Scandic

ANNUAL & SUSTAINABILITY REPORT 2021

THE LEADING NORDIC HOTEL COMPANY

With 54,000 hotel rooms in operation at 268 hotels, Scandic is clearly the leading hotel company in the Nordic countries. In 2021, net sales totaled 10.1 billion SEK.

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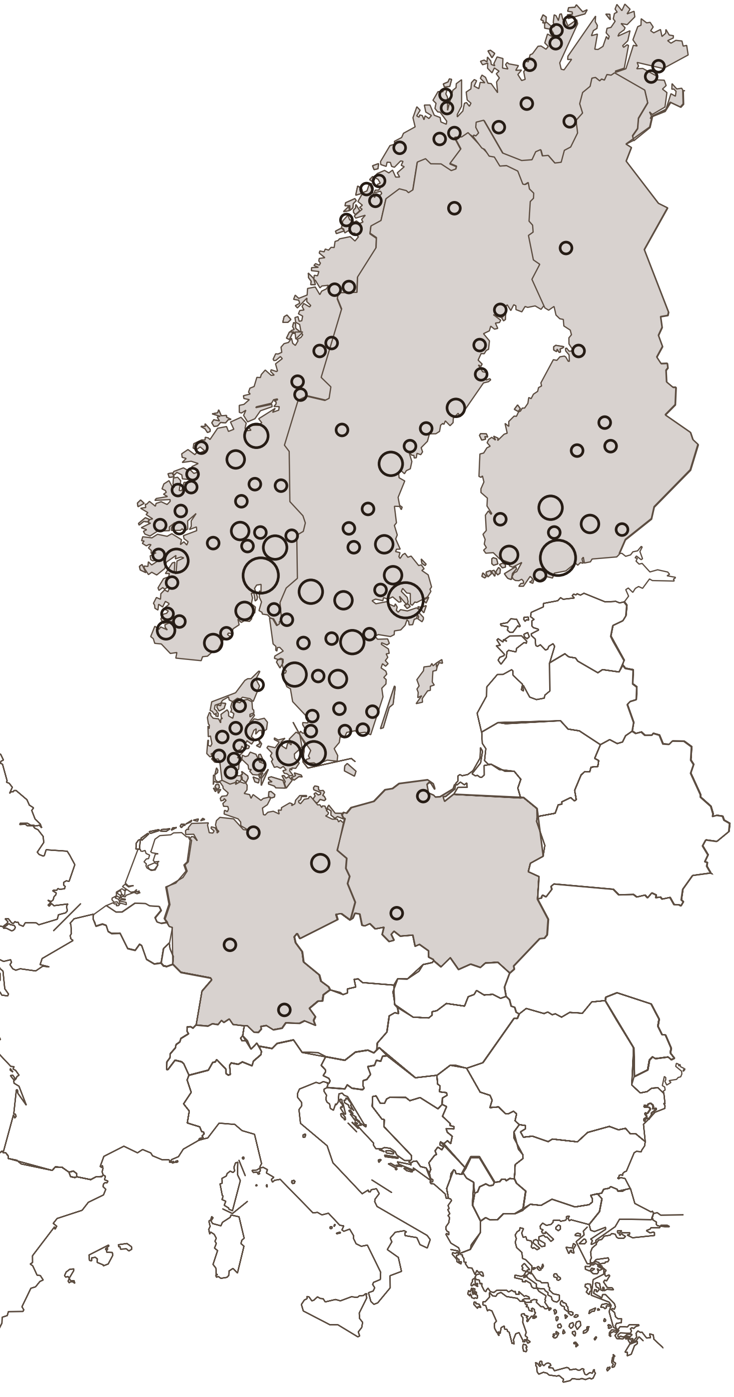
Scandic is a Swedish company subject to Swedish laws. All values are expressed in Swedish kronor. Figures in parentheses refer to 2020 unless otherwise specified. Data on markets and competition in Sweden is based on Scandic's own assessments unless a specific source is indicated. These assessments are based on the best and latest available facts from published sources. The annual accounts and consolidated accounts of the company are included on pages 62–118 in this document. The statutory sustainability report can be found on pages 1–17 and 36–58 of this document.

THIS IS SCANDIC



THE LEADING HOTEL COMPANY IN THE NORDICS

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 the fully-owned Scandic brand that is the most well-known in the Nordic hotel market. Scandic has hotels at close to 130 destinations, with 54,000 rooms in operation at 268 hotels.

268
HOTELS IN OPERATION

130
LOCATIONS

54,000
HOTEL ROOMS IN OPERATION

EFFICIENT OPERATING MODEL

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.

INDUSTRY LEADER IN SUSTAINABILITY

For many years, Scandic has been contributing to a more sustainable society, among other things by lowering its consumption of resources and reducing its climate impact. Scandic recently launched an updated sustainability strategy and the company has a clear ambition to lead the way in the global hotel industry when it comes to sustainability.

STRATEGIC PARTNERSHIPS

Most of Scandic's hotels are operated with revenue-based lease agreements, which historically have formed the basis of a community of common interests with landlords, enabling long-term development for hotels. With a leading market position and a strong brand, Scandic is seen as a prioritized partner by property owners.

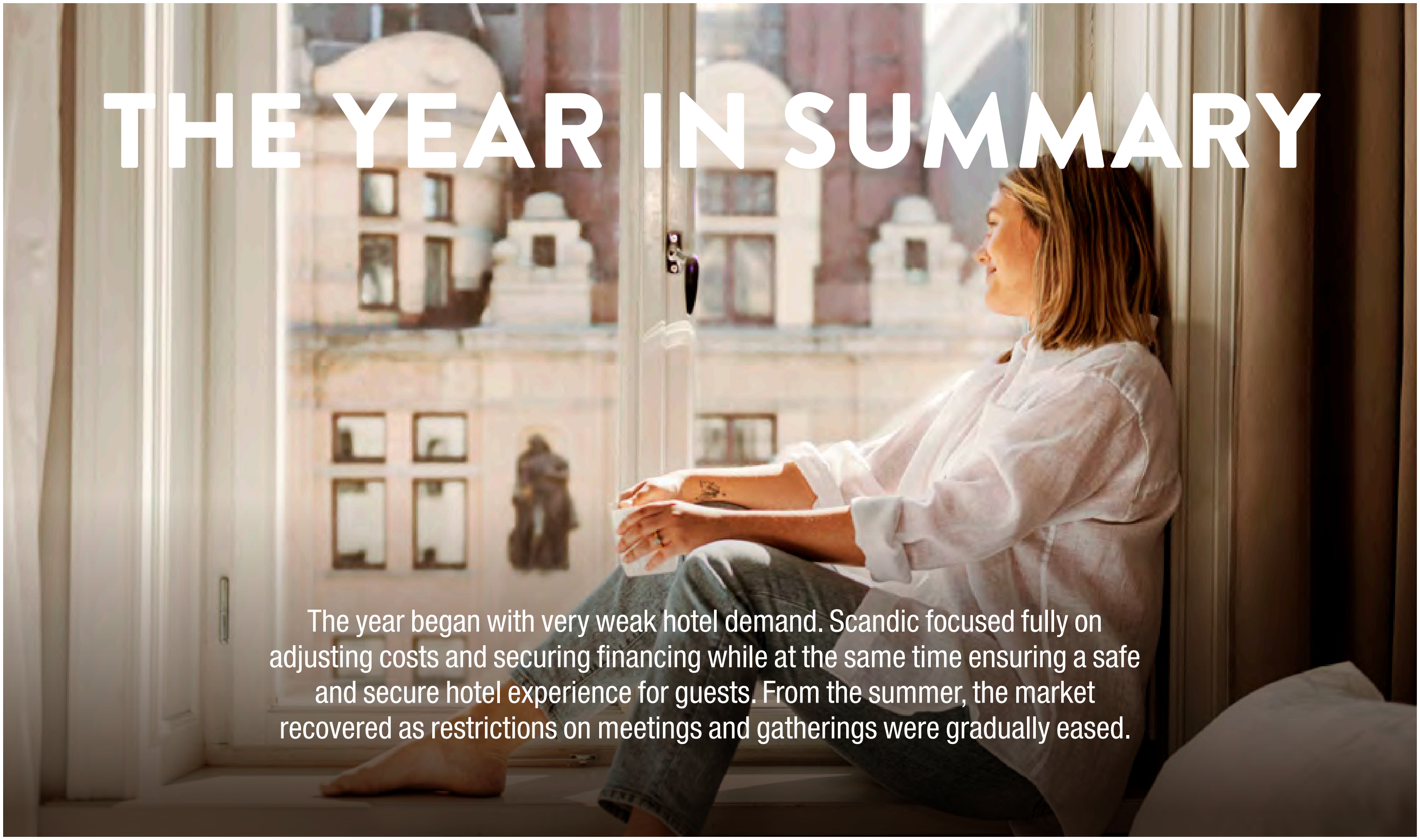
HIGH SHARE OF RETURNING CUSTOMERS

Scandic has driven development in the Nordic hospitality industry. Its loyalty program, Scandic Friends, is clearly the industry leader in the Nordic region and contributes to a high proportion of returning customers. During 2021, about 40 percent of all room bookings were related to Scandic Friends.

15%
MARKET SHARE IN THE NORDIC COUNTRIES

GRI: 102-2

THE YEAR IN SUMMARY



The year began with very weak hotel demand. Scandic focused fully on adjusting costs and securing financing while at the same time ensuring a safe and secure hotel experience for guests. From the summer, the market recovered as restrictions on meetings and gatherings were gradually eased.

IMPORTANT EVENTS IN 2021

STRENGTHENED FINANCING

At the end of March, Scandic carried out an offering of convertibles, raising approximately 1.6 billion SEK. In connection with this, the company's credit facilities were extended to 2023.

SCANDIC TOPS THE SWEDISH SUSTAINABILITY LIST

For the 11th year in a row, consumers and decision-makers named Scandic the most sustainable brand in the hotel industry according to the Sustainable Brand Index.

COMMERCIAL INITIATIVES

During the year, Scandic developed and launched a number of commercial initiatives including a coworking concept at all hotels, hybrid meetings, multi-booking and a fully digital booking service for meetings and conferences.

NEW HOTELS

During the year, Scandic opened 6 hotels with a total of 1,600 rooms.

POSITIVE VIEW FOR 2022

The past year has clearly shown that there is a strong underlying demand in the hotel market.

How would you summarize the past year?
– Just as in 2020, this past year, we've had to manage very large fluctuations in the hotel market. During the first five months of 2021, demand was low, but it improved sharply from June onward, driven by domestic leisure travel. Above all, there was a clear improvement from last year's low levels in the capitals that was aided by the easing of restrictions on gatherings and meetings. Development remained positive during the autumn with a marked increase in business travelers and meetings. It is clear that there has been a very large pent-up need for meetings among our customers, and bookings increased quickly when restrictions were lifted.

– Throughout the entire year, there were significant variations in occupancy at Scandic's hotels. At many destinations, activity returned to pre-pandemic levels for longer periods of time. Although there was a substantial improvement in occupancy rates in important metropolitan areas, in general, occupancy was lower than normal, which had a negative effect on Scandic's earnings.

– The upswing in demand, however, lasted only until the beginning of December, when the increased spread of the Omicron variant of the coronavirus led to the reintroduction of restrictions, which resulted in a weak end to the year. In connection with these restrictions being lifted in February of this year, however, we're seeing a clear increase in bookings and occupancy at our hotels.

How has Scandic handled these fluctuations?
– When the pandemic broke out in February 2020, Scandic acted quickly to adjust costs. In just a few months, we halved our costs, among other things through a large reduction in staff combined with extensive furloughs. In 2021, we instead in a very short time had to increase

staffing again to handle the sharp increase in demand that occurred from the beginning of the summer. This has been a great challenge since many former team members within the hospitality industry have had time to retrain and apply for jobs in other professions.

– I'd like to take the opportunity to highlight the efforts that our general managers and team members made at our hotels during the year. Scandic has managed to maintain a high level of service and safety despite sharp fluctuations in occupancy and occasionally limited staff. Scandic has a unique culture, and this is something we've really seen in the past year.

– In light of the changed market conditions, it has also been necessary to adjust our rental costs. At the beginning of the year, we announced that we had agreed with the majority of our property owners on a total reduction of our fixed and guaranteed rental costs of around 900 MSEK for the coming years, of which just over half related to 2021. In connection with this, we agreed to extend a number of leases. I see this as clear proof that with its leading market position and strong operating model, Scandic is considered a very attractive partner for Nordic hotel property owners.

– In March, we also secured our financing through an issue of convertible bonds and agreed with our lending banks to extend our credit facilities.

Were there any changes to the hotel portfolio during the year?
– We opened three new hotels with lease agreements during the year: Scandic CPH Strandpark in Copenhagen, Scandic Grand Central Helsinki in Helsinki and Scandic Landvetter at Landvetter Airport in Gothenburg. These attractive hotels in strategic locations have really helped strengthen Scandic's

"WE ATTACH GREAT IMPORTANCE TO FURTHER STRENGTHENING THE RESILIENCE OF OUR BUSINESS MODEL"

offering. In addition, we opened Scandic Arlandastad outside of Stockholm, which we took over on very attractive rental terms during the crisis, as well as the historic Scandic Hamburger Börs in Turku, which opened after an extensive renovation.

– We will maintain a high tempo now in 2022 with nine more hotels that we're planning to open during the year. We are also looking forward to opening Scandic Spectrum, a new hotel we're building in the middle of Copenhagen, which will be the largest in Scandic's portfolio. During the year, we will open four new hotels in Sweden, and in May, Scandic Macherei will open its doors in Munich as our fifth hotel in the German market.

– Scandic has an attractive and well-invested hotel portfolio with unique reach in the Nordic countries as well as selected destinations in Germany and Poland, and we still have a clear ambition for continued profitable growth.

Can you tell us about any commercial initiatives during the year?
– Scandic maintained a high pace in the commercial area over the past year with a number of new initiatives. For example, before the summer, we were the first Nordic hotel company to introduce multi-booking on our website, making it possible to book an entire holiday in just a few clicks. At the end of the year, we also launched a fully digital booking service for booking meetings and conference rooms. And we continued developing our popular coworking offering at our hotels.

"AN ATTRACTIVE & WELL-INVESTED HOTEL PORTFOLIO"

What about Scandic's sustainability initiatives?
– We have a lot to be proud of, and given the environmental problems we face today, it is self-evident that we must advance our position further. Our ambition has always been to wear the yellow jersey in the industry. Reaching our targets in our sustainability work is good for both the environment and for business. We believe that few other hotel companies can boast about as many reductions to their environmental footprint since the 1990s. From the time we started measuring our environmental impact in 1996 until 2019 (our last year reporting on sustainability before the Covid-19 pandemic), we've achieved a 56 percent reduction in CO_2 emissions per guest night, 28 percent reduction in water use and 27 percent reduction in waste. A strong contributing factor to these results is that most of our hotels are certified with the Nordic Swan Ecolabel, a certification we consider to be the most demanding and that keeps us on our toes. We are now working hard to ensure that our remaining hotels are also ecolabeled. To succeed, we, our suppliers and not least our property owners must make the necessary efforts. During the past year, we also updated the Group's sustainability targets and ensured that sustainability is now integrated in all of Scandic's business planning. The greatest potential, however, lies challengingly enough beyond our control, whether it is the energy efficiency of the properties that house our hotels, the energy sources chosen by district heating companies, our suppliers' abilities to reduce their own climate impacts or our guests' ability to travel in more climate-friendly ways to our hotels. But the mission to succeed has never been more important. Together, we can make a difference.

What is your view for the coming year?
– The terrible war that has broken out in Ukraine and the uncertain geopolitical situation can, of course, lead to consequences for the global economy and the hotel industry, and we are following developments very closely. However, we still expect a rapid recovery of the hotel market in 2022 now that virtually all restrictions have been lifted. The past year has definitely shown that there is a strong underlying demand in the hotel market, as eased restrictions have so clearly had an immediate effect on occupancy. There is also structural growth in demand for leisure travel that is likely to continue. At the same time, many companies have a very great need for travel and meetings, both to meet customers and to gather their own organizations after a long period impacted by the pandemic. We can expect that companies will generally travel less than before, especially when it comes to short day trips. There will certainly be an increased focus on quality, which could mean that many people will choose to stay longer when they do travel. I would also like to emphasize that a significant part of business travel at Scandic is related to a large number of construction, infrastructure and renovation projects, which, of course, necessitate physical presence and cannot be replaced by digital meetings.

We attach great importance to further strengthening the resilience of our business model to ensure higher and more stable earnings over time. To this end, in recent years, we've improved efficiency in a number of areas. Although we still see a need to increase staffing at our hotels, we've achieved permanent reductions on the hotel level thanks to increased coordination and digitalization, which have made us more efficient. We have also reviewed and adjusted our food and beverage offering and opening hours at a number of hotels, which is also driving earnings. That said, profitability doesn't come solely from lowering costs and improving efficiency. It is also important to ensure that we optimize our pricing, especially during periods of underlying inflation.

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, lenders and landlords for their confidence in Scandic.

Jens Mathiesen,
President & CEO

CREATING STAKEHOLDER VALUE

Scandic's ambition is to optimize long-term value creation for stakeholders while managing the external factors that impact the company.

EXTERNAL FACTORS

- Changing distribution landscape
- Evolving customer behavior
- Digitalization
- Supply/demand balance
- Sustainability
- Security
- Price increases
- Staff shortages in service industry
- Restrictions from authorities

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

PROFITABILITY ENABLES GROWTH

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

SCANDIC'S FINANCIAL PROFILE

Although in the past two years the Covid-19 pandemic has had a substantial negative impact, Scandic expects to return to generating good profitability. Scandic's ability to deliver profitability over time rests on four pillars.

1

SALES GROWTH

Demand for hotel experiences has historically grown over time. And with a strong market position and unique geographic reach, Scandic is often the hotel of choice for Nordic hotel guests. In addition, the company is benefiting from the growing demand in the leisure segment. Scandic also has a large number of framework agreements with companies and organizations that are generally renewed, and recurring sales are strengthened by the Scandic Friends loyalty program. 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 the right conditions for continued expansion.

2

FLEXIBLE COST STRUCTURE

Scandic has high share of variable costs. Normally, about 25 percent are consumables and sales-related expenses such as rents and commissions. At a normal level of demand, these costs vary according to sales volumes. About half of Scandic's costs are semi-flexible and include personnel expenses. Scandic adapts its costs to the business situation and follows up on expected occupancy to address deviations quickly by reducing costs. In light of the pandemic, during the past two years, Scandic has 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, up 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. With improved cost efficiency, Scandic's ambition is to achieve a margin that exceeds 11 percent, even if demand is slightly lower than it was in the years before the pandemic.

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.

FINANCIAL TARGETS & OUTCOME

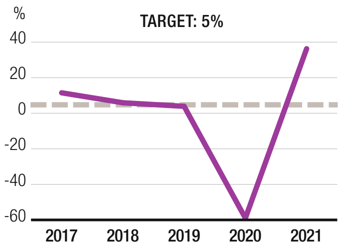
Up until 2019, Scandic had increasing sales and an adjusted EBITDA margin that was close to the target of 11 percent. In 2020 and the first half of 2021, however, the Covid-19 pandemic had an extremely negative effect on Scandic's key ratios. From the second half of 2021, Scandic has been profitable again.

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 2017–2021



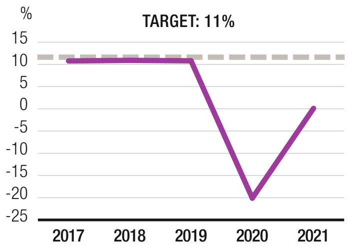
In 2021, organic sales growth amounted to 36.3 percent after having been significantly negative in 2020.

2

PROFITABILITY

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

TARGET & OUTCOME 2017–2021



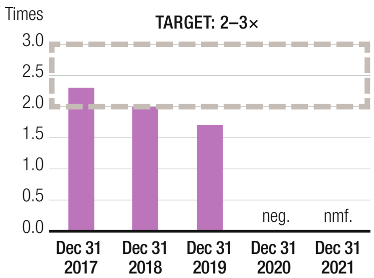
The margin was close to zero in 2021 due to very weak development during the first half of the year. The adjusted EBITDA margin totaled 0.1 percent in 2021.

