,955
Avanza Pension	1.9	3,677,633
Vanguard	1.8	3,520,154
Nordea Fonder	1.2	2,272,970
Swedbank Försäkring	1.0	2,006,528
Swedbank Robur Fonder	0.8	1,595,158
BlackRock	0.8	1,463,344
Per G. Braathen	0.7	1,433,305
Handelsbanken Fonder	0.7	1,260,858
Third Swedish National Pension Fund	0.6	1,205,068
SEB Fonder	0.6	1,204,325
Futur Pension	0.6	1,060,671
Total 15 largest shareholders	**55.1**	**105,360,476**
Other	44.9	85,897,517
Total	**100.0**	**191,257,993**

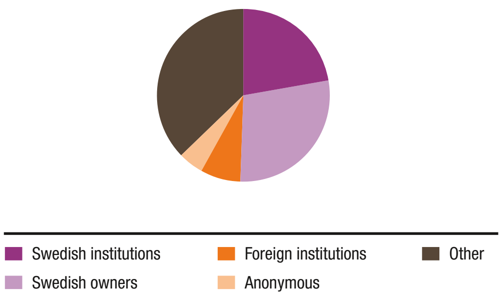
Source: Monitor of Modular Finance AB. Compiled and processed data from Euroclear, Morningstar and the Swedish Financial Supervisory Authority, among others.

SHARE OWNERSHIP, GEOGRAPHIC DISTRIBUTION, %



Source: Monitor of Modular Finance AB. Compiled and processed data from Euroclear, Morningstar and the Swedish Financial Supervisory Authority, among others.

TYPE OF OWNERSHIP



Source: Monitor of Modular Finance AB. Compiled and processed data from Euroclear, Morningstar and the Swedish Financial Supervisory Authority, among others.

DEFINITIONS

HOTEL-RELATED KEY RATIOS

ARR (Average Room Rate)
The average room rate is the average room revenue per sold room.

Full-time equivalents (FTEs)
The number of full-time employees calculated as the total number of working hours for the period divided by annual working time.

LFL (Like-for-Like)
LFL refers to the hotels that were in operation during the entire period as well as during the corresponding period of the previous year.

OCC (Occupancy)
Refers to sold rooms in relation to the number of available rooms. Expressed as a percentage.

RevPAR (Revenue Per Available Room)
Refers to the average room revenue per available room.

Pre-opening costs
Refers to costs for contracted and newly opened hotels before opening day.

EQUITY-RELATED KEY RATIOS

Earnings per share
The profit/loss during the period related to the shareholders of the Parent Company divided by the average number of shares.

Earnings per share, excluding effect of leasing
The profit/loss during the period related to the shareholders of the Parent Company divided by the average number of shares, excluding the effect of leasing.

Earnings per share, excluding effect of leasing and items affecting comparability
The profit/loss during the period related to the shareholders of the Parent Company divided by the average number of shares, excluding the effect of leasing and items affecting comparability.

Equity per share
Equity related to the shareholders of the Parent Company divided by the number of shares outstanding at the end of the period.

FINANCIAL KEY RATIOS & ALTERNATIVE PERFORMANCE MEASURES

EBIT
Earnings before interest and taxes.

EBITDA
Earnings before interest, taxes, depreciation and amortization.

EBITDA margin
EBITDA as a percentage of net sales.

EBT
Earnings before tax.

Adjusted EBITDA
Earnings before interest, taxes, depreciation and amortization, adjusted for the effect of leasing.

Items affecting comparability
Items that are not directly related to the normal operations of the company, for example, costs for transactions, integration, restructuring and capital gains/losses from sale of operations.

Free cash flow
Adjusted EBITDA less pre-opening costs, items affecting comparability, items not included in cash flow, paid tax, change of cash flow, interest paid to credit institutions and investments in fixed assets as well as net of acquisition/sale of business.

Interest-bearing net liabilities
Liabilities to credit institutions and commercial papers less cash and cash equivalents.

Interest-bearing net liabilities	Dec 31, 2020	Dec 31, 2019
Liabilities to credit institutions	4,526	3,036
Liabilities, commercial papers	201	487
Cash and cash equivalents	-14	-26
Interest-bearing net liabilities	**4,713**	**3,497**

Justification: Interest-bearing net liabilities are used to calculate the company's indebtedness, which is one of Scandic's financial targets. The definition chosen corresponds to the definition used for the calculation of indebtedness according to Scandic's loan agreements.

Working capital
Total current assets, excluding derivative instruments and cash and cash equivalents, less total current liabilities, excluding derivative instruments, the current portion of lease liabilities and commercial papers.