3

CAPITAL STRUCTURE

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

TARGET & OUTCOME 2017–2021



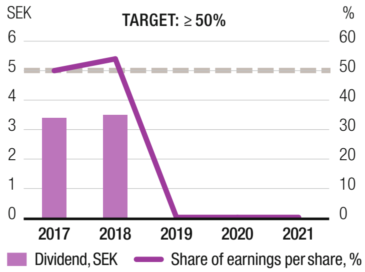
At the end of 2021, Scandic's net debt was 3,053 MSEK while adjusted EBITDA amounted to 6 MSEK.

4

DIVIDENDS

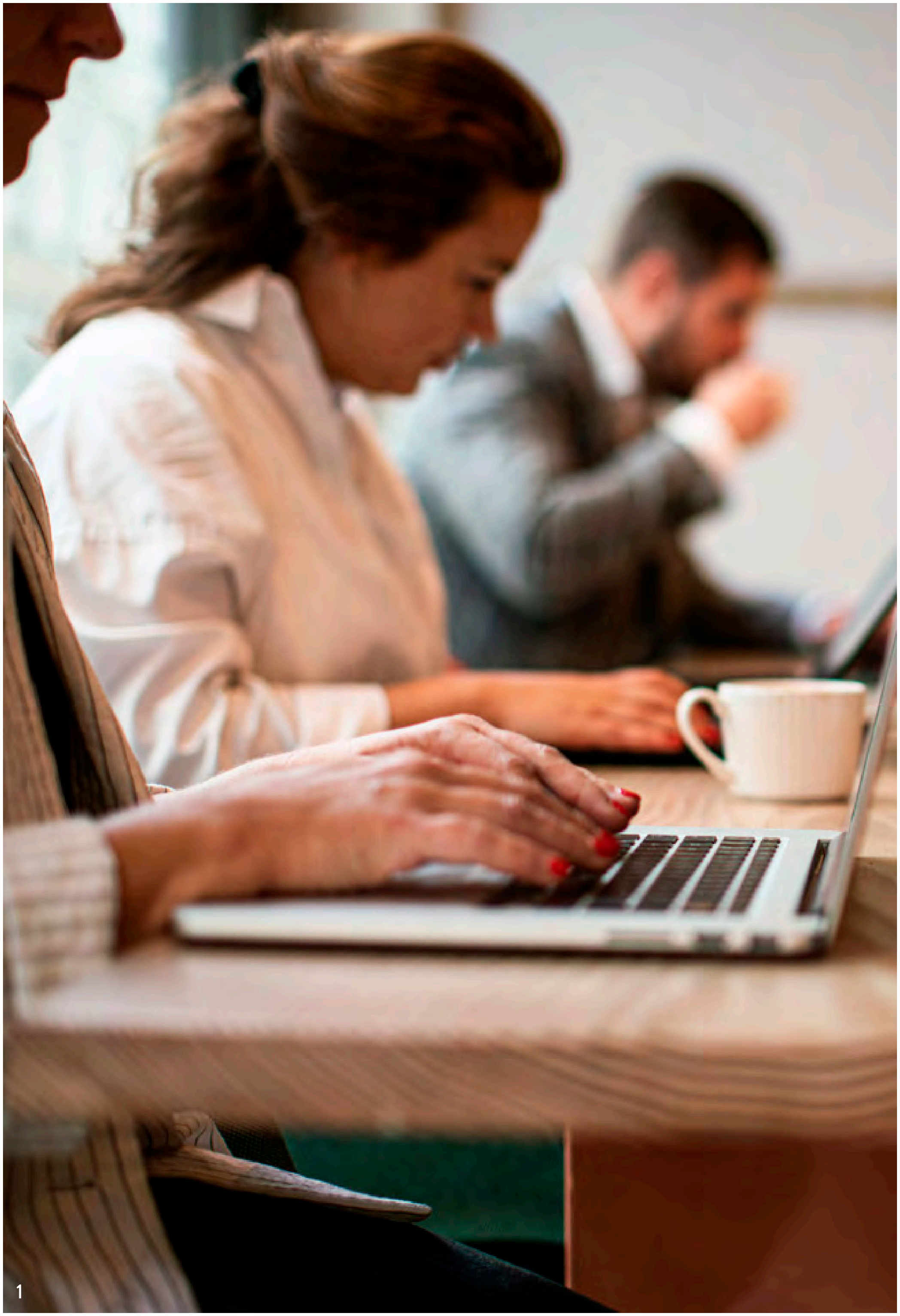
The dividend policy is to distribute at least 50 percent of net profit for the year.

TARGET & OUTCOME 2017–2021



As in 2020, Scandic's Board of Directors has proposed that no dividend be paid for 2021.

1. **COWORKING**
2. **SCANDIC RUBINEN**
3. **SCANDIC FAMILY ROOM**

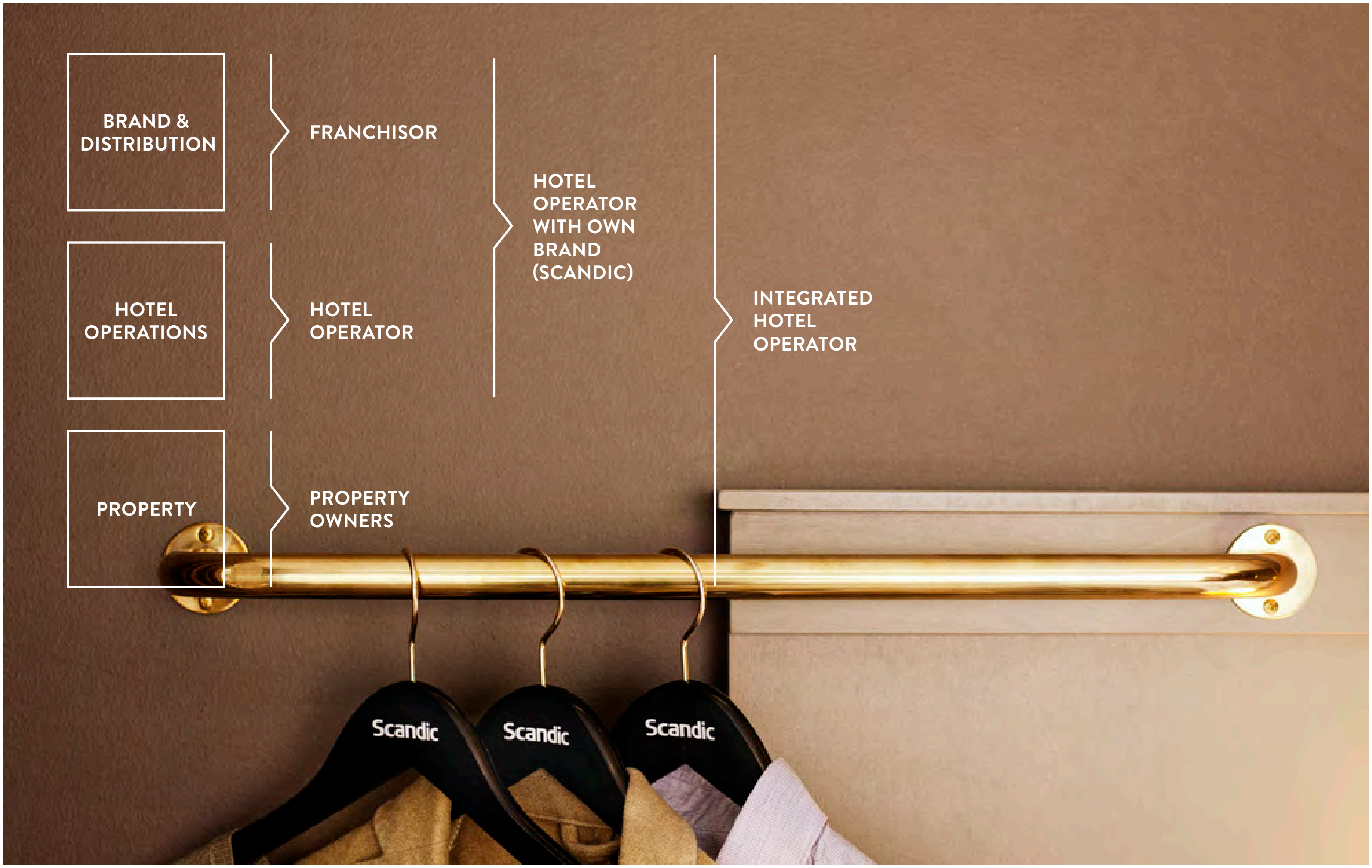

1


2


3

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 only 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 as well as the offering and 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

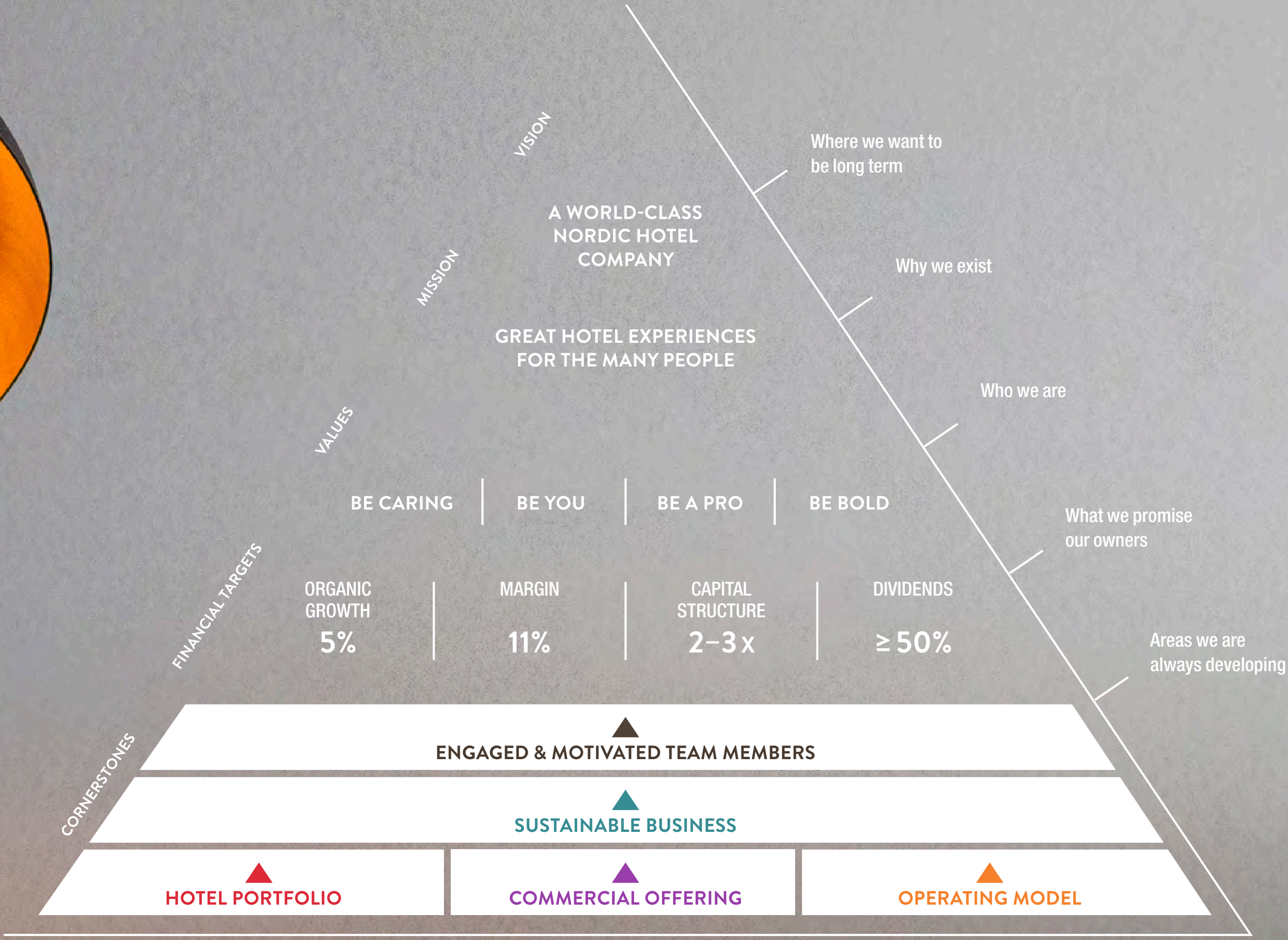
The leasing model means Scandic can ensure that its hotel offering is fully in line with what the company markets while also benefiting from economies of scale in operations and distribution. Scandic's lease agreements are revenue-based to a large extent, creating a common interest for both parties since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

From December 2015 when the company was listed on the stock exchange until the start of 2020, Scandic had relatively stable margins with rental costs in principle developing in line with sales. However, most of the company's lease agreements were not designed to handle as sharp a market decline as what occurred during the pandemic. For this reason, Scandic initiated dialogues with its property owners in 2020, which resulted in temporary rent discounts for the coming years.

OUR STRATEGY

Scandic's strategy is built on five strategic cornerstones that define the areas we must always focus on in order to realize our vision, mission and financial goals. A sustainable approach and engaged and motivated team members are the foundation of Scandic's strategy and should be evident in all important decisions.

STRATEGIC FOCUS AREAS



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 the past two years, Scandic has 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

Our strategic priority for 2022–2023: Strengthen our culture, leadership and engagement

Scandic is driven by a distinct culture that steers us in our service, leadership and daily decision-making. This is not something we should take for granted – we need to invest in our culture every day. The pandemic has been demanding for all of Scandic's team members, and the company is now facing new challenges that require leadership at all levels. This is why in the coming years, we will take important steps to further strengthen our culture, leadership and engagement.

SUSTAINABLE BUSINESS

Our strategic priority for 2022–2023: Lead the industry when it comes to sustainability

We want to make a difference. Sustainability is one of the most important issues society faces today, and everyone needs to make changes. To this end, we need to advance our already-strong position within sustainability through concrete measures and continued commitment. This means strong initiatives to reduce the climate impact of our operations, increasing diversity and inclusion, and sharing our ambitions and successes with stakeholders.

HOTEL PORTFOLIO

Our strategic priority for 2022–2023: Continue our long-term growth journey

We want to continue to grow. Scandic has a leading market position in the Nordic region with wide geographic presence. We need to continue to manage our portfolio wisely, while preparing for continued expansion. This means optimizing our existing hotels (for example, by improving use of space), strengthening the resilience of our business model, increasing the efficiency of ongoing investments and ensuring growth in strategic growth areas outside the Nordic region.

COMMERCIAL OFFERING

Our strategic priority for 2022–2023: Return revenues and room rates to pre-pandemic levels

We are now restarting our industry. Our revenues were more than halved during the first year of the pandemic. And although the market has recovered, we still have some way to go before we return to the levels that prevailed before the pandemic. Market demand is expected to recover in 2023, although some segments, such as international group and business travel, may recover more slowly. This is why we need to work even smarter and find new ways to surpass market performance. We can do this, for example, by improving distribution, building a stronger brand, increasing customer loyalty and sharpening our customer focus throughout the guest journey.

OPERATING MODEL

Our strategic priority for 2022–2023: Achieve sustainable margins

Having strong operations will give us the power to invest. We have a long-term margin target of at least 11 percent. This is crucial to enable us to reinvest in our hotels and secure growth over time. Once the pandemic ends, we will need to restore our margins and continue to strive for higher profitability. We are not aiming for short-term cost reductions. Instead, we want to create long-term sustainable margins by improving the way we work and, in particular, benefit from digitalization and economies of scale.

OUR MARKETS

After a long period of growing demand, there was a dramatic decline in the hotel market in 2020. After a weak start to 2021, the market recovered from the summer.

IMPROVED HOTEL MARKET DURING SECOND HALF OF YEAR

DEMAND GROWING OVER TIME

Demand in Scandic's markets has grown over time and the Nordic region has become an increasingly attractive destination for international visitors. Between 2009 and 2019, demand for hotel nights rose by between 2 and 5 percent per year in the Nordic countries, leading to an increasing average occupancy rate and revenue per available room (RevPAR). This trend has been driven by generally good economic growth combined with a distinct increase in leisure travelers together with a greater number of international visitors in our markets.

DRAMATIC DECLINE DURING 2020

The spread of the coronavirus, however, led to a dramatic decrease in hotel demand from the end of February 2020. In a short time, the number of bookings dropped sharply, initially driven by reduced travel from abroad at the same time as restrictions were introduced among Nordic corporate customers. In addition, to reduce the spread of infection, authorities took extensive measures such as introducing meeting restrictions and quarantine rules, which led to extremely low levels of activity. At its worst, average occupancy in April 2020 was below 10 percent, which was historically low. Following a recovery in the summer of 2020 that was driven by domestic leisure travelers, the market weakened again in the second half of the year as a result of a second wave that led to stricter government restrictions. 2021 began with continued weak hotel demand in all markets due to the continued restrictions.

"DURING THE SUMMER, THERE WAS A STRONG RECOVERY"

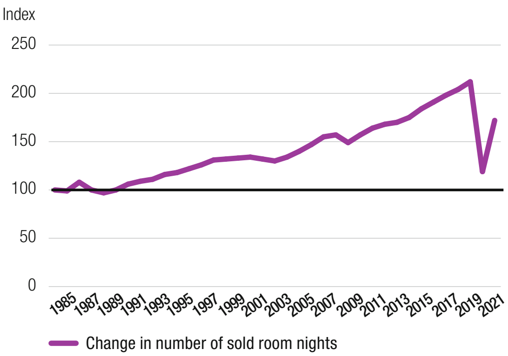
STRONG RECOVERY FROM SUMMER 2021

During the summer of 2021, there was a strong recovery in Scandic's markets, and occupancy reached about 60 percent in Sweden, Norway and Finland and approximately 50 percent in Denmark. Demand rose sharply in July thanks to strong domestic leisure travel and the gradual easing of government restrictions in all of Scandic's markets. Development during the holiday period was particularly strong in the Norwegian market, where RevPAR was at a higher level than during the corresponding month in 2019, that is, before the pandemic broke out. Above all, eased restrictions had a positive effect on activity levels in the big cities since there was a wider range of entertainment, with amusement parks and other attractions opening again.

INCREASED BUSINESS TRAVEL & MEETINGS DURING AUTUMN

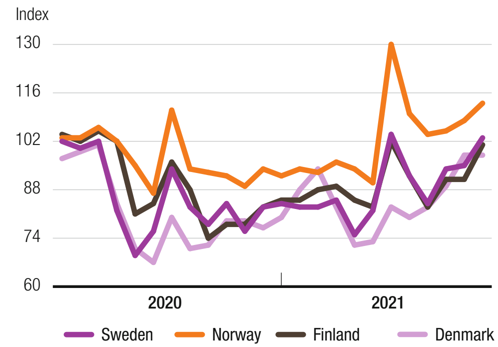
Occupancy remained above 50 percent once the holiday period began to slow at the end of the summer thanks to a greater number of business travelers and meetings, which compensated for reduced leisure travel during the weekdays, while demand for weekends stabilized at a good level. Hotel demand continued to improve during the second half of the year, while room prices in general recovered fully. During December, however, temporary restrictions that were introduced to slow the spread of the Omicron variant led to a reduction in hotel demand. Development during the year was relatively similar in Scandic's Nordic

ANNUAL CHANGE IN NUMBER OF SOLD ROOM NIGHTS, NORDIC REGION



Source: National statistics.

AVERAGE ROOM RATES BY COUNTRY, 2020–2021



Source: Benchmarking Alliance.

markets, but there was a somewhat slower recovery in Finland, where restrictions were eased later than in other markets.

At most of Scandic's destinations, occupancy returned to pre-pandemic levels, although hotels in larger cities were negatively impacted by the fact that there were fewer large events and therefore fewer international visitors than usual, especially in Stockholm and Helsinki.

Scandic's German operations experienced even higher volatility than its Nordic operations during the year, with extremely low activity during the first six months due to very extensive restrictions. The German market then improved substantially during the summer, but weakened again in the fall due to the increased spread of infection.

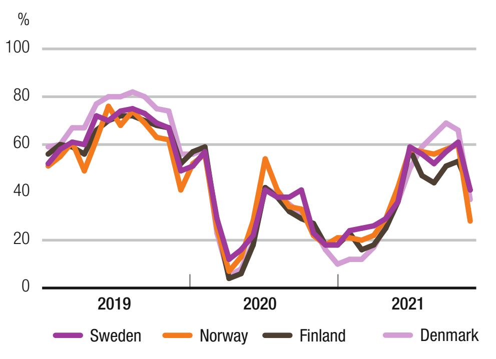
CONTINUED IMPROVEMENT EXPECTED

Scandic expects that the market will continue to recover, although it will likely take time for international demand to

> **"THE SHARE OF LEISURE TRAVEL HAS INCREASED OVER TIME"**

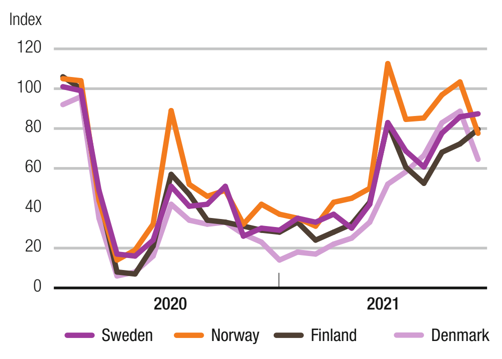
return to pre-pandemic levels. The share of leisure travelers has increased over time, and Scandic expects this trend to continue going forward. In the short term, there is still a pent-up demand for meetings since companies have a need to gather their employees and meet customers after a long period of restrictions and working from home. By all accounts, business travel will change character in the future, with a greater share of digital meetings as a complement to in-person meetings. Along with this, many large companies have announced that they expect to reduce their business travel for financial and environmental reasons. To adapt to this trend, among other things, Scandic has launched hybrid meetings at all of its hotels to facilitate combined physical and digital meetings. Scandic considers it likely that many companies may choose to travel less often than before and that there will be an increased focus on quality in connection with travel and meetings. One possible scenario is that some may choose to travel less than before, but then stay longer when they do travel, which is not necessarily negative for Scandic's hotels. It should also be emphasized that a significant part of what Scandic defines as business travel relates to major construction, renovation and infrastructure projects, which require physical presence and cannot be replaced by digital solutions.

OCCUPANCY BY COUNTRY, 2019–2021



Source: Benchmarking Alliance.

REVPAR BY COUNTRY, 2020–2021



Source: Benchmarking Alliance.

HOTEL PORTFOLIO & PIPELINE

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

AN ATTRACTIVE & GROWING HOTEL PORTFOLIO

At the turn of the year, Scandic's hotel portfolio comprised 268 hotels. In total, the number of rooms in operation increased by just over 1,000 to 54,265 rooms. During the year, Scandic opened six new hotels with a total of almost 1,600 rooms. The new hotels include Scandic Arlandastad at Arlanda Airport in Stockholm, Scandic CPH Strandpark in Copenhagen, Scandic Sortland in Norway, Scandic Grand Central Helsinki in Helsinki, Scandic Landvetter outside of Gothenburg and Scandic Hamburger Börs in Turku, Finland.

Scandic's pipeline included a net of seven hotels and 3,168 rooms for the period 2022–2025, which corresponds to almost 6 percent of the existing portfolio. Most of the pipeline refers to 2022 during which Scandic will open nine hotels with a total of 2,700 rooms at the same time as five hotels that together have 863 rooms will be exited.

Scandic has done a thorough analysis and evaluation of its hotel portfolio down to the hotel level. With a clearer grasp of the portfolio, there are excellent opportunities to further strengthen the offering with new attractive hotels, while hotels with more limited potential can be exited when their agreements expire.

"SCANDIC HAS A WELL-INVESTED HOTEL PORTFOLIO"

LONG-TERM LEASE AGREEMENTS

Scandic operates hotels with long-term leases that are usually variable based on the hotel's revenue. In Sweden and to a certain extent in Denmark, there is a legal tenure, meaning that the tenant is entitled to extend the lease on market terms at the end of the original contract. At the turn of the year, 94 percent of Scandic's hotels were operated with leases and the average remaining term was almost 12 years. About 15 percent of the leases will expire by or during 2023.

WELL-INVESTED HOTELS

Responsibility for investments is clearly regulated in Scandic's lease agreements. In general, Scandic is responsible for 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, Scandic's maintenance investments are estimated to amount to around 3.5 to 4 percent of net sales. As Scandic has a well-invested hotel portfolio, over the past two years, the company been able to prioritize cash flow by concentrating investments on opening new hotels and renovation projects that had already started.

TEMPORARY RENT REDUCTIONS

During the pandemic, some hotels, especially those in the big cities, have had rental costs that have exceeded the hotels' turnover, which has not been sustainable. For this reason, in 2020, Scandic initiated a dialogue with property owners on adjusted rental terms, which resulted in a reduction of Scandic's fixed and guaranteed rents by 900 MSEK, of which more than half related to 2021.

HOTEL PORTFOLIO, OPENINGS & EXITS

Hotel openings during the year	Country	No. rooms
Scandic Arlandastad	Sweden	150
Scandic Strandpark	Denmark	357
Scandic Sortland	Norway	130
Scandic Grand Central Helsinki	Finland	491
Scandic Landvetter Airport	Sweden	223
Scandic Hamburger Börs	Finland	272
Total		**1,623**

Divested hotels	Country	No. rooms
Scandic Forum	Norway	182
Total		**182**

SCANDIC'S MARKET SHARE IN NORDIC COUNTRIES

15%

A HOTEL NETWORK WITH UNIQUE REACH FOR CUSTOMERS

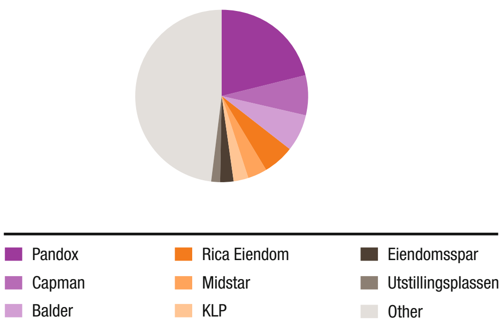
130

LOCATIONS

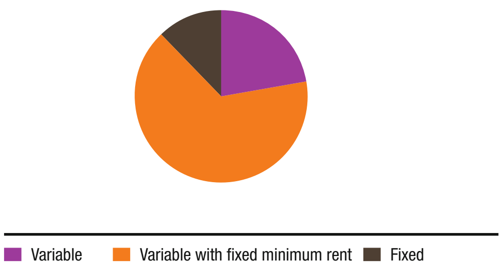
NEW HOTELS & EXTENSIONS

Pipeline, yr.	Hotel	Location	Type	No. rooms
2022	Scandic Macherei	Munich, Germany	New	234
	Scandic Örebro Central	Örebro, Sweden	New	160
	Scandic Holmenkollen Park	Holmenkollen, Norway	Reopening	376
	Scandic Nørreport	Copenhagen, Denmark	New	100
	Scandic Spectrum	Copenhagen, Denmark	New	632
	Scandic Oceanhamnen	Helsingborg, Sweden	New	184
	Scandic Göteborg Central	Gothenburg, Sweden	New	451
	Scandic Kiruna	Kiruna, Sweden	New	230
	Scandic Helsinki Hub	Helsinki, Finland	New	350
2023	Scandic Hafenpark	Frankfurt, Germany	New	505
2024	Scandic Sundsvall Central	Sundsvall, Sweden	New	210
2025	Scandic Aarhus Harbour	Aarhus, Denmark	New	485
Ongoing extensions				114
Exits				-863
Total pipeline, net				**3,168**

LARGEST PROPERTY OWNERS[1)]

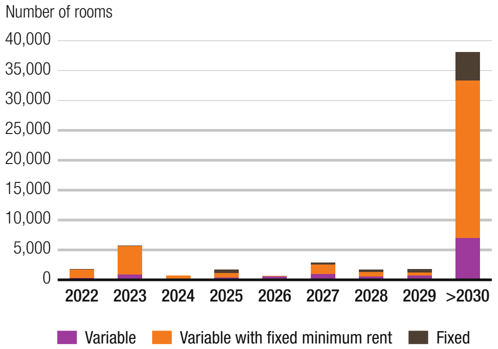


BREAKDOWN OF LEASE AGREEMENTS[1)]



[1)] Excluding pipeline.

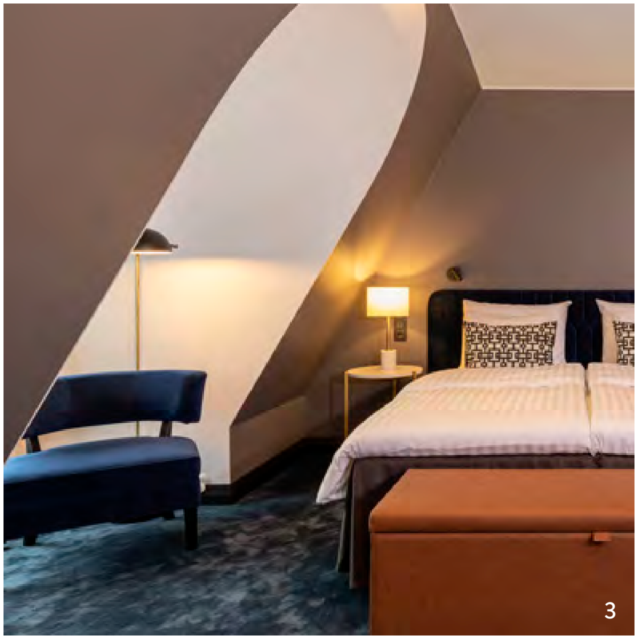
REMAINING LEASE LENGTHS[2)]



[2)] Including pipeline.

GRI: 102-7

1. **SCANDIC LANDVETTER**
2. **SCANDIC HAMBURGER BÖRS**
3. **SCANDIC ROOM COLLECTION**



EFFICIENT OPERATING MODEL

Scandic has a long-term margin target of 11 percent, which is important to enable the company to reinvest in its hotel portfolio and ensure growth over time. Scandic does not seek short-term cost reductions, but strives for sustainable profitability, among other things by taking full advantage of economies of scale and digitalization.

COST REDUCTIONS DURING CRISIS TO STRENGTHEN PROFITABILITY OVER TIME

It has been challenging for Scandic to manage the extreme fluctuations in its business during the past two years. In 2020, very extensive cost reductions were implemented in a short time, which among other things meant that the number of employees was more than halved through a large number of furloughs and redundancies. In the past year, Scandic has in a very short time re-hired thousands of team members to handle increased demand.

Scandic aims to exceed its margin target of 11 percent, even in a market where demand has not completely returned to pre-pandemic levels. At the end of the year, Scandic's staffing was approximately 20 percent lower than during the corresponding period two years earlier, and there have been a number of permanent staff reductions, especially above the hotel level.

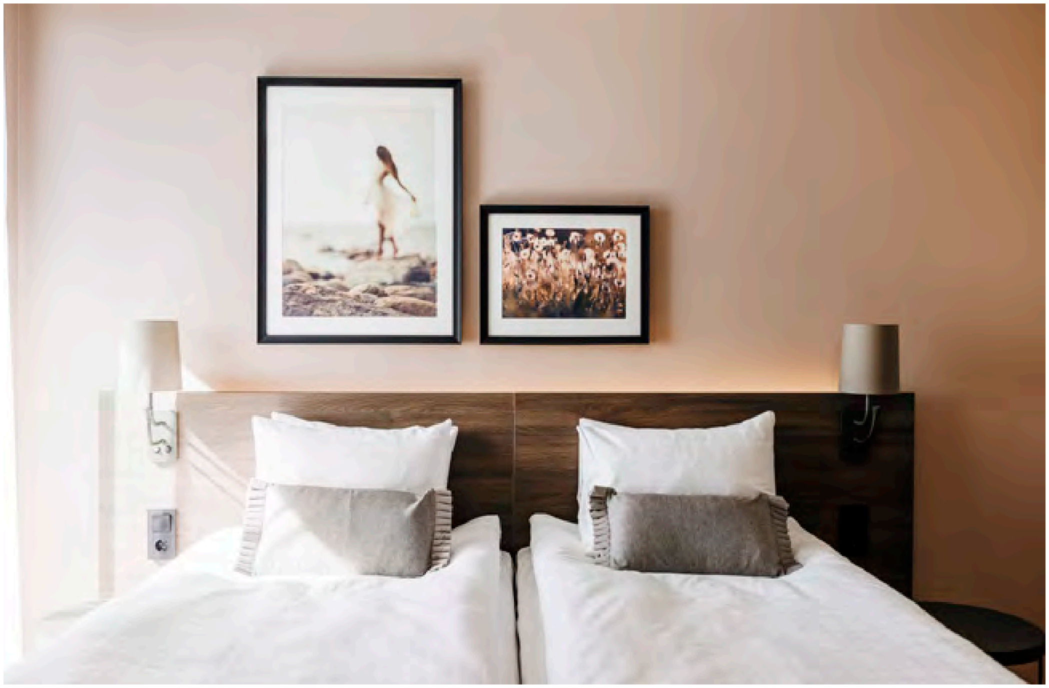
"SCANDIC DOES NOT SEEK SHORT-TERM COST REDUCTIONS, BUT STRIVES FOR SUSTAINABLE PROFITABILITY"

UNIQUE ECONOMIES OF SCALE

With a market-leading position in the Nordic countries, Scandic enjoys a number of economies of scale. Thanks to a clear division of responsibilities between hotels and central functions, Scandic can benefit from these economies of scale in a number of key areas such as IT, purchasing, investments and administration. This strong market position also benefits Scandic's negotiating position vis-à-vis its distribution partners, which means that distribution costs can be kept down, unlike independent hotels and smaller hotel companies.

Scandic has a proven model to quickly integrate new hotels and run them 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.

Scandic is constantly working to strengthen profitability over time. There are potential gains to achieve in replacing manual processes through increased digitalization at Scandic's hotels. Scandic is now in the final phase of implementing a new Group-wide business system (ERP), which will further strengthen governance and efficiency.



LEADING BRAND & STRONG DISTRIBUTION CAPACITY

Scandic benefits from having the leading hotel brand in the Nordic countries combined with strong distribution capacity and the largest loyalty program in the hotel industry.

A LEADING BRAND

Scandic is by far the strongest brand in the Nordic hotel market, and it is positioned in the mid-market segment, which constitutes a very large part of the total hotel market. Historically, Scandic has had a strong focus on business travelers, but its customer mix has gradually changed due to good underlying growth in leisure travel. To fully embrace this trend, over time, Scandic has adapted its customer offering and marketing within the framework of the Scandic brand.

In recent years, Scandic has established a number of individually designed signature hotels that are in a slightly higher price range and more experience-based. Additionally, in Finland, Scandic also operates 10 hotels under international brands, including three Hilton hotels and seven hotels under the IHG brands Holiday Inn, Crowne Plaza and Indigo.

STRENGTHENED COMMERCIAL ORGANIZATION

Over the past year, Scandic has strengthened its commercial organization with a focus on increasing clarity and raising the tempo in its commercial area to better capitalize on Scandic's full potential in the market.

Examples of Scandic's commercial initiatives in 2021:

- In December, Scandic launched a fully digital booking service for booking meetings and conference rooms for up to 30 people on phones or desktops. At the end of the first quarter 2022, the service will be offered at Scandic's 195 hotels that offer meeting and conference facilities in the Nordic countries, Germany and Poland.
- Before the summer, Scandic was the first Nordic hotel company to make it possible to book entire holidays in a few clicks using its multi-booking solution. Multi-booking allows travelers to book up to five different hotel stays in a single booking. This is a feature that leisure and business travelers alike had requested to further simplify the booking process.
- In 2020, Scandic also launched the largest network of coworking spaces in the Nordic region. Driven by the growing trend in flexible working, the concept has opened up hotel spaces to both entrepreneurs and established businesses as well as students. During the fall, the company took the next step by welcoming coworkers at all hotels to start the their day with a hotel breakfast included in the price.
- In connection with the start of the academic year, many students returned to their university cities after a period of distance learning, which put increased pressure on student housing. For this reason, Scandic offered students discounted long-term accommodation at more than 50 selected hotels in university cities in Sweden, Norway, Finland, Denmark, Germany and Poland.

SCANDIC FRIENDS

Scandic Friends is by far the largest loyalty program in the Nordic hotel industry. In total, the program has more than 2 million members who accounted for about 40 percent of the company's guest nights in 2021. With Scandic Friends, members earn points and enjoy benefits that increase the more they spend at Scandic. Scandic Friends enables personal communication and individualized offers, which helps to strengthen the program and increase traffic to Scandic's website. 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 of the program, the company can also gain important knowledge about guests' preferences when they stay at Scandic.

SCANDIC FRIENDS

SHARE OF TOTAL NUMBER OF GUEST NIGHTS, 2021

40%

STRONG DISTRIBUTION CHANNELS

With a leading market position and the most well-known hotel brand combined with a comprehensive loyalty program, Scandic's own distribution channels are strong, accounting for about 74 percent of the rooms sold in 2021. More than half of Scandic's distribution takes place through digital channels. Scandic is continuously investing in digital solutions for its guests, which has had a positive effect in recent years. Scandic also generates a large number of sales via its central reservation service or directly at hotels, but this is expected to continue to decrease as its digital channels take over. This high proportion of direct distribution means that Scandic can establish direct relationships with guests, which increases understanding of their preferences and behavior from searching to booking and staying. It is also more profitable for Scandic to control its own distribution, since then it can avoid paying commissions for bookings via digital online travel agencies (OTAs). Here, Scandic has a clear advantage compared with smaller competitors that are more dependent on external distribution.

"THERE ARE SIGNIFICANT OPPORTUNITIES TO IMPROVE THE CUSTOMER JOURNEY THROUGH DIGITALIZATION"

For Scandic, it is obviously important to reach as many potential customers as possible. In the years before the pandemic, sales to international customers increased, and many of these guests are not easily reached through Scandic's own channels. This is why the company relies on external distribution partners to optimize sales while aiming to gain bookings from Nordic customers through its website and app to the greatest extent possible.

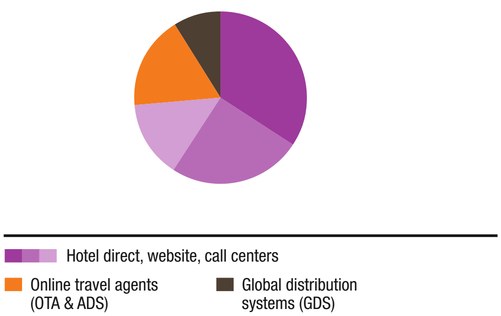
DIGITAL DRIVING GUEST BENEFITS & EFFICIENCY

Scandic must 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 Guest Fast Track service. In general, an increasing share of the contact between Scandic and guests will happen digitally, from selecting rooms when booking to using digital room keys on phones. Scandic is also working to improve distribution, among other things by enhancing the ability to drive traffic to its site and app. Digitalization is naturally not an end in itself, and it is important for Scandic to prioritize solutions that create real value.

DISTRIBUTION, 2018–2021

% guest nights	2018	2019	2020	2021
Scandic's website & app	25	27	34	34
Hotel direct	30	24	24	25
Call center	16	17	13	14
Direct	**70**	**68**	**71**	**74**
OTAs	17	18	17	17
GDS	13	13	12	9
Indirect	**38**	**42**	**36**	**26**

SALES BY DISTRIBUTION CHANNEL



SHARE OF SALES IN OWN CHANNELS

74%

ENGAGED & MOTIVATED TEAM MEMBERS

In the coming years, Scandic will continue to further strengthen its culture, leadership and engagement.