Working capital	Dec 31, 2020	Dec 31, 2019
Current assets, excluding cash and cash equivalents	716	1,294
Current liabilities	-4,358	-3,266
Working capital	**-3,642**	**-1,972**

Justification: There is a need to optimize cash generation to create value for Scandic's shareholders. The management team is therefore focused on working capital and on reducing lead times between income generation and payments received.

A more comprehensive list of definitions and alternative performance measures and related justifications is available at scandichotelsgroup.com/en/definitions

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INFORMATION TO THE SHAREHOLDERS

ANNUAL GENERAL MEETING

MAY 31, 2021

STOCKHOLM

2021 ANNUAL GENERAL MEETING

The Annual General Meeting of the shareholders in Scandic Hotels Group AB (publ) will be held on Monday, May 31, 2021.

Due to the extraordinary situation that prevails as a result of the Covid-19 pandemic, Scandic's Annual General Meeting will be held by advance voting (postal voting) with the support of temporary legislation. This means that no meeting with the opportunity to attend physically or by proxy will take place.

Scandic welcomes all shareholders to exercise their voting rights at the Annual General Meeting by voting in advance following the procedure described below. Information on the resolutions passed at the Annual General Meeting will be published on May 31, 2021 as soon as the outcome of the voting is determined.

The postal voting form provides an opportunity for shareholders to request that an item on the proposed agenda be postponed to a continued general meeting, which may not be a pure advance voting meeting. Such a continued general meeting shall take place if the Annual General Meeting so resolves or if the holder of at least one-tenth of all of the shares in the company makes such a request.

Notice and registration

A shareholder who wishes to participate in the Annual General Meeting must (i) be recorded as a shareholder in the share register prepared by Euroclear Sweden AB showing the state of affairs on May 21, 2021 and (ii) notify the company of their intention to participate in the meeting by casting their advance vote according to the instructions under the heading Advance voting below so that the advance vote is received by Euroclear Sweden AB no later than May 28, 2021.

In order to have the right to participate in the Annual General Meeting, a shareholder whose shares are nominee-registered must temporarily register the shares in their own name so that the shareholder will be recorded in the share register on May 21, 2021. Such registration may be temporary (so-called voting rights registration) and requests for registration should be made to the nominee according to the nominee's routines at such a time in advance determined by the nominee. Voting rights registrations made no later than the second banking day after May 21, 2021 will be taken into account when compiling the share register.

Advance voting

Shareholders may exercise their voting rights at the Annual General Meeting only by voting in advance, (postal voting) in accordance with section 22 of the Swedish Act (2020:198) regarding Temporary Exemptions to Facilitate the Execution of General Meetings in Companies and Associations.

For advance voting, a special form shall be used. The form is available on Scandic's website at scandichotelsgroup.se. The advance voting form is valid as registration for the AGM.

The completed form must be received by Scandic no later than May 28, 2021. The completed form can be sent by email to: GeneralMeetingService@euroclear.com or by post to Scandic Hotels Group AB (publ), Årsstämma 2021, c/o Euroclear Sweden, Box 191, 101 23 Stockholm. If the shareholder is a legal entity, the certificate of registration or other legitimacy papers must be attached to the form. This also applies if the shareholder votes in advance by proxy. The shareholder may not provide the advance vote with special instructions or conditions. If this occurs, the vote (i.e. the advance vote in its entirety) is invalid. Further instructions and conditions are provided in the advance voting form.

For information on how personal data is processed, please visit euroclear.com/dam/ESw/Legal/Privacy-notice-bolagsstammor-engelska.pdf.

Notice convening the Annual General Meeting

The Annual General Meeting is convened through a notice on the company's website and an announcement in the Swedish Official Gazette (*Post- och Inrikes Tidningar*). Any documents that are to be presented at the Annual General Meeting will be made available on the company's website at least three weeks prior to the Annual General Meeting.

NOMINATION COMMITTEE

Karl Swartling	Stena Sessan AB (Chairman of the Nomination Committee)
Dick Bergqvist	AMF Pension & Fonder
Olof Cato	Formica Capital AB
Per G. Braathen	Chairman of the Board

Among other things, the Nomination Committee proposes Board members to the Annual General Meeting and if applicable, auditors and fees to the Board of Directors.

FINANCIAL INFORMATION 2021

Interim Report January–June 2021
July 16, 2021

Interim Report January–September 2021
October 28, 2021

The reports are available on the company's website at scandichotelsgroup.com. To subscribe for Scandic's press releases and interim reports, sign up on Scandic's website.

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Scandic

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