ATTRACTIVE EMPLOYER

BEING PART OF THE SCANDIC TEAM

Just over 14,000 people work at Scandic. Of these, 64 (63) percent are women and 36 (37) percent are men. Scandic's team members work in a variety of service areas, from hotel organization, business and property development, finance, sustainability, food and beverage, HR, IT, digital development and marketing, revenue management, sales and communication. 85 percent of Scandic's team members are covered by a collective agreement.

At Scandic, there are many career paths. A team member can change path, become a manager or move to another city. For those who have the right attitude and share Scandic's values, the possibilities are almost endless – 268 hotels in the Nordic region and northern Europe constitute an arena for team members' professional and personal development.

WELCOMING TEAM MEMBERS BACK

Over the past two years, Scandic has had to manage very sharp fluctuations in demand, which has had major effects on staffing. During the first half of 2020, Scandic was forced to more than halve the number of team members in just a few months. This was carried out through a combination of extensive furloughs and redundancies as well as by reducing the number of temporary and hourly staff. In 2021, the market turned, guests came back and Scandic's employment needs increased. Within a few months, Scandic's team increased to about 14,000 employees.

For obvious reasons, these fluctuations were extremely challenging for general managers and other team members. That said, everyone has made an extraordinary effort to maintain a high level of service and safety when occupancy and staffing fluctuated.

GOOD FIRST EMPLOYER

Scandic's operations are affected by seasonality and temporary highs, which is why the company offers temporary positions. This means that for many people, Scandic plays an important role as a first employer and creates opportunities for young people and others who have not yet established themselves in the labor market to gain valuable professional experience. In addition, temporary employees constitute an important recruiting base, and many are offered permanent employment. At the end of the year, 41 percent of all team members had temporary employment. Right now, Scandic needs more people on its team, a golden opportunity for more and less experienced people alike. Many former team members within the hospitality industry have had time to retrain and apply for jobs in other professions. This has made it more difficult to recruit people, and many of Scandic's new team members have backgrounds from other sectors. That said, Scandic's efficient onboarding process plays an important role in helping new team members get started in the best and fastest way.

TALENT & SUCCESSION

To ensure that the company can retain talent and continue to find internal candidates for future management positions, Scandic runs an annual program called Talent at Scandic. Among other things, the program includes projects related to Scandic's strategy. During 2020/2021, a total of 36 people participated in Talent at Scandic, with representation from all countries where Scandic operates. Going forward, the plan is to increase the number of participants.

TEAM MEMBERS ON SCANDIC

Scandic's employee satisfaction has historically been at a high level. In recent years, smaller, local initiatives have replaced the annual employee survey that has been used to take the pulse among Scandic's team members. Going forward, Scandic plans to introduce more frequent surveys that regularly capture team members' needs and challenges. Having high employee satisfaction and a distinct culture has always been a success factor for Scandic, and it is especially important when the need for staff is great.

BETTER COORDINATION FOR PROFITABILITY

At the end of 2021, Scandic had approximately 20 percent fewer team members than at year-end 2019. Now, Scandic needs more team members. At the same time, the company does not believe that its workforce will return to previous levels, thanks to better coordination and internal efficiency. Scandic aims to continue to deliver good profitability even if the demand for its services does not return to pre-pandemic levels. Effective staffing is crucial for this.

NATIONALITIES AMONG TEAM MEMBERS

120+

GENERAL MANAGERS RECRUITED INTERNALLY

93%

"HAVING A DISTINCT CULTURE HAS ALWAYS BEEN A SUCCESS FACTOR FOR SCANDIC"

GRI: 102-41, 102-1

GENDER DISTRIBUTION, GENERAL MANAGERS

56% (52%)

44% (48%)

111 women | 86 men

GENDER DISTRIBUTION, NEW EMPLOYEES[1)]

62% (57%)

38% (43%)

1,029 women | 627 men

TOTAL NUMBER OF EMPLOYEES

64% (63%)

36% (37%)

9,365 women | 5,347 men

TOTAL NUMBER OF EMPLOYEES: 14,712

5,342 women | 3,121 men

PERMANENT EMPLOYEES: 8,463

3,814 women | 2,194 men

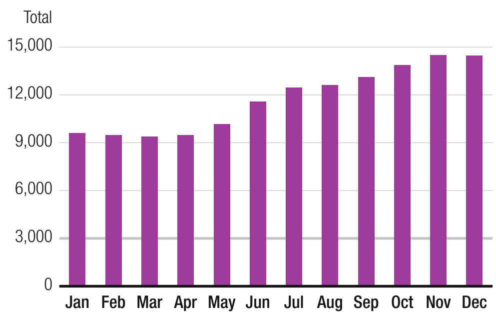
TEMPORARY EMPLOYEES: 6,008

209 women | 34 men

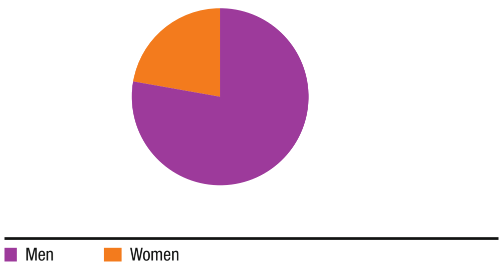
CONTRACTED WORKERS: 243

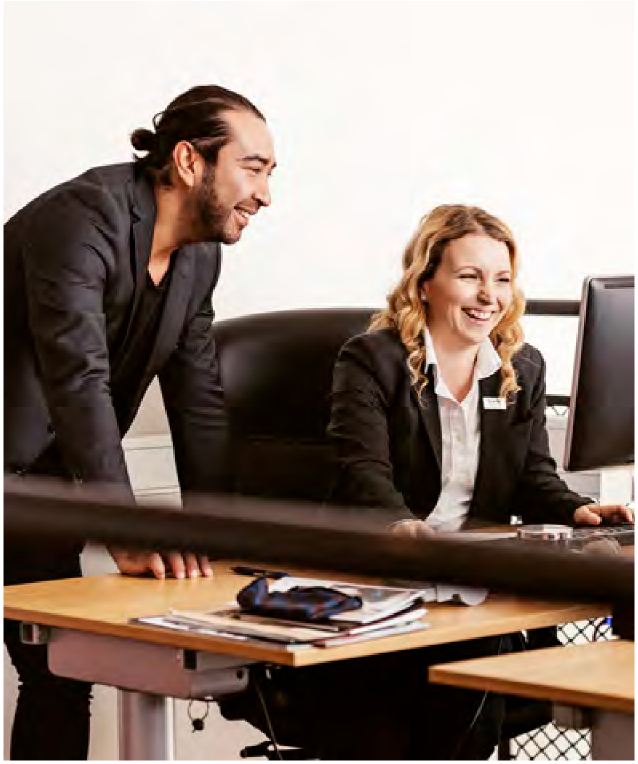
[1)] Refers to permanent employees.

NUMBER OF EMPLOYEES PER MONTH, 2021



OPERATING COUNTRIES' MANAGEMENT TEAMS (INCLUDING EXECUTIVE COMMITTEE)





SUSTAINABLE BUSINESS

In 2021, we took several important steps to raise our ambition level and further incorporate sustainability into Scandic's offering and operations. This included launching a new strategy for Scandic's sustainability initiatives and integrating sustainability in key strategies and processes.

HIGHLIGHTS 2021

- The Board of Directors and the Executive Committee adopted new sustainability goals. These include a climate target with a view to reducing Scandic's CO_2 emissions by 50 percent per square meter of total area by 2030.
- Sustainability was included as one of five focus areas in Scandic's business strategy.
- Sustainability was also included in the company's key strategies, business planning and brand platform.
- Scandic Aarhus City was named Denmark's most climate-friendly hotel according to momondo Climate Award 2021. In total, six of the 10 most climate-friendly hotels were Scandic hotels. Read more at momondo.dk
- Scandic Sweden topped the Sustainable Brand Index in the hotel category for the 11th year running.
- Scandic Norway joined the Turn off the Tap initiative. When all of Scandic's markets launch the initiative, Scandic can save 200 million liters of water per year.
- Scandic launched the I Travel With Care program in all markets. I Travel With Care is a collaboration with the Keep Sweden Tidy Foundation where Scandic encourages guests to travel more sustainably. Among other things, guests are provided with reusable bags to make it easy to take care of their waste on the go.

PROUD HERITAGE

In as early as 1993, Scandic decided to show the way in sustainability and drive development in the industry. It all started when a Scandic team member came up with the idea to ask guests to hang up their towel if they wanted to use it again. Today, the concept has been embraced by hotels around the world. And since then, Scandic has continued to raise the bar.

1993

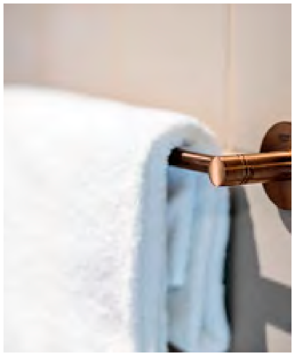
The idea to reuse hotel towels is born.

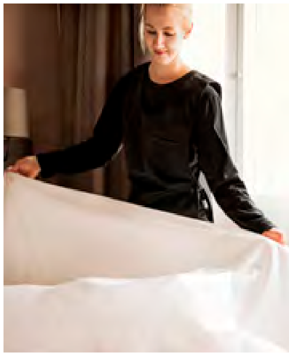
1995

Began phasing out single-use disposables.

1996

Started reporting on sustainability data.





1999

First Scandic hotel certified by Nordic Swan Ecolabel.

2001

Launched Scandic in Society.

2003

Introduced an Accessibility Standard at all hotels.

2008

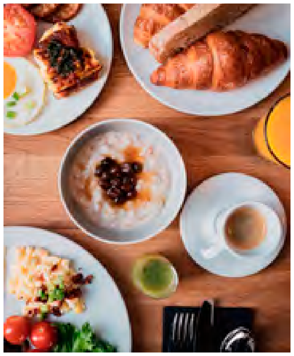
Switched to serving only local water in specially designed, reusable bottles.

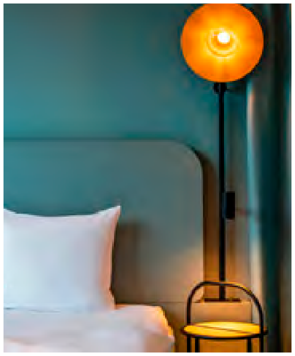
2015

Launched Breakfast for All, a vegan and allergy-friendly breakfast buffet.

2016

Introduced an anti-trafficking policy at all hotels.





2019

Launched EcoStay, a cleaning initiative based on guest preferences.

2020

100% renewable energy from hydroelectric sources at all Scandic hotels.

2021

Set new sustainability goals for 2025 and 2030.

STRATEGY FOR SUSTAINABLE BUSINESS

The possibilities to live a good life are deteriorating every day. Climate change is already hitting hard, affecting some more than others. The planet does not need us – we need the planet. Scandic aims to continue to show the Nordic hotel industry the way when it comes to sustainability.

SUSTAINABILITY LEADER

We want to lead our company and the entire industry toward more sustainable operations. Failure to act will result in enormous negative consequences. But there are endless possibilities for change, even if it may take time. If we are serious, we need to invest well, aim high and remain committed for the long haul.

All of Scandic's stakeholders expect us to invest in sustainability. Not only that, more conscious consumers and business travelers are choosing hotels based on sustainability. We will lose out if we do not live up to stakeholders' demands, for example, for plant-based food, smart food waste management and initiatives to address climate change. Travel managers are also increasingly interested in sustainability. And Scandic's team members and prospective employees expect and are willing to contribute to sustainability initiatives.

Costs are also a driving force. For us, a great part of sustainability relates to consumption and resource use, e.g. food and beverages, energy, water and chemicals. Using fewer resources is better for the environment and lowers costs for Scandic.

STRATEGIC RESTART

Scandic has always kept a high pace and reached important milestones thanks to a strong sustainability commitment and cooperation with the Nordic Ecolabel, which has tough requirements. In 2021, we raised our sustainability commitment further. First, the Board and Executive Committee adopted new sustainability targets for 2025 and 2030. Second, sustainability was incorporated into Scandic's commercial strategy, property strategy, business planning process and branding platform. Sustainability is also now one of five strategic focus areas for 2022. Finally, sustainability was defined as important for attracting and retaining team members.

STRATEGY FOR SUSTAINABLE BUSINESS

Scandic's vision is to deliver world-class Nordic hotel experiences at hotels that are the most sustainable places to meet, eat and sleep away from home. Scandic's strategy for sustainable business focuses on three areas:

1. **MEET – Health, diversity and inclusion**
2. **EAT – Food & beverage**
3. **SLEEP – Rooms and interiors**

We also work to ensure that we operate sustainably and that Scandic is a responsible partner in society.

SUSTAINABILITY MANAGEMENT

Ultimately, Scandic's Board is responsible for the company's sustainability strategy. Sustainability is governed by the Executive Committee and the Board is kept updated. Scandic's central sustainability unit monitors, coordinates and follows up on sustainability initiatives. Governance of Scandic's sustainability initiatives is evaluated through KPIs where outcomes are measured against set goals.

Policies that steer sustainability initiatives

- Code of Conduct
- Supplier Code of Conduct
- Anti-corruption Policy
- Environmental Policy
- Diversity & Inclusion Policy
- Food Waste Policy

All policies have been adopted by Scandic's Board. All members of the Executive Committee are responsible for implementing these policies in their respective units.

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. Scandic also has a whistleblowing function that is available to team members and external parties. The service guarantees anonymity and is managed by representatives from Scandic's Executive Committee and Board.

HOLISTIC VIEW WITH NORDIC SWAN ECOLABEL

As a hotel, being Nordic Swan ecolabeled means having a holistic approach to sustainability in order to meet stringent environmental requirements. It involves meeting strict limit values and earning a certain number of points in various areas. In total, there are 44 mandatory requirements and 6 "point requirements." The Nordic Swan Ecolabel is a way of ensuring that all environmental requirements are met.

As a Nordic Swan Ecolabeled hotel, Scandic shall:

- Reduce unsorted waste
- Increase the share of plant-based food
- Increase the share of organic food and drinks
- Buy ecolabeled furnishings and other products
- Buy a high share of ecolabeled chemicals
- Reduce energy consumption
- Reduce water use
- Work actively to minimize food waste
- Involve all team members and communicate clear environmental goals

WORLD-CLASS NORDIC HOTEL EXPERIENCES

MEET
Health, diversity & inclusion
We celebrate diversity and inclusion.

SDGs 3 5 8

EAT
Food & beverage
We will offer food and drink that considers humans and the planet.

SDG 12

SLEEP
Rooms & interiors
We will offer sustainable room experiences.

SDG 12

SUSTAINABLE HOTEL OPERATIONS

Scandic will excel in operating sustainable hotels by constantly improving. We will invest in new solutions and engage suppliers and property owners in using fossil-free and renewable energy and other key issues.

SDGs 6 7 8 9 11 13

GOOD CORPORATE CITIZEN

We take responsibility and we are a positive force in society.

SDGs 8 10 17

SDGs = UN's Sustainable Development Goals

MEET

HEALTH, DIVERSITY & INCLUSION

AMBITION, GOALS & OUTCOME

We aim to be the healthiest and most inclusive company in the hotel industry. And we will achieve this by ensuring diversity and gender equality when we recruit, develop and train team members. The base year for all goals within MEET is 2019.

Goals	Comments
Health Sick leave that is lower than the industry average in each market	Data will be available for 2022 and beyond. We are working to obtain relevant information for the industry.
Gender equality Gender distribution 40–60% of either sex	For 2020 figures, see page 34.
Total	Women 64% Men 36%
General managers	Women 56% Men 44%
Operating countries' management teams (including Executive Committee)	Women 22% Men 78%

> Further information on Scandic's team members can be found on pages 33–34 and 52–53.

Health

Scandic is better for both guests and team members when the people who work for the company are healthy and feel good. In 2021, pandemic restrictions were still in place and we adapted our premises and offerings to keep team members and guests safe. Read more on page 50.

Scandic regularly monitors physical and psycho-social work environments through safety inspections, employee surveys and conversations with team members. In addition to the goal to reduce sick leave, Scandic follows up on the well-being of its team members in employee surveys.

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
- Scandic Health Club to spread exercise and food inspiration
- Training programs and collaborations to prevent trafficking, prostitution, drug use and destructive alcohol consumption

Gender equality

Scandic is convinced that diversity in its organization improves the guest experience and team member engagement. The overall goal is gender balance. Scandic strives to have at least 40 and at most 60 percent of either gender in the company. During the year, 64 percent of team members were women and 36 percent were men. Consequently, we need to employ more men to reach our goal.

Our gender equality goal applies to all management groups and teams. Among general managers, the majority (56 percent) are women. However, gender equality on some teams is uneven. For example, cleaning staff are mainly women and among kitchen staff, most team members are men. We also need to continue working to achieve gender balance in the Executive Committee and within the management teams in the countries we operate in.

Diversity & inclusion

We welcome people with different backgrounds and abilities and make every effort to ensure that everyone gets their due at Scandic. This work is governed by our cultural platform and Diversity & Inclusion Policy. We follow up on outcomes – our employee surveys show that team members generally feel included at work.

SUSTAINABLE DEVELOPMENT GOALS

Goal 3: Good health and well-being
Goal 5: Gender equality
Goal 8: Decent work and economic growth

About 40 (31) percent of the Group's team members are under 30. People from more than 120 nationalities currently work at Scandic's hotels in the Nordic countries and Europe. Scandic strives to have a rich culture, a breadth of languages and other skills among its team members.

After being forced to manage extreme fluctuations in our market and operations in the past two years, we are now looking ahead and making new strides. During the coming year, Scandic will place great focus on further developing its corporate culture.

Welcoming hotels

Diversity is also in focus when it comes to guests – everyone should feel welcome at Scandic. This is why we have made our hotels and offerings as accessible as possible. We work according to an accessibility standard that includes 159 points. Among other things, we have also developed an allergy standard and offer allergy-friendly rooms in all hotels. Scandic's online accessibility course is open to all to the benefit of the entire industry and other interested parties.

NEXT STEPS

We have now begun even more focused work to increase gender equality, diversity and inclusion at Scandic. This will include monitoring gender distribution, inclusion and sick leave as well as employee well-being among management teams and general managers.

EAT

FOOD & BEVERAGE

AMBITION, GOALS & OUTCOME

Scandic has high ambitions for the food and drinks served at its hotels. Because Scandic is certified by the Nordic Swan Ecolabel, we comply with a number of important restrictions related to the origin of the foods we serve. For example, we do not serve red-listed fish species, food that contains GMOs or bottled water. Instead, we choose sustainably sourced fish and seafood and strive to serve organic, locally produced food and plant-based options. We also measure food waste carefully.

Within EAT, we will produce data from 2022. The year's figures have been significantly impacted by the pandemic, and using them as a starting point does not make sense for Scandic's work and follow-up.

Goals	Comments
Plant-based food 60% by 2025	Base value: 49%, base year: 2019. Data will be available from 2022.
Organic food Increase share of organic food and beverages	Our efforts are governed by the Nordic Ecolabel criteria, customer requirements and our own ambitions. Of Scandic's total purchases, the share of organic food amounts to between 5 and 50 percent, depending on the market. Data will be available from 2022.
Food waste Decrease food waste each year and by 50% by 2030	Scandic monitors food waste by the share of purchased food and beverages and economic value. Data will be available from 2022.

ACTIVITIES

Plant-based food

Scandic's ambition is to increase the share of plant-based food it serves, both for the sake of guests and the environment. Initially, we aim to increase the share by 2 percentage points per year with a view to serve food that is 60 percent plant-based by 2025.

We encourage guests to eat less meat and more plant-based meals, among other things, by offering tasty plant-based dishes. To this aim, currently, each Scandic restaurant must offer at least one vegetarian or vegan dish.

Focusing on plant-based food at Scandic requires a boost in internal knowledge. In Sweden, for example, Scandic now has a digital training course for chefs and other restaurant staff. Naturally, plant-based dishes need to be appealing enough so that even guests who are not vegetarian or vegan should want to choose meatless options.

Organic food

We expect that the share of organic food will increase thanks to the Nordic Swan Ecolabel's new stricter requirements. In addition, customers are increasingly demanding certified organic food.

Food waste

Many of Scandic's restaurants closed or reduced their operations to a minimum during the pandemic in 2020 and 2021. Scandic's collaborations with organizations such as Karma, Too Good To Go and ResQ were also paused but resumed during 2021.

We restarted our initiatives to reduce food waste by developing a policy for food waste and announcing a competition in Sweden to come up with the best ideas for reducing waste.

At Scandic's hotels, during parts of 2020 and 2021, guests were offered breakfast boxes instead of a breakfast buffet. This reduced food waste but increased resource use in the form of single-use disposable packaging. To reduce the environmental impact, the packaging was made from recycled and/or compostable materials.

NEXT STEPS

Offering more plant-based food and reducing food waste is high on the agenda.

SUSTAINABLE DEVELOPMENT GOALS

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Goal 12: Responsible consumption and production

SLEEP

ROOMS & INTERIORS

AMBITION, GOALS & OUTCOME

To reduce our environmental impact, we aim to increase the proportion of interior design elements that have a circular design and a long life. Rooms at Scandic's hotels are usually renovated every 15 years on average, and the goal is for interiors to last even longer, so they can be used elsewhere.

We prioritize recycled and reusable materials and furniture as well as ecolabeling when building and renovating.

ACTIVITIES

During 2021, Scandic focused on purchasing and suppliers. As part of this, we launched updated sustainability requirements at the beginning of the year. The new requirements were applied for the first time in connection with an extensive procurement of beds and other room items. The requirements have now been updated to comply with Nordic Swan Ecolabel's new criteria from December 2021. Scandic's sustainability requirements for suppliers are publicly available to promote progress throughout the industry.

"TO REDUCE OUR ENVIRONMENTAL IMPACT, WE AIM TO INCREASE THE SHARE OF INTERIOR DESIGN ELEMENTS THAT HAVE A CIRCULAR DESIGN AND A LONG LIFE"

During the year, we also developed a climate strategy for suppliers. Initially, we set requirements for transparent emissions reporting and in the future, we will set requirements for science-based goals, emission reductions and fossil-free and renewable energy.

NEXT STEPS

In the coming years, we will:

1. Revise room concepts (the way we decorate standard rooms) to bring them in line with accepted circular principles.
2. Revise processes so that each hotel project (new construction) has a clear sustainability profile, including new brand launches.
3. Create maximum transparency for beds and linens when it comes to environmental and working conditions along the product's journey from raw materials to rooms.
4. Challenge ourselves and our suppliers to find more durable materials than cotton for bed linens and towels.
5. Begin working with one or more suppliers that can offer comprehensive solutions for existing furniture in connection with renovations. This can involve reusing or recycling materials or other items to promote circularity. We expect this to be a revenue-generating business as the value of reused and recycled materials is predicted to increase with the EU's focus on circular solutions.

SUSTAINABLE DEVELOPMENT GOALS

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Goal 12: Responsible consumption and production

SUSTAINABLE HOTEL OPERATIONS

AMBITION, GOALS & OUTCOME

Scandic aims to be a leader in sustainable hotel operations by investing continually in improvements and new sustainable solutions and by engaging suppliers and property owners.

For Scandic, in the future, climate change could lead to increased energy costs, taxes on emissions, new legislation, water restrictions, changes in customer behavior and negative impacts on suppliers.

Scandic's long-term ambition is to be fossil-free. Scandic aims to halve its carbon dioxide emissions per square meter by 2030. We can influence emissions by increasing awareness and changing behavior among team members, guests, partners and property owners.

During the year, Scandic's CDP (formerly: Carbon Disclosure Project) rating was lowered from A- to B. This was because Scandic's operations, and consequently investments in minimizing its environmental and climate impact, were severely limited during 2020 and 2021. We look forward to taking additional steps and strengthening Scandic's sustainability work and CDP rating going forward. CDP aims to help companies report on and reduce their climate impact.

Our program for sustainable properties and resource-efficient hotel operations addresses single-use disposable items, chemicals, water use, recycling and waste management. Scandic's ambitions and programs for these areas will be adapted to the Nordic Swan Ecolabel's revised criteria, which are expected to apply from 2022/2023. For the sustainable hotel operations area, we will produce data from 2022. Most key figures have been significantly impacted by the pandemic, and using them as a starting point does not make sense for Scandic's work and follow-up.

Goals	Comments
CO_2e emissions -50% CO_2e/m^2 by 2030	Data that can be analyzed will be presented in next year's report.
Chemicals 100% ecolabeled chemicals at all Scandic hotels by 2023	Outcome 2021: 92% Refers to chemicals for cleaning, laundry and washing dishes.
Water Reduce water use	A specific goal is currently being developed.
Recycling & waste Reduce unsorted waste	A specific goal is currently being developed.
Energy Reduce energy consumption by 11% by 2022	Data that can be analyzed will be presented in next year's report.

> Additional environmental data can be found on pages 54–55.

Emissions

When it comes to Scope 1 and 2 emissions, that is, emissions from the electricity, district heating/cooling, gas and oil that Scandic uses, we are very close to becoming fossil free. We also keep energy use down, among other things, through operational optimization and energy-saving installations such as LED and motion-controlled lighting. In many rooms, the electricity is activated when the guest places their key card in electronic key card holder.

Most of Scandic's emissions, however, are in Scope 3, that is, upstream at suppliers and downstream on the part of customers. For this reason, during the year, we developed a plan to reduce fossil energy and carbon dioxide emissions at our suppliers. The plan extends until 2030 and aims to gradually tighten the requirements for these partners. To begin, we will discuss climate goals and emission reductions with them. This will help us require that they set science-based climate goals. We also aim to help suppliers and transport companies to increase their use of renewable electricity and renewable fuels.

Chemicals

To achieve our goal of using 100 percent ecolabeled chemicals for cleaning, laundry and washing dishes, we need to encourage hotels to always buy the right products. Ideally, we would like to have an automated system to ensure this, but this is not feasible at the moment. Instead, we commu-

SUSTAINABLE DEVELOPMENT GOALS

Goal 6: Clean water and sanitation
Goal 7: Affordable and clean energy
Goal 8: Decent work and economic growth
Goal 9: Industry, innovation and infrastructure
Goal 11: Sustainable cities and communities
Goal 13: Climate action

GRI: 102-12, 103-1/2/3, 302-1, 305-4

nicated detailed information across the company and held training courses during the year, which we hope will pay off next year.

Water

Scandic's ambition is to further reduce its water use. We have already come a long way by installing water-efficient fittings and toilets. In the near future, there is great potential for changing the behavior of our team members and guests. For example, already now, many hotels have stickers in bathrooms to remind people to use less water.

Recycling & waste

Our long-term ambition is that spending the night at Scandic should have a lower environmental impact than staying at home. Reducing unsorted waste is an important tool along the way, both for environmental and financial reasons. Guests and team members also need to be given more opportunities to sort waste. We also see a trend where Scandic will have to pay less for handling sorted waste or even be paid. This is a welcome development, not least since it will benefit our efforts to reduce waste.

Property

Scandic does not have its own properties but rents premises from property owners. Along with sustainability initiatives, long-term relationships and agreements with professional property owners and developers are fundamental to Scandic's operations. Scandic has achieved much through its own initiatives, but can achieve even more by collaborating with far-sighted property owners.

NEXT STEPS

During 2022, all of Scandic's approximately 200 Nordic Swan Ecolabeled hotels will be recertified according to the new criteria. Together with our suppliers and property owners, we will also start working to certify hotels that have not been certified earlier. Finally, we will incorporate a more pronounced sustainability approach in Scandic's property strategy.

RESPONSIBLE PARTNER IN SOCIETY

AMBITION & ACTIVITIES

Scandic aims to be and to be perceived as a responsible partner in society. This includes our initiatives in safety and security, purchasing and suppliers as well as ethical business practices and anti-corruption. It also includes Scandic in Society, our extensive community involvement initiative that has been running at all hotels since 2001.

ANIMAL WELFARE

Promoting animal welfare is important to Scandic. Naturally, our suppliers are expected to comply with legislation. But sometimes, we may need to go even further. We are constantly evaluating the various parts of our operations to determine if Scandic's requirements need to be tightened.

In 2021, we finished phasing out eggs from caged hens and today, all hotels now comply with this requirement. Scandic's hotels in Sweden and several other countries have used eggs from free range hens for several years.

TRAFFICKING & PROSTITUTION

Scandic aims to do what it can to prevent trafficking and prostitution, which we know may occur at hotels. Among other things, Scandic's team members are offered training courses to help them identify instances of these. In this area, we cooperate with police experts to ensure that our knowledge is up to date.

SAFETY & SECURITY

Hotels are more or less public places where anything can happen. This is why Scandic is always working to keep its hotels safe and secure. Staff training is an important part of this.

Every six months, Scandic carries out crisis management exercises to simulate possible relevant events including extraordinary incidents such as terror attacks and lockdowns. These are run by Scandic's Central Crisis Unit, which follows up on the results in a digital tool. In addition, Scandic also holds obligatory fire safety and evacuation courses as well as first aid training for team members.

All hotels have access to emergency help from the Scandic Crisis Call Center, a 24-hour service run by trained security staff. This can include contact with psychologists and crisis support staff.

New routines during the Covid-19 pandemic

During the pandemic, Scandic established new routines and implemented a number of measures to ensure a safe environment in its hotels. Among other things, these included 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. These measures were communicated through the Stay Safe at Scandic campaign.

PURCHASING & SUPPLIERS

Right from the start

When it comes to sustainable purchasing, Scandic's procurement team receives the training and support they need to make the right purchases from the start. For guidance, they can refer to Scandic's general and specific criteria for sustainable purchasing. These criteria include guidelines on suitable materials and substances and requirements to always apply the precautionary principle when evaluating materials and substances. In 2021, Scandic added specific guidelines for purchasing food and beverages.

Sustainability part of selection process

Sustainability is one of Scandic's basic principles in connection with purchasing. Each purchasing project begins with sustainability screening. This involves criteria regarding the environment, anti-corruption, human rights and work environment. All suppliers that 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. Most of Scandic's bigger suppliers are in the Nordic region and are associated with low risk. If there is uncertainty regarding a supplier, an in-depth investigation is carried out through a self-assessment. If deemed necessary, this may also be followed by an onsite audit of the supplier. All deviations 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 with Scandic.

Given Scandic's size and strength, the company can place high demands on suppliers. Scandic maintains a continuous dialogue with suppliers to support their development. In special cases, suppliers may make comprehensive changes in their operations to meet Scandic's sustainability requirements. Scandic's supply chain did not change significantly during the year.

Adaptations during the pandemic

During the first half of the year, demand continued to be significantly lower than normal. It was a challenging time, both for us and for some of our suppliers. We helped each other, among other things by changing payment terms or adapting agreements in other ways.

The second half-year took a different turn. Like many other companies, Scandic was impacted by high raw material and energy prices as well as component shortages. We had to focus on handling demands for price increases and various product shortages. Thanks to good relationships

SUSTAINABLE DEVELOPMENT GOALS

8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

17 PARTNERSHIPS FOR THE GOALS

Goal 8: Decent work and economic growth
Goal 10: Reduced inequalities
Goal 17: Partnerships for the goals

with strategic suppliers, we found constructive solutions and avoided a greater impact on Scandic's total costs.

Business ethics & anti-corruption

Legal and appropriate behavior is fundamental to Scandic's relationships with stakeholders and to ensure people trust us. Scandic complies with rules and legislation to eliminate, discover and handle all forms of corruption, including extortion, bribery, nepotism, fraud and money laundering. Anti-corruption is part of Scandic's Code of Conduct for team members and Supplier Code of Conduct. One addition to the Code of Conduct is Scandic's Anti-Corruption Policy. Deviations from Scandic's policies can be reported anonymously through Scandic's Whistleblowing Service, which is available both internally and externally.

Scandic in Society

Since 2001, Scandic has had a program called Scandic in Society where team members at Scandic hotels participate in at least three activities per year that contribute to the local community. Supporting the locations where Scandic operates in various ways is important to us. 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. In 2021, a total of 357 activities were carried out for the benefit of many different organizations. Activities included Scandic team members donating food and beverages as well as pillows, blankets and other items from hotels, collecting money, Christmas presents and other gifts or donating their time and energy.

We also continued to rent hotel rooms that would otherwise have been empty to students. The benefits are mutual. Scandic can reduce the loss of income and students lacking affordable housing can move into their own homes.

NEXT STEPS

At the end of the year, we began a review of Scandic's policies, implementation and follow-up related to our role as a responsible social partner. This work will continue in 2022.

EU TAXONOMY FOR SUSTAINABLE ACTIVITIES

Background

In order to achieve the EU's climate goals and to make it easier to identify environmentally sustainable economic activities, the EU has introduced what is known as the EU taxonomy for sustainable activities. The taxonomy is an EU-wide classification system that aims to increase investments in sustainable activities within the EU. Scandic is included in the EU directive from the financial year 2021 as the company was classified as a large group according to the taxonomy, had shares listed on a regulated market and had more than 500 employees on average. In the table above, Scandic has reported the Group's share of turnover, capex and opex that is considered taxonomy-eligible activities. Assessment of taxonomy-eligible activities and the taxonomy's 3 KPIs for turnover, capex and opex was carried out as described below. All guidance for the application of the taxonomy that has been available up to and including January 31, 2022 has been considered.

SCANDIC'S OPERATIONS ACCORDING TO THE EU TAXONOMY FOR SUSTAINABLE ACTIVITIES

MSEK	Total	Share of taxonomy-eligible activities, %	Share of taxonomy non-eligible activities, %
Turnover	10,130	0.0	100.0
Capital expenditures (capex)	7,673	0.0	100.0
Operating expenses (opex)	208	0.0	100.0

Sales

According to the taxonomy, turnover is the same as total sales according to the consolidated income statement, see page 86. The share of turnover that is considered to be eligible according to the taxonomy consists of turnover that is associated with eligible activities according to Annex I of the taxonomy (climate change mitigation) and enabling activities in Annex II (climate change adaptation). 0.0 percent of Scandic's turnover is currently included in the EU's list of applicable economic activities. The current list of applicable activities will likely be expanded by the EU Commission, which means that the proportion may change in the coming years.

Capital expenditures (capex)

According to the taxonomy, total capex includes investments made during the financial year to increase the value of fixed assets in Scandic's balance sheet. Capex also includes investments that have increased the value of right-of-use assets in accordance with IFRS 16. Capex related to right-of-use assets in accordance with IFRS 16 for the financial year amounts to approximately 7.1 billion SEK and consists mainly of extensions of existing leases and new leases for hotel properties. These investments can be found in Note 12 on page 105. According to the taxonomy, applicable capex refers in part to investments made to benefit applicable financial activities (see analysis above under Sales), but since Scandic has not identified any applicable financial activities, in this instance, capex is 0.0 percent of total capex. In addition, in February 2022, the EU Commission published information in the form of FAQs outlining that all investments where the supplier conducts economic activities included in the taxonomy should also be taken into account, regardless of whether the investment is linked to activities that have been identified as applicable or whether the supplier achieves the climate objectives outlined in the EU taxonomy regulation. As this information was published in February 2022, Scandic has not had the opportunity to take an inventory of all 2021 purchases and therefore cannot report such parts of capex as applicable in this year's Sustainability Report.

Operating expenses (opex)

According to the taxonomy, total opex is considered to be costs for maintaining fixed assets as well as direct costs for research and development and short-term lease agreements. For Scandic, these costs include the company's renovation and maintenance expenses as well as short-term leasing. These costs are not specified in the consolidated income statement, but are included in Other external costs on page 86. According to the taxonomy, applicable opex refers to the part of these costs that is considered to benefit applicable financial activities (see analysis above under Sales), but since Scandic has not identified any applicable financial activities, in this instance, opex is 0.0 percent of total opex.

As with capex, Scandic has not been able to include opex from suppliers whose activities are included in the EU taxonomy regulation.

Next steps

The next step in Scandic's work according to the taxonomy is to determine how much of the applicable sales, capex and opex is considered to meet the taxonomy's criteria to be in accordance with the taxonomy's set environmental goals. In short, Scandic's future applicable operations will be evaluated to determine whether they significantly contribute to environmental goals or otherwise avoid doing any significant harm to any environmental goals. Furthermore, Scandic will continue working on evaluating necessary and available data to be able to identify and analyze applicability and compliance in Scandic's operations.

EMPLOYEE DATA

Breakdown by type of employment

	Sweden		Norway		Finland		Denmark		Other		
2021	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Total
Total	3,809	2,029	2,610	1,671	1,386	555	1,345	946	215	148	**14,712**
Permanent employment	1,817	1,007	1,493	974	1,086	480	753	523	193	137	**8,463**
Full-time	940	598	814	678	536	291	393	383	183	133	**4,945**
Part-time	877	409	679	296	550	189	360	140	10	4	**3,518**
Temporary	1,992	1,022	1,117	697	91	41	592	423	22	11	**6,008**
Contracted workers					209	34					**243**

	Sweden		Norway		Finland		Denmark		Other		
2020	Women	Men	Women	Men	Women	Men	Women	Men	Women	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**

New hires[1)]

		2021		2020	
		Number	Share, %	Number	Share, %
Total number / % of total		1,656	11.3	195	1.8
Of which	Women	1,029	62.1	111	56.9
	Men	627	37.9	84	43.1
Of which	Age <30	877	53.0	101	51.8
	Age 30–50	651	39.3	81	41.5
	Age >50	128	7.7	13	6.7
Of which	Sweden	486	29.3	15	7.7
	Norway	339	20.5	70	35.9
	Finland	231	13.9	32	16.4
	Denmark	517	31.2	40	20.5
	Other Europe	83	5.0	38	19.5

[1)] Permanent employees only.

Employee turnover[1)]

		2021		2020	
		Number	Share, %	Number	Share, %
Total number / % of total		1,847	12.6	3t,336	30.6
Of which	Women	1,118	60.5	1,998	59.9
	Men	729	39.5	1338	40.1
Of which	Age <30	651	35.2	1,149	34.4
	Age 30–50	928	50.2	1,737	52.1
	Age >50	268	14.5	450	13.5
Of which	Sweden	429	23.2	1,589	47.6
	Norway	543	29.4	709	21.3
	Finland	365	19.8	326	9.8
	Denmark	419	22.7	571	17.1
	Other Europe	91	4.9	141	4.2

[1)] Permanent employees only.

Demographic breakdown

2021	Total number of employees, %		Board of Directors, %		Executive Committee, %		Managers, %		Employees, %	
Men	5,313	36.7	4	57.1	10	90.9	540	45.1	4,763	35.9
Women	9,156	63.3	3	42.9	1	9.1	658	54.9	8,497	64.1
Age <30	5,773	39.9					96	8.0	5,677	42.8
Age 30–50	6,381	44.1	-	-	1	9.1	803	67.0	5,577	42.1
Age >50	2,315	16.0	8	114.3	10	90.9	299	25.0	2,006	15.1
Total	**14,469**		**7**		**11**		**1,198**		**13,260**	

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**	

ENVIRONMENTAL DATA

Total weight per method of disposal, tonnes	2018		2019		2020		2021	
	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	15.8	10,249.9	14.0	11,301.2	4.9	5,357.7	3.1	5,705.2
Energy recovery*	23.1	1,025.6	29.8	274.4	17.6	109.5	18.9	150.0
Combustion	28.2	0.0	38.6	0.0	24.0	0.0	26.5	0.0
Landfill	3.7	234.1	5.1	41.1	3.2	18.2	3.4	18.1
Total	**70.7**	**11,509.7**	**87.5**	**11,616.7**	**49.7**	**5,485.5**	**52.1**	**5,873.5**

* Household waste is not included due to lack of data on weight that many Swedish hotels do not receive from municipalities.

Data on waste from acquired Restel hotels is insufficient.

Total weight per type of waste, tonnes	2018	2019	2020	2021
Paper	2,396.4	2,539.7	1,189.6	1,298.4
Glass	2,067.4	2,255.3	1,066.0	1,150.9
Metal	161.9	199.9	102.0	97.6
Plastic	304.9	331.0	180.5	212.2
Other	6,579.1	5,975.3	2,995.9	3,166.4

SCOPE 1

	2018	2019	2020	2021
Energy consumption, MWh				
Propane	1,702.1	1,476.3	885.9	1,005.3
Natural and city gas	5,590.2	6,450.2	7,765.1	6,942.5
Biofuel	871.8	813.3	280.2	271.3
Heating oil	67.8	404.2	42.1	0.00
	8,231.9	**9,144.1**	**8,973.3**	**8,219.2**
CO_2e emissions, tonnes				
Propane	398.9	336.2	201.7	211.6
Natural and city gas	1,117.4	1,306.4	1,572.7	1,258.1
Biofuel	421.9	54.6	17.0	15.9
Heating oil[1)]	17.9	110.3	0.0	0.0
Refrigerants				1,114.2
	1,956.2	**1,807.5**	**1,791.4**	**2,600.1**

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

SCOPE 2

	2018	2019	2020	2021
Energy consumption, MWh				
Electricity	362,670.7	359,426.7	272,245.7	287,159.9
District heating	299,452.2	287,205.3	231,710.5	268,613.9
District cooling	23,648.1	20,239.5	16,017.5	17,182.8
	685,771.0	**666,871.6**	**519,973.7**	**572,956.7**
CO_2e emissions, tonnes				
Electricity	7125.6	911.5	279.8	0.00
District heating	33,488.1	33,425.7	23,100.5	21,666.4
District cooling	682.1	617.9	156.4	100.9
	41,295.8	**34,955.2**	**23,536.7**	**21,767.4**

SCOPE 3

	2018	2019	2020	2021
Air				
Total km	6,303,974	5,618,904	1,154,121	672,172
CO_2 emissions, tonnes	790.9	666.6	143.7	83.4
Train				
Total km	1,199,545	1,538,539	526,772	380,016
CO_2 emissions, tonnes	0.003	0.005	0.003	0.002

SOCIETY DATA

DIRECT ECONOMIC VALUE GENERATED & DISTRIBUTED

Direct Economic Value Generated, MSEK	2018	2019	2020	2021
Revenues	18,019	18,956	7,470	10130
Economic Value Distributed	**17,343[2)]**	**18,234**	**13,420**	**11,809**
Operating costs	11,405	10,932	8,780	6,973
Employee wages & benefits	5,620	5,869	3,489	3,597
Financial expenses (dividends & interest)	185	1,253	1,281	1,606
Taxes & fees	131	177	-130	-367
Community investments[1)]	2.29	3.03	0.76	0.50
Economic Value Retained	**675.71**	**721.97**	**-5,950**	**-1,678**

[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.

COMMUNITY INVESTMENTS BY COUNTRY, 2021

[1)] Community investments, SEK	2021
Sweden	4,500
Finland	0
Norway	463,500
Denmark	30,104
Germany	0
Poland	4,651
Total	**502,755**

EXAMPLES OF INITIATIVES SCANDIC SUPPORTS

Organization	Description	Country	Type of cooperation
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, one of the founders and member of the Board
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
HELT MED	Aims to create meaningful work for people with physical and/or learning disabilities.	Norway	Partner
Metos	Food safety system to decrease food waste.	Sweden	Supplier

Organization	Description	Country	Type of cooperation
Ringer i vannet (NHO)	Aims to improve conditions for employment for people who are outside the labor market.	Norway	Partner
Dansk Erhverv CSR netværk	Network for the service industry that represents 17,000 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, 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	One of the founders

ABOUT SCANDIC'S SUSTAINABILITY REPORT

STAKEHOLDER DIALOGUES & MATERIALITY ANALYSIS

Scandic's materiality analysis includes all stakeholder groups that are considered to influence or are influenced by the company's business. Dialogues are 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. Scandic's formal dialogues with other stakeholders (employees, guests and interest groups) take place mainly through evaluations, surveys and seminars. Responses from the various stakeholder groups help Scandic prioritize its sustainability initiatives and reporting.

Below is an overview of the areas identified as material based on dialogues that were conducted. The starting point was 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.

DATA COLLECTION & CALCULATIONS

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.

Emissions data is calculated based on the GHG protocol, supplier information and third-party reports on emission factors for district heating and cooling. Calculations of emissions in Scopes 1 to 3 are carried out by Scandic's central sustainability department using data from hotels as well as data from Scandic's energy suppliers and travel agencies. Waste data is based on a compilation provided by Scandic's waste management suppliers. Environmental data has been verified by Ethos International in accordance with AA1000AS v3.

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.

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

Stakeholder group	Main sustainability aspects based on earlier stakeholder dialogues
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

GRI CONTENT INDEX

This is Scandic's seventh Annual Sustainability Report. The report was prepared in accordance with GRI Standards, Level Core and has been prepared based on the results of the materiality analysis, taking into account GRI accounting principles. The Sustainability Report, which can be found on the pages outlined in the GRI Index below, 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 report covers the period from January 1 to December 31, 2021. The most recent report was published on May 10, 2021.

CONTACT DETAILS

For questions regarding Scandic's sustainability initiatives, please contact Scandic's Director Sustainable Business:
Magnus Ljungberg
magnus.ljungberg@scandichotels.com
+46 723 016 121
Questions regarding Scandic's Annual Report & Sustainability Report should be directed to Scandic's Director Investor Relations:
Henrik Vikström
henrik.vikstrom@scandichotels.com
+46 709 52 80 06

Both units are located at Scandic's head office in Stockholm, Sweden.

GENERAL DISCLOSURES

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Disclosure			Page	Comment
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GRI 401: Employment 2016	401-1	New employee hires and employee turnover	33–34, 52–53	
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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 556703-1701

ENGAGEMENT AND RESPONSIBILITY

It is the board of directors who is responsible for the statutory sustainability report for the year 2021 on pages 1–17 and 36–58 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 25 Mars 2022
PricewaterhouseCoopers AB

Sofia Götmar-Blomstedt
Authorised Public Accountant

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ADMINISTRATION REPORT

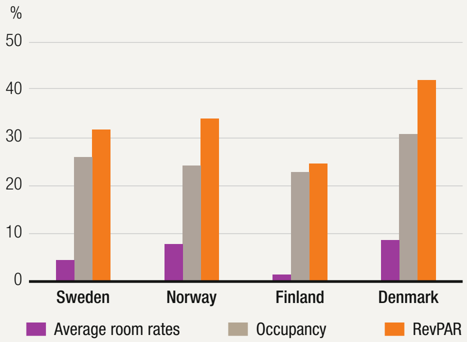
OPERATIONS

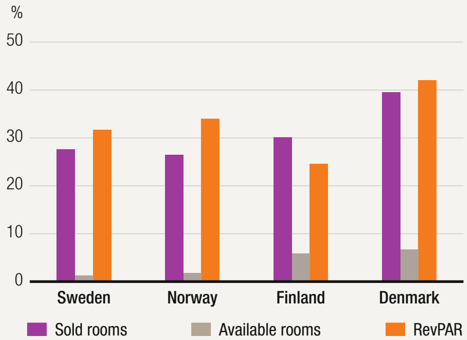
2021 in summary

- Net sales grew by 35 percent to 10,086 MSEK (7,470) and adjusted EBITDA totaled 6 MSEK (-1,503). Excluding furlough subsidies, state aid received amounted to 693 MSEK (726).
- Average occupancy in 2021 was 38.0 percent (28.7) while RevPAR was 364 SEK (271).
- Excluding IFRS 16, earnings per share amounted to -5.75 SEK (-38.62).
- Scandic's free cash flow was 185 MSEK (-2,939) despite a very weak start to the year.
- For 2021, the Board of Directors proposes than no dividend be paid.

Group key ratios, MSEK	2021	2020	Change %
Financial key ratios			
Net sales	10,086	7,470	35
Adjusted EBITDA	6	-1,503	-100
Adjusted EBITDA margin, %	0.1	-20.1	
EBITDA	2,699	1,387	95
EBIT (operating profit/loss)	-440	-4,800	-91
Profit/loss before tax	-2,046	-6,081	-66
Profit for the year	-1,679	-5,951	-72
Earnings per share, SEK	-8.79	-40.02	-78
Earnings per share, SEK, excl. IFRS 16	-5.75	-38.62	-85
Hotel-related key ratios			
RevPAR (Revenue Per Available Room), SEK	364	271	34
ARR (Average Room Rate), SEK	957	945	1
OCC (Occupancy), %	38.0	28.7	
Total number of rooms at year-end	54,265	53,003	2

HOTEL MARKET DEVELOPMENT IN THE NORDIC COUNTRIES, 2021[1)]





1) Source: Benchmarking Alliance.

Scandic Hotels Group AB (publ) org no. 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 2021 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 54,265 (53,003) rooms in operation at 268 (265) hotels, of which 244 (241) had lease agreements. The address of the head office is Sveavägen 167, Stockholm.

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.

The spread of the coronavirus, however, led to a dramatic decrease in hotel demand from the end of February 2020. In a short time, the number of bookings dropped sharply, initially driven by reduced travel from abroad at the same time as restrictions were introduced among Nordic corporate customers. In addition, to reduce the spread of infection, authorities took extensive measures such as introducing meeting restrictions, which led to extremely low levels of activity. At its worst, average occupancy in April 2020 was below 10 percent, which was historically low. After a recovery in the summer of 2020, the market weakened again in the second half of the year due to continued restrictions.

2021 began with continued weak demand for hotels in all markets due to the continued restrictions. During the summer of 2021, there was a strong recovery in Scandic's markets, and occupancy reached about 60 percent in Sweden, Norway and Finland and approximately 50 percent in Denmark. Demand rose sharply in July thanks to strong domestic leisure travel and the gradual easing of government restrictions. Development during the holiday period was particularly strong in the Norwegian market, where RevPAR was at a higher level than during the corresponding period in 2019. The easing of restrictions had a positive effect mainly on activity levels in the big cities since there was a wider range of entertainment, with amusement parks and other attractions opening again. Occupancy remained above 50 percent once the holiday period began to slow at the end of the summer thanks to a greater number of business travelers and meetings, which compensated for reduced leisure travel during the weekdays, while demand for weekends stabilized at a good level. Hotel demand continued to improve during the fall, while room rates in general recovered fully. However, the rapid spread of the Omicron variant led to a temporary reintroduction of restrictions in December, which had a negative effect on the market at the end of the year.

In Sweden, the number of rooms sold increased by 30.9 percent and RevPAR went up 26.6 percent driven by higher occupancy, although average room rates dropped 1.5 percent. Stockholm showed a similar trend with an increase in RevPAR of 27.2 percent.

In Norway, the number of rooms sold increased by 39.9 percent and RevPAR went up 56.0 percent mainly due to higher occupancy and a 9.0 percent increase in average room rates. In Oslo, RevPAR grew by 73.6 percent.

In Finland, the number of sold rooms grew 27.4 percent and RevPAR increased by 17.9 percent mainly due to higher occupancy. Average room rates fell by 3.4 percent in total. In Helsinki, RevPAR went up by 7.2 percent.

In Denmark, the number of sold rooms grew by 47.8 percent and RevPAR went up 44.5 percent. In Copenhagen, RevPAR increased by 52.1 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.

Sales & adjusted EBITDA

Net sales rose by 35.0 percent to 10,086 MSEK (7,470). Currency effects impacted net sales negatively by -0.6 percent. Organic sales growth amounted to 36.3 percent. New hotels/exits contributed 183 MSEK net.

Average Revenue Per Available Room (RevPAR) increased by 34.0 percent compared with the previous year. RevPAR for comparable units grew by 34.9 percent.

Revenue from restaurant and conference operations grew by 31.9 percent and the share of total net sales fell to 29.2 percent (29.9). Government restrictions on opening hours and the maximum number of participants in meetings had a negative impact, particularly during the first six months of the year.

Rental costs excluding IFRS 16 rose and amounted to -3,440 MSEK (-3,121). During the year, negotiated rent concessions of approximately 510 MSEK and state aid of approximately 270 MSEK were received, reducing fixed and guaranteed rents. Rental costs relative to net sales decreased to 34.1 percent (41.8).

Costs for central functions fell to -255 MSEK (-298).

Adjusted EBITDA improved and totaled 6 MSEK (-1,503). Substantial cost savings primarily related to staff reductions reduced the negative effect of Covid-19 from the end of the first quarter 2020.

Adjusted EBITDA includes state aid received during the year. Various forms of furlough subsidies were received to a varying degree in all countries. Direct state aid, excluding furlough subsidies, was 693 MSEK (726) during the year, of which 270 MSEK referred to aid for rent. Adjusted EBITDA includes a repayment of 44 MSEK related to over-consolidation from the insurance company AFA (Sverige). In addition, just over 230 MSEK of the adjusted EBITDA is attributable to Scandic's quarantine-related operations and relates to income for hotel rooms that were not used.

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.

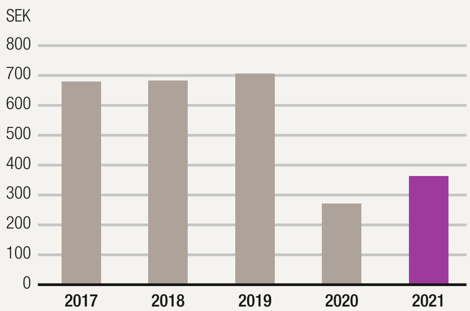
Scandic is of the opinion that the income statement excluding IFRS 16 provides a more accurate picture of how its business is developing.

In connection with agreements for rent concessions, in some cases, leases have been extended. These extensions have impacted net results for the years 2021 and 2020 and will postpone the time at which the negative effect of IFRS 16 on net results is expected to cease. With the portfolio of lease agreements that existed at the end of the fourth quarter 2021, net profit after tax for 2022 is expected to be negatively affected by approximately 380 MSEK (581).

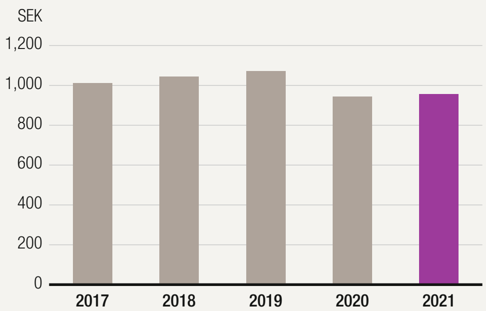
With an unchanged portfolio of lease agreements and unchanged assumptions, the negative effect on results is expected to diminish over time and affect the net result positively from 2027. This is because interest expenses for the lease debt decrease over time as the debt is constantly amortized.

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.

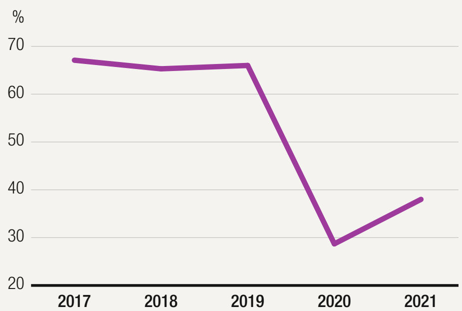
RevPAR, SCANDIC



AVERAGE ROOM RATES, SCANDIC



OCCUPANCY, SCANDIC



Summary of the effects of IFRS 16

	2021			2020
	Excl. effects of IFRS 16	Effect of IFRS 16	Reported	Reported
Net sales	10,130	0	10,130	7,470
EBITDAR	**3,446**	**0**	**3,446**	**1,619**
Total rental charges	-3,440	2,739	-701	70
Adjusted EBITDA	**6**			
Pre-opening costs	-52	0	-52	-32
Items affecting comparability	7	0	7	-269
EBITDA	**-39**	**2,739**	**2,699**	**1,387**
Amortization and depreciation	-864	-2,275	-3,139	-6,187
EBIT (operating profit/loss)	**-903**	**464**	**-440**	**-4,800**
Net financial items	-412	-1,195	-1,606	-1,281
EBT (earnings before taxes)	**-1,315**	**-731**	**-2,046**	**-6,081**
Income tax	217	150	367	130
Profit for the year	**-1,098**	**-581**	**-1,679**	**-5,951**
Earnings per share, SEK	-5.75	-3.04	-8.79	-40.02

Result excluding effect of leases

	2021	2020
Net sales	10,130	7,470
EBITDAR	**3,446**	**1,619**
Total rental charges	-3,440	-3,121
Adjusted EBITDA	**6**	**-1,503**
Pre-opening costs	-52	-32
Items affecting comparability	7	-269
EBITDA	**-39**	**-1,804**
Amortization and depreciation	-864	-3,761
EBIT (operating profit/loss)	**-903**	**-5,565**
Net financial items	-412	-245
EBT (earnings before taxes)	**-1,315**	**-5,810**
Taxes	217	71
Profit/loss for year	**-1,098**	**-5,739**
Earnings per share, SEK	-5.75	-38.62

Reported result

EBITDA was 2,699 MSEK (1,387) and 39 MSEK (-1,804) excluding the effect of IFRS 16. EBITDA included pre-opening costs for new hotels of -52 MSEK (-32) and items affecting comparability of 7 MSEK (-269). Items affecting comparability referred to the net effect related to the reduction in the number of employees in Sweden, Norway and Denmark, of which 23 MSEK referred to the resolution of a reserve.

EBIT was -440 MSEK (-4,800) and -903 MSEK (-5,565) excluding IFRS 16. The comparative period was affected by an impairment of intangible assets of 2,955 MSEK.

Depreciation and amortization totaled -3,139 MSEK (-6,187). Excluding IFRS 16, depreciation and amortization amounted to 864 MSEK (3,761).

The Group's net financial expense was -1,606 MSEK (-1,281) and -412 MSEK (-245) excluding IFRS 16. The interest expense, excluding IFRS 16, was -402 MSEK (-193) and was affected negatively by increased average indebtedness, interest expenses related to a convertible loan and a higher interest rate margin.

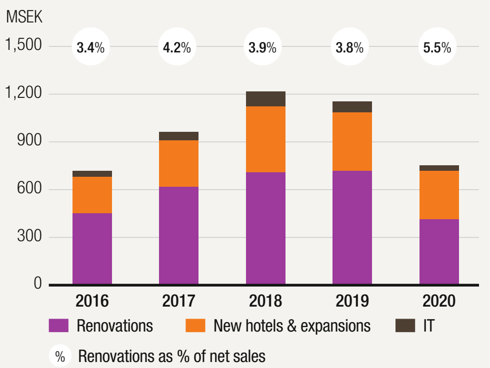
Loss before tax was -2,046 MSEK (-6,081) and -1,315 MSEK (-5,810) excluding IFRS 16.

Reported tax amounted to 367 MSEK (130).

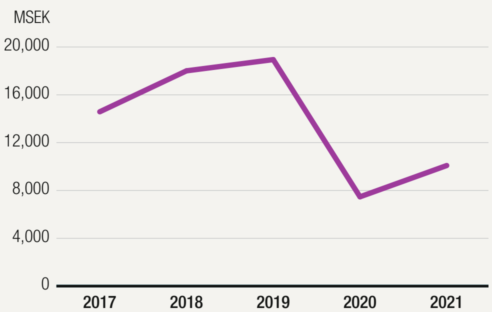
Net loss was -1,679 MSEK (-5,951) and -1,098 MSEK (-5,739) excluding IFRS 16.

Earnings per share after dilution amounted to -8.79 SEK (-40.02) per share and -5.75 SEK (38.62) excluding IFRS 16.

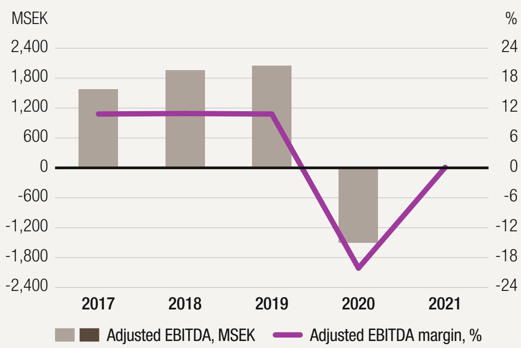
INVESTMENTS, 5 YEARS



NET SALES



ADJUSTED EBITDA & MARGIN



Total rental charges

	2021	2020
Fixed and guaranteed rental costs according to income statement	79	494
Fixed and guaranteed rental costs, reversed effect of leases	-2,739	-3,191
Total fixed and guaranteed rental costs	**-2,660**	**-2,697**
Variable rental costs	-780	-424
Total rental charges	**-3,440**	**-3,121**
Fixed and guaranteed rental costs, % of net sales	26.4%	36.1%
Variable rental costs of net sales	7.7%	5.7%
Total rental costs of net sales	**34.1%**	**41.8%**

Growth in RevPAR and net sales compared with 2020

Jan–Dec 2021	RevPAR, SEK	RevPAR, %	Net sales MSEK	Net sales %
Currency effects	-2	-0.7	-47	-0.6
Organic growth	94	34.7	2,706	36.2
– New hotels	-2	-0.7	290	3.9
– New/exited hotels	1	0.5	-107	-1.4
– LFL	95	34.9	2,523	33.8
Reported growth	92	34.0	2,616	35.0

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 average net sales growth of at least 5 percent on ,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 2021, the Board of Directors proposes than no dividend be paid.

Five-year summary, MSEK

Five-year summary, MSEK	2021	2020	2019	2018	2017
Financial key ratios – income statement					
Net sales	10,086	7,470	18,945	18,007	14,582
Net sales growth, %	35.6	-60.6	5.2	23.5	11.5
Net sales growth, LFL %	33.8	-57.4	1.5	1.2	4.7
Adjusted EBITDA	6	-1,503	2,046	1,957	1,573
Adjusted EBITDA margin, %	0.1	-20.1	10.8	10.9	10.8
EBIT (operating profit/loss)	-440	-4,800	2,144	983	925
Operating margin (EBIT), %	-4.4%	-64.3%	11.3	5.5	6.3
Profit/loss for year attributable to Parent Company	-1,681	-5,949	721	674	707
Profit/loss excl. effect of finance leases	-1,098	-5,739	942	700	711
Financial key ratios – financial position					
Balance sheet total	44,755	38,283	43,509	17,737	16,964
Equity	1,155	2,071	6,601	7,806	7,356
Working capital	-2,624	-1,573	-1,972	-1,575	-1,501
Interest-bearing net liabilities	3,053	4,714	3,497	3,837	3,629
Interest-bearing net liabilities/adjusted EBITDA	508.8	neg	1.7	2.0	2.3
Cash flows from operating activities	3,701	1,151	5,067	1,723	1,544
Free cash flow	185	-2,939	782	263	-629
Key ratios per share					
Average number of shares after dilution	191,250,686	148,645,691	103,036,484	103,075,976	103,003,004
Earnings per share, SEK	-8.79	-40.02	7.01	6.54	6.86
Earnings per share, SEK, excl. effect of finance leases	-5.75	-38.62	9.15	6.80	6.86
Equity/share, SEK	6.0	10.8	64.1	75.4	71.4
Hotel-related key ratios					
RevPAR (Revenue Per Available Room), SEK	364	271	707	683	680
ARR (Average Room Rate), SEK	957	945	1,071	1,045	1,012
OCC (Occupancy), %	38.0	28.7	66.0	65.3	67.1
Total number of rooms at year-end	54,265	53,003	52,755	51,693	42,659

SEGMENT

Sweden

MSEK	2021	2020	Change, %
Net sales	3,077	2,489	23.6
Net sales growth, %	23.6	-60.4	
Organic growth, %	23.6	-60.4	
Net sales growth LFL, %	22.3	-60.3	
Adjusted EBITDA	-174	-402	-56.7
Adjusted EBITDA margin, %	-5.7	-16.2	
RevPAR, SEK	360	285	26.6
ARR, SEK	897	911	-1.5
OCC, %	40.2	31.2	

Net sales rose by 23.6 percent to 3,077 MSEK (2,489). For comparable units, net sales increased by 22.3 percent.

Average Revenue Per Available Room (RevPAR) grew 26.6 percent compared with the previous year. RevPAR for comparable units rose 27.4 percent.

Adjusted EBITDA improved, totaling -174 MSEK (-402) including furlough subsidies. Adjusted EBITDA includes a repayment of 44 MSEK related to over-consolidation from the insurance company AFA. Direct state aid excluding furlough subsidies reduced costs by 97 MSEK of which aid for rent amounted to 56 MSEK for the year.

Norway

MSEK	2021	2020	Change, %
Net sales	3,530	2,236	57.9
Net sales growth, %	57.9	-58.2	
Organic growth, %	54.8	-54.0	
Net sales growth LFL, %	55.8	-54.3	
Adjusted EBITDA	526	-48	-1,184.6
Adjusted EBITDA margin, %	14.9	-2.2	
RevPAR, SEK	423	271	56.0
ARR, SEK	1,022	937	9.0
OCC, %	41.4	29.0	

Net sales rose by 57.9 percent to 3,530 MSEK (2,236). For comparable units, net sales grew by 55.8 percent. Sales were positively affected by revenues from Scandic's quarantine-related operations.

Changes in the hotel portfolio contributed -22 MSEK net. Scandic Holmenkollen Park, which closed for renovations during 2021, had the greatest negative impact.

Average Revenue Per Available Room (RevPAR) increased by 56.0 percent compared with the previous year. RevPAR for comparable units grew by 51.1 percent.

Adjusted EBITDA improved and amounted to 526 MSEK (-48) including state aid. Direct state aid excluding furlough subsidies reduced costs by 181 MSEK of which aid for rent amounted to 95 MSEK for the year. Just over 230 MSEK of adjusted EBITDA is estimated to be attributable to income from rooms that were part of Scandic's quarantine-related operations, but were not used.

Finland

MSEK	2021	2020	Change, %
Net sales	2,082	1,714	21.5
Net sales growth, %	21.5	-62.3	
Organic growth, %	25.4	-61.9	
Net sales growth LFL, %	18.3	-54.1	
Adjusted EBITDA	-292	-456	-36.1
Adjusted EBITDA margin, %	-14.0	-26.7	
RevPAR, SEK	304	258	17.9
ARR, SEK	977	1011	-3.4
OCC, %	31.1	25.5	

Net sales rose by 21.5 percent to 2,082 MSEK (1,714). For comparable units, net sales grew by 18.3 percent.

New hotels/exits contributed 124 MSEK net. The positive effect is mainly attributable to the opening of the new Scandic Grand Central Helsinki hotel and the opening of the Scandic Eden hotel, which had been closed earlier.

Average Revenue Per Available Room (RevPAR) increased by 17.9 percent compared with the previous year. RevPAR for comparable units grew by 21.8 percent.

Adjusted EBITDA improved and amounted to -292 MSEK (-456) including state aid. Direct state aid excluding furlough subsidies reduced costs by 18 MSEK. In Finland, the state provided aid to cover the cost of employees who were furloughed with effect from the end of the first quarter 2020.

Other Europe

MSEK	2021	2020	Change, %
Net sales	1,397	1,031	35.5
Net sales growth, %	35.5	-62.7	
Organic growth, %	39.9	-62.3	
Net sales growth LFL, %	35.2	-61.4	
Adjusted EBITDA	202	-298	-167.6
Adjusted EBITDA margin, %	14.4	-28.9	
RevPAR, SEK	359	262	37.0
ARR, SEK	944	952	-0.8
OCC, %	38.0	27.5	

Net sales increased by 35.5 percent to 1,397 MSEK (1,031). For comparable units, net sales grew by 35.2 percent.

Average Revenue Per Available Room (RevPAR) increased by 37.0 percent compared with the previous year. RevPAR for comparable units grew by 42.6 percent.

Adjusted EBITDA increased to 202 MSEK (-298) including state aid. Direct state aid excluding furlough subsidies reduced costs by 397 MSEK of which aid for rent amounted to 120 MSEK for the year.

Central functions

Costs for central functions totaled -255 MSEK (-298). The cost level has been reduced as a result of staff reductions and increased efficiency.

Cash flow and financial position

Operating cash flow excluding IFRS 16 for the period January–December improved and amounted to 697 MSEK (-2,188), affected by a positive cash flow in the fourth quarter.

The cash flow contribution from the change in working capital amounted to 1,072 MSEK (-221). Working capital was affected positively by advance payments from customers and increased operating liabilities resulting from the rise in sales.

A total of 44 MSEK in over-consolidation from an insurance

HOTELS AND ROOMS IN OPERATION & UNDER DEVELOPMENT

	Operational										Under development	
	Lease agreements		Management agreements		Franchise and partner agreements		Owned		Total		Total	
December 31, 2021	Hotel	Rooms	Hotel	Rooms	Hotel	Rooms	Hotel	Rooms	Hotel	Rooms	Hotel	Rooms
Sweden	80	17,242	1	145	5	647			86	18,034	4	1,100
Norway	69	14,008			16	2,200	1	138	86	16,346	-2	-49
Denmark	27	5,102	1	210					28	5,312	3	1,219
Finland	62	12,855							62	12,855	0	159
Other Europe	6	1,718							6	1,718	2	739
Total	**244**	**50,925**	**2**	**355**	**21**	**2,847**	**1**	**138**	**268**	**54,265**	**7**	**3,168**

GRI: 102-4

company was repaid in October. Operating cash flow was also affected positively by a temporary repayment of approximately 260 MSEK in VAT and social security contributions from the Swedish Tax Agency.

Taxes paid amounted to -51 MSEK (-54) and referred to the payment of taxes for 2019 in Sweden.

Net investments totaled -562 MSEK (-735). Net investments paid amounted to -513 MSEK (-751), of which hotel renovations accounted for -46 MSEK (-414) and IT for -12 MSEK (-35). Investments in new hotels and increased room capacity totaled -454 MSEK (-302). The rate of investment has fallen since the second quarter 2020 to only encompass the completion of investments that were already contracted.

In total, the free cash flow improved and amounted to 185 MSEK (-2,939). Cash flow for 2021 was also positively affected by temporary effects on working capital of approximately 600 MSEK. These include technical payments deferred from December 2021 to January 2022, a high proportion of accrued investments and lower preliminary rent payments compared with final rent settlement.

Working capital	Dec 31, 2021	Dec 31, 2020
Current assets, excluding cash and cash equivalents	1,041	716
Current liabilities	-3,665	-4,358
Working capital	**-2,624**	**-3,642**

Operating cash flow

MSEK	2021	2020
Adjusted EBITDA	6	-1,503
Pre-opening costs	-52	-32
Items affecting comparability	7	-269
Items not included in cash flow	-19	39
Taxes paid	-51	-54
Change in working capital	1,072	-221
Paid interest, credit institutions	-266	-148
Cash flow from operations	**697**	**-2,188**
Investments in hotel renovations	-46	-414
Investments in IT	-12	-35
Free cash flow before investments in expansions	**639**	**-2,637**
Investments in new capacity	-454	-302
Free cash flow	**185**	**-2,939**
Issue of convertible bonds	1,577	-
New issue of shares	-	1,701
Other items in financing activities	-44	-75
Subscription rights	-	17
Net transaction costs	8	-4
Exchange difference in net debt	-63	84
Change in net debt	**1,662**	**-1,217**

The balance sheet total on December 31, 2021 was 44,755 MSEK compared with 38,283 MSEK on December 31, 2020. Excluding IFRS 16, the balance sheet total amounted to 10,506 MSEK.

Interest-bearing net liabilities, excluding lease liabilities and convertible loans, decreased by 1,661 MSEK during the year to 3,053 MSEK.

Total agreed credit facilities were reduced through repayments of 706 MSEK during the fourth quarter 2021 and amounted to 5,944 MSEK at the end of December 2021. Loans from credit institutions totaled 3,269 MSEK and cash and cash equivalents amounted to 216 MSEK. Total available liquidity adjusted for capitalized transaction costs and guarantees totaled approximately 2,780 MSEK.

The liability for the payment respite for VAT and social security contributions amounted to approximately 500 MSEK and the payment respite is expected to be extended until the first half-year of 2023.

Interest-bearing net liabilities	Dec 31, 2021	Dec 31, 2020
Liabilities to credit institutions	3,269	4,526
Liabilities, commercial papers	0	201
Cash and cash equivalents	-216	-14
Interest-bearing net liabilities	**3,053**	**4,713**

An extraordinary general meeting on April 26, 2021 approved the Board of Directors' proposal to issue a convertible loan, raising 1,609 MSEK in gross proceeds. After 32 MSEK in issue expenses, net proceeds totaled 1,577 MSEK. Of the net proceeds, 1,231 MSEK was allocated to a convertible loan and 346 MSEK was allocated to equity. The theoretical effective interest rate, which is charged to profit/loss, is 11 percent, and it is calculated for the part that has been allocated to the loan. No interest payments are made during the life of the loan (maturity date: October 8, 2024); instead, the interest expense is accumulated on an ongoing basis to the convertible debt, which will be 1,800 MSEK at maturity. The conversion rate is 43.36 SEK. When fully converted, the convertibles will result in dilution of approximately 17.83 percent and will increase the number of shares by 41,510,920. The calculation of earnings per share will include the full dilutive effect for any periods with profits.

In April 2021, Scandic extended the existing bank loan, which has a total initial credit facility of 6,650 MSEK, to December 31, 2023. In connection with the extension, interest terms, securities and covenants were adjusted. Financial expenses in connection with the extension of the loan amounted to 65 MSEK in the third quarter and are included in the operating cash flow table in other items in financing activities.

Aid received, 2021	Sweden	Norway	Finland	Other Europe	Total
Rent reductions	56	95	0	120	271
Furlough subsidies	41	18	5	76	140
Other aid received	41	86	18	277	422
Total	**138**	**199**	**23**	**473**	**833**

Acquisitions and exits

In 2021, Scandic did not acquire or divest any businesses.

Portfolio development

At year-end, Scandic had a total of 54,265 rooms in operation at 268 hotels, 244 of which had lease agreements. At the end of 2021, the net number of hotels in operation was three greater than at the end of 2020 while the number of rooms grew by 1,262. New hotels with lease agreements in operation over the year: Scandic Arlandastad, Sweden (150 rooms), Scandic Landvetter, Sweden (223 rooms), Scandic Grand Central Helsinki, Finland (491 rooms), Scandic Hamburger Börs, Turku, Finland (271 rooms) and Scandic Strandpark, Denmark (357 rooms). During the year, Scandic Forum, Norway (182 rooms) was exited and Scandic Holmenkollen Park, Norway (343 rooms) was closed for renovations until 2022.

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 80,975 known shareholders at the end of 2021. At year-end 2021, the share capital of Scandic was 48 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.

At year-end, Stena Sessan remained the largest shareholder with holdings corresponding to 19.9 percent of the company's share capital and votes. AMF Pension & Fonder decreased its ownership during the year from 16.5 percent to 14.4 percent and at year-end, it 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 272,708, which corresponds to approximately 0.1 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 69–73.

Team members

The average number of employees was 6,460 on December 31, 2021 compared with 6,152 on December 31, 2020. 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 1–17 and 36–58. The Sustainability Report covers the Parent Company and the Group.

Executive Committee & 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 eight senior managers: the CFO, the Chief Commercial Officer, the Chief Human Resources Officer and the Group's five country heads. Five nationalities are represented in the Executive Committee, which is composed of seven men and two women.

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 2021 elected seven Board members and appointed one employee representative.

Guidelines for senior management

Guidelines for compensation and other terms and conditions for the CEO and other senior managers were adopted at the Annual General Meeting held on May 31, 2021. See the Corporate Governance Report on page 78 for more information.

Long-Term Incentive Program

Scandic has a share-based long-term incentive program (LTIP). 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 79 for further details.

Events after the reporting date

In March 2022, Åsa Wirén took over the role of CFO for the Scandic Group.

Outlook

The restrictions that were reintroduced in Scandic's markets during December 2021 had a continued negative impact on demand in January 2022, when Scandic's occupancy rate was around 25 percent. Since then, Scandic has seen a positive trend in booking activity and occupancy as the restrictions have been lifted. Scandic expects a clear improvement in the hotel market during 2022. There is, however, uncertainty as to the speed at which recovery will take place as well as to what extent. Any delay in the recovery could mean negative cash flows and, as a possible consequence, challenges in financing the company's operations.

Based on the prepared business plan and the cash flow forecast, it is the 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.

Parent Company

The operations of the Parent Company, Scandic Hotels Group AB, include management services for the rest of the Group. Revenues for 2021 amounted to 40 MSEK (35). The operating loss was -18 MSEK (3). Net financial items for the period totaled -87 MSEK (7). The Parent Company's loss before taxes was -105 MSEK (10).

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 annual net profit.

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	8,303,218,857
Total	**8,303,218.857**

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

RISKS & RISK MANAGEMENT

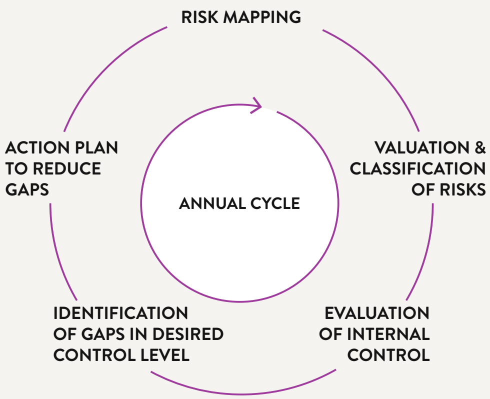
All business activities are associated with risks. Scandic has developed processes to handle different types of risks.

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. 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 79–80 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

The restrictions that were reintroduced in Scandic's markets during December 2021 had a continued negative impact on demand in January 2022, when Scandic's occupancy rate was around 25 percent. Since then, Scandic has seen a positive trend in booking activity and occupancy as the restrictions have been lifted. Scandic expects a clear improvement in the hotel market during 2022. There is, however, uncertainty as to the speed at which recovery will take place as well as to what extent. Any delay in the recovery could mean negative cash flows and, as a possible consequence, challenges in financing the company's operations.

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. Additionally, profitability in the sector is impacted by changes in room capacity where greater capacity can result in lower occupancy and lower room prices. 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. New industry participants that are not active in the market today could take the opportunity to establish themselves in the market in a situation where hotel companies have limited investment opportunities.

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. There is also a risk that external distribution partners, such as online travel agencies (OTAs), may strengthen their position vis-à-vis hotel companies during the pandemic. For example, OTAs can offer refunds to customers whose bookings are non-refundable, and then demand that Scandic pay them. OTAs can also forgo their own commissions to lower the consumer price, which increases price competition in the market.

At the moment, there is a rising price trend in goods related to Scandic's F&B offering, as well as for energy. Continued price increases can result in higher purchasing costs and there is a risk that these cost increases will not be covered by price increases for Scandic's customers.

Some leases may make it more difficult for Scandic to reconfigure hotels. There is a risk that property owners may not make the necessary sustainability investments, for example, in improving energy efficiency. This can lead to Scandic finding it difficult to live up to its sustainability standards and instead having to make the necessary investments in the landlord's property itself.

The demand for hotel nights can be significantly impacted by external factors such as pandemics, which can lead to travel and meeting restrictions. There is a risk that the market will be hit by a market collapse, and that Scandic may not receive the same support from the state and other stakeholders as before. If Scandic is unable to handle underperforming hotels with unfavorable leases, it may be stuck with hotels that are not profitable over time. There is also a risk that some hotels and destinations may become obsolete in the long run due to climate change, among other things.

Risk management

Scandic's business model is based on lease agreements where a majority of the agreements have completely variable rents or variable rents with a guaranteed minimum rents. This results in a lower profit risk since revenue losses are partly offset by lower 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. Among other things, the company has agreed with property owners on temporary rent reductions of up to 900 MSEK. Scandic sells products to a wide range of customers and sectors.

It is important that Scandic adjusts future leases to offer more flexibility and imposes more sustainability requirements on its property owners. Scandic enjoys a high percentage of satisfied and returning customers and guests. A significant share of distribution is achieved through Scandic's own channels and a high share is generated by members of Scandic's loyalty program, which 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.

To handle cost increases, Scandic may need to adjust its offering to adapt purchases, for example, by buying less expensive products and maintaining a close collaboration between its procurement and F&B departments.

Scandic operates according to a clear portfolio and growth strategy, works proactively with property developers to find new hotel projects and has a clear plan for exits and extended leases.

Scandic continuously collects data on customer behavior, competitors and distribution partners in order to be able to quickly adapt to market changes. The company works with important OTAs at the same time as it collaborates with industry organizations.

CHANGING ENVIRONMENT, TAXES & DECISIONS OF AUTHORITIES

Scandic is affected by a number of external factors that could limit mobility in society, such as terror incidents, pandemics, increased criminality and armed conflicts. Incidents that occur at the destinations where Scandic operates could affect customers' willingness to travel there. Furthermore, there is a risk of incidents such as fire and accidents involving team members or guests. Scandic temporarily closed a number of hotels during parts of the pandemic at the same time as the workforce was reduced, which meant that there was less focus on training and work on the company's crisis strategy.

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. Scandic has prioritized strengthening exercises and training now that staffing is back to more normal levels.

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.

It is challenging to manage the sharp fluctuations in occupancy linked to bookings made at short notice and changed legal requirements and restrictions, which can result in reduced customer satisfaction.

IT security incidents caused by external hackers or via IT system vendors may cause Scandic's IT systems and infrastructure to shut down, making it impossible to accept bookings or check guests in and out.

Suppliers who do not follow Scandic's Code of Conduct or are associated with something negative in relation to, among other things, sustainability or legal issues could have a negative effect on Scandic. There is a risk that these issues may not be followed up on carefully enough at the company's franchise hotels.

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 40 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. Compliance is ensured through communication and internal training. To reduce vulnerability, among other things, Scandic works with preventive measures that include training and informing team members. A clear plan has also been drawn up to handle major IT security incidents.

HUMAN RESOURCES & TALENT MANAGEMENT	Risk 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. The pandemic has led to a shortage of available employees as team members in certain areas have applied for other jobs or training. This has also led to the risk of losing key employees, which could make it more difficult to "restart" Scandic's business. The combination of low staffing combined with a sharp increase in occupancy could mean an increased risk of team members quitting and higher sick leave.	Scandic has a strong corporate culture and works to maintain it fully in the Group. Scandic regularly 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. Scandic is strengthening its activities in leadership development and working to develop and retain team members. The company has also sharpened its focus on in-house training and close collaboration with schools and trade unions. In some areas, it may be necessary to outsource certain functions.

SUSTAINABILITY	Risk management
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.	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.
Working conditions There is a risk that working conditions for employees may not reach the level where the health and safety of team members can be guaranteed.	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 employee surveys. In addition, Scandic has an anonymous whistleblowing system that enables employees and external parties to report gross deviations/incidents anonymously.
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, etc. 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 internal routines are not followed, which could 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.

SUSTAINABILITY cont.

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.

Risk management

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

Reputation & sustainability

Scandic may be impacted financially and in terms of its reputation if it does not succeed in living up to its sustainability targets or communicate its sustainability initiatives well. 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. Lack of knowledge about sustainability in the organization could lead to decision-making that is not aligned with Scandic's sustainability targets.

Risk management

Sustainability expertise must be present in all parts of the company. Policies and follow-up must be integrated in Scandic's procedures to ensure compliance. 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.

Reporting requirements

The reporting requirements for sustainability are increasing, a demand from customers, investors and other stakeholders. There are risks associated with a lack of expertise and resources to live up to these requirements.

Risk management

Scandic has clear sustainability criteria for investments in new hotels as well as the organizational capacity and expertise to manage this.

FINANCIAL RISKS

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. There is a risk that Scandic may not live up to the terms in its banking agreements. Scandic has received state aid in recent years, and there is a risk that demands may be made on Scandic linked to this aid.

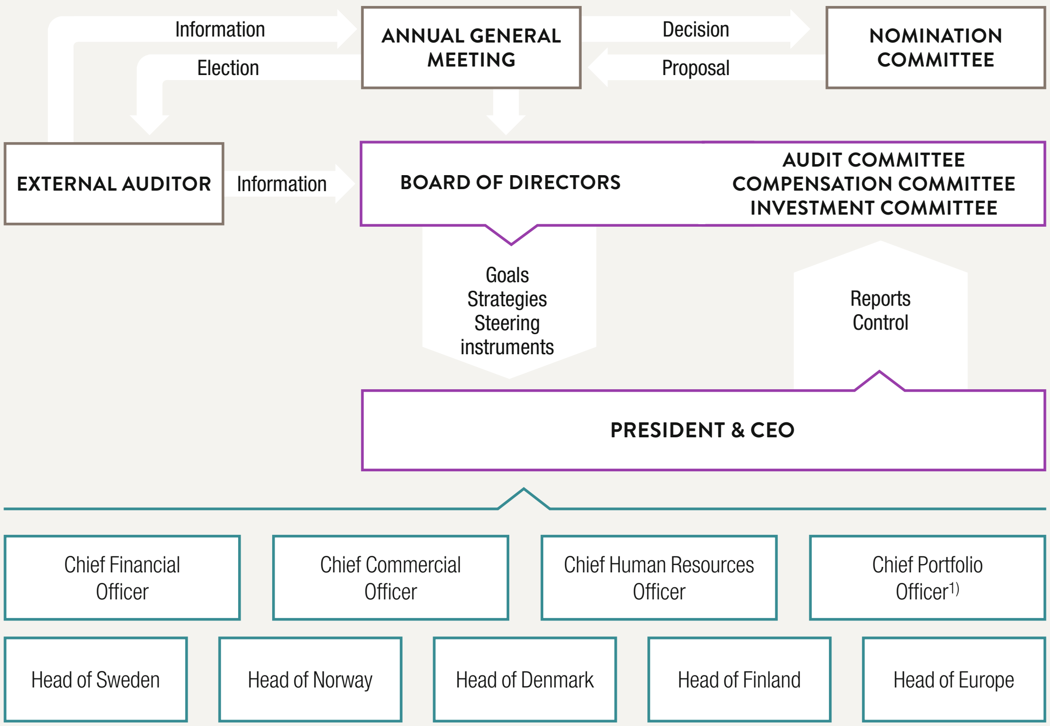
Risk management

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 20b and 20c.

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 2021 financial year.

CORPORATE GOVERNANCE, 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 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, 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 2021

In August 2021, Fredrik Wetterlund started as new Chief Human Resources Officer and member of Scandic's Executive Committee.

During 2021, Scandic announced that Åsa Wirén had been recruited as new CFO to replace Jan Johansson who announced he would leave Scandic on February 28,

2022. The 2021 Annual General Meeting resolved to increase the number of Board members to seven and Therese Cedercreutz was elected as a new board member. During the year, the company carried out an issue of convertible bonds due in October 2024.

SHARE AND SHAREHOLDERS

The Scandic share has been listed on Nasdaq Stockholm's Nordic Mid Cap list since December 2, 2015. At year-end 2021, 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. In 2021, the company carried out an issue of convertible bonds due on October 8, 2024 with a conversion price of 43.36 SEK. The number of shares will increase by 41,510,920 after full conversion. At the end of the year, the ten largest shareholders represented 48.7 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 14.4 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 (AGM), 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 AGM further adopts the income statement and the balance sheet and decides on the appropriation of profits as well as whether to discharge the Board members and the CEO from liability to the company. The AGM 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 AGM is held annually in Stockholm before the end of June. Extraordinary general meetings may be held as and when needed.

EXTRAORDINARY GENERAL MEETING 2021

The Extraordinary General Meeting held on April 21, 2021 in Stockholm resolved to approve the Board of Directors' resolution that the loan raised by Scandic at a par value of not more than 1,800 MSEK in total shall be convertible into shares in Scandic by way of an issue of convertible bonds.

2021 ANNUAL GENERAL MEETING

At the AGM held on May 31, 2021 in Stockholm, resolutions on the following were passed:

- Income statement and balance sheet 2020 adopted.
- Resolution, in accordance with the Board of Directors' proposal, that no dividend be paid 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, Martin Svalstedt and Kristina Patek were re-elected as Board members. Per G. Braathen was re-elected as Chairman of the Board.
- Therese Cedercreutz elected as a new Board member.
- PricewaterhouseCoopers was reappointed as auditor with Sofia Götmar-Blomstedt as Auditor-in-Charge until the end of the Annual General Meeting 2022.
- Compensation for the Board and the auditor.
- Compensation Report according to the Board's proposal.

2022 ANNUAL GENERAL MEETING

Scandic's AGM 2022 will be held in Stockholm on May 10, 2022, see page 129.

NOMINATION COMMITTEE

The Nomination Committee represents the company's shareholders and is tasked with preparing proposals for the AGM regarding the election of the Chairman for the AGM, Board members, the Chairman of the Board and the auditor, as well as proposals for fees to the Board, 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. 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 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 AGM unless there are special reasons for such.

The names of the three shareholder representatives and the shareholders they represent shall be announced no later than six months before the AGM.

The Nomination Committee for the Annual General Meeting 2022

The Nomination Committee for the AGM 2022 consists of four members and in addition to the Chairman of the Board includes representatives from the three largest shareholders as at August 31, 2021. 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 29, 2021.

Nomination Committee	Representing	% of votes as per Dec. 31, 2021
Per G. Braathen	–	–
Karl Swartling	Stena Sessan AB	19.9
Dick Bergqvist	AMF Pension & Fonder	14.4
Trygve Hegnar	Periscopus AS	2.7

In the work on nominations for the Annual General Meeting 2022, 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 a contined 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 2022 Nomination Committee held two meetings and maintained regular 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 2022 and 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 committee to consider suggestions, shareholders who wish to submit proposals may do so at any time before December 31. Read more at scandichotelsgroup.com

BOARD OF DIRECTORS

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

Composition of the Board of Directors in 2021

The AGM 2021 elected seven Board members and appointed one employee representative. The CEO and CFO participate in Board meetings as well as the Board's secretary. Other employees participate in Board meetings to report on special matters as and when necessary.

Independence

None of the Board members elected at the AGM are employed within the Scandic Group and all Board members are considered to be independent in relation to the company and the senior executives. Five of the seven 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's independence in relation to the company, senior executives and the major shareholders.

Work of the Board of Directors

The duties of the Board are regulated in the Swedish Companies Act, the company's Articles of Association and the Code. The work and procedures of the Board 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 also adopts instructions for the committees of the Board.

The duties of the Board 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 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. Furthermore, the Board also resolves whether to enter into or extend leases, franchise 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, including ensuring that the work of the Board 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

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

- Ongoing assessment of the short and long-term effects of the Covid-19 pandemic on Scandic and the market
- Measures to handle the Covid-19 crisis in the short and long term
- Resolution to propose to the AGM that no dividend be paid for 2020
- Convertible issue
- Evaluation of Executive Committee
- Approval of policies
- Compensation for senior executives
- Market analysis
- Financial reports
- Investment decisions
- Commercial initiatives

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 they need to work efficiently. The Chairman of the Board represents the company vis-à-vis the shareholders.

Work during the year

During the year, the Board held 20 board meetings. The Board also continued to follow developments and consequences resulting from the Covid-19 pandemic in all markets and resolved on and carried out a convertible issue. 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

The Board has established three committees: the Audit Committee, Compensation Committee and Investment Committee. None of the committees are authorized to make decisions, but they prepare matters and present them to the Board 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 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 AGM.

The Compensation Committee shall consist of at least three Board members elected at a general meeting. The Chairman of the Board may also be the chairman of the 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 six 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's 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 shareholders. He or she shall also have experience in auditing or accounting.

The 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 seven 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.
- Status of internal control and risk analysis and 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.

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	Attendance, number of meetings, committees	Compensation 2021
Per G Braathen	Chairman	2007	Yes	Yes	20 (20)	8 (8) Investment Committee, 6 (6) Compensation Committee	951,705
Grant Hearn	Member	2014	Yes	Yes	18 (20)	8 (8) Investment Committee, 6 (6) Compensation Committee	497,159
Ingalill Berglund	Member	2016	Yes	Yes	19 (20)	7 (7) Audit Committee	492,424
Fredrik Wirdenius	Member	2015	Yes	Yes	20 (20)	7 (8) Investment Committee	397,727
Martin Svalstedt	Member	2017	Yes	No	20 (20)	7 (7) Audit Committee	449,811
Kristina Patek	Member	2020	Yes	No	20 (20)	7 (7) Audit Committee	402,462
Therese Cedercreutz	Member, new	2021	Yes	Yes	9 (20)	3 (8) Investment Committee	245,000
Marianne Sundelius	Employee rep.	2017	No	Yes	20 (20)		40,000
Total							**3,476,288**

GRI: 102-18

- 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 convertible 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 amendments to lease agreements. The committee also regularly evaluates hotel investments and reviews 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 AGM. The Investment Committee consists of Grant Hearn (Chairman), Per G. Braathen, Fredrik Wirdenius and Therese Cedercreutz. During 2021, the committee held eight meetings.

EVALUATION OF THE WORK OF THE BOARD OF DIRECTORS

The Chairman of the Board is responsible for evaluating the work of the Board. The Board also evaluates its work annually. The evaluation refers to working methods and the main focus of the work of the Board. The evaluation also includes an evaluation of the need for and access to special expertise on the Board. The evaluation in 2021 was carried out through a survey conducted by an external party. The results were presented and discussed by the Board and the Nomination Committee. The evaluation was used as a tool to develop the work of the Board and also constitutes support for the work of the Nomination Committee.

Auditors

PricewaterhouseCoopers has been the company's auditor since 2012. At the AGM held on May 31, 2021, PricewaterhouseCoopers was reappointed as auditor with Sofia Götmar-Blomstedt as the Auditor-in-Charge for the time until the end of the AGM 2022. Sofia Götmar-Blomstedt is an authorized public accountant and a member of FAR (the institute for the accountancy profession in Sweden). During 2021, the auditor reported observations on one occasion to the Board. No members of the Executive Committee were present. Thereafter, the auditor participated in seven meetings with the Audit Committee. The Audit Committee evaluates the auditors' work and independence annually.

The auditor receives a fee for their work, according to a resolution of the AGM. Information on auditors' fees is provided in Note 04 on page 98.

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 eight senior managers: the CFO, the CCO, the CHRO and the Group's five country heads. In addition, Scandic's President & CEO has taken over the position of Deputy CPO until a permanent replacement can be found. See pages 84–85 for more information.

The CEO's areas of responsibility and powers are governed by the Rules of Procedure for the Board 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. Scandic's steering documents in this context are the Code of Conduct, the Supplier Code of Conduct, 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 CHRO and the Director of 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 2021

The beginning of the year was marked by efforts to limit the negative cash flow such as restrictions on investment activities, continued cost savings and securing extra financing as there was still great uncertainty regarding the strength of the hotel market's recovery. From the beginning of the summer, demand began to improve substantially. Consequently, the focus was changed to rebuilding capacity and resources to meet customer demand, taking into account the company's sharp focus on cost-efficiency while maintaining customer satisfaction and a strong team of employees. In parallel, the company's long-term business planning was intensified with a special focus on developing the hotel portfolio and commercial capabilities. The company's management also deepened the analysis with regard to the environmental impact of its operations and opportunities to reduce this impact.

Guidelines for compensation to the CEO and senior executives

At the AGM 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 approval. Full details on compensation can be found on Scandic's website at scandichotelsgroup.com

Compensation

For information on compensation for the CEO and senior executives, see Note 05 on pages 99–101.

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 AGM held on May 7, 2019, is described in Note 05 on pages 99–101. The LTIP program launched in December 2018 ended during the second quarter 2021. 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 2021. Results and the allotment of shares are described in Note 05 on pages 99–101. Terms and conditions for the program are also outlined in Note 05 on pages 99–101.

Guidelines for compensation to senior executives prior to the Annual General Meeting 2022

The Board of Directors has proposed that the AGM 2022 adopt guidelines that in all material aspects correspond to the guidelines adopted at the AGM 2021.

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 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 areas and that these controls achieve the desired results. The 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.

1. Restrictions on investment activities and implemented cost savings to limit the negative cash flow during the first half of the year
2. Extra financing secured
3. Capacity rebuilt in connection with the recovery of demand
4. Intensification of long-term business planning
5. In-depth analysis of Scandic's environmental impact and the company's opportunities to reduce its environmental footprint

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, the senior executives and other employees.

The manner in which the Board monitors and ensures the quality of internal control is documented in the adopted Rules of Procedure for the Board 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 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 presented to the Audit Committee for discussion and consideration at a committee meeting before they are presented to the Board 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 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 at 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 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 evaluates the need for a special internal audit function annually.

Measures in 2021

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 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. Additionally, the Board and the Audit Committee 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 the Remuneration Committee.
Member of the Investment Committee.

Born: 1960.

Nationality: Norwegian.

Education:
MBA from Schiller University London, UK.

Other assignments:
Owner and Chairman of the Board of Braganza. Chairman of the Board of Braathens Regional Airlines AB (BRA) and Bramora Ltd. Board member of Escape Travel AS, Wayday Travel and 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 BRAbank ASA, Arken Zoo Holding AB, 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 the Audit Committee.

Born: 1964.

Nationality: Swedish.

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

Other assignments:
CEO of Lövsta Stuteri AB. Chairman of the Board of Balco Group AB. Board member of AxFast AB, Bonnier Fastigheter AB, Fastighets AB Stenvalvet, Stiftelsen Danviks Hospital and Juni Strategi och Analys AB.

Previous assignments:
President and CFO at Atrium Ljungberg AB. Interim CEO of AxFast AB. Board member of Veidekke ASA and Kungsleden 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 the 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, Resurs Bank, 24Health and Matilda Foodtech.

Previous assignments:
Management consultant at Accenture and Cell Network, Investment Manager at Ratos. Partner at private equity fund Scope. 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 the Compensation Committee.
Chairman of the 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 Board 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, 2021.

THÉRÈSE CEDERCREUTZ
Member of the Board since 2021.
Member of Ihe Investment Committee.

Born: 1969.

Nationality: Finnish.

Education:
Masters in Economics, Åbo Akademi University, Finland.

Other assignments: Senior Advisor, Miltton Group. Chairman of the Board of EAB Group Oyj. Board member of Tokmanni Oyj and Vieser Oy.

Previous assignments: Founder and CEO, Strategy and Design Consultanct Inc. CEO and COO, 358 Advertising Agency. VP Business Development at Spoiled Milk. Director Global Marketing at F-Secure Oyj. Director Sales and Business Development EMEA at THQ Wireless and Board member of HappyOrNot.

Shareholding: 0

Independent in relation to major shareholders: Yes

Independent in relation to the company and management: Yes

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

Born: 1963.

Nationality: Swedish.

Education:
Bachelor of Science in Business Administration and Law, University of Karlstad, Sweden.

Other assignments:
Board member of Formica Capital, Gunnebo Holding AB and Stena International SA.

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

Shareholding: 160,000

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 the 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 Assemblin Group 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 diploma, 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, 2021.

EXECUTIVE COMMITTEE

JENS MATHIESEN
President & CEO

Born: 1969. Employed by the Group 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 of Fountain Scandinavia A/S. Head of Sales & Marketing, Avis Rent a Car.

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

Shareholding: 168,886 shares and 155,000 stock options

ÅSA WIRÉN
Chief Financial Officer

Born: 1968. Employed by the Group since 2022. Member of Scandic's Executive Committee since 2022.

Nationality: Swedish.

Education: Bachelor of Science in Business Administration and Economics, Uppsala University, Sweden.

Previous experience: CFO, Bonnier Group. CFO, SkiStar AB. Partner and Authorized Public Accountant, KPMG.

Other assignments: Board member of Aspia AB and Specialfastigheter Sverige AB.

Shareholding: 8,500

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 by the Group since 2006. Member of Scandic's Executive Committee since 2019.

Nationality: Danish.

Education: Currently doing MBA at Edinburgh Business School. Higher Commercial Examination Accounting & 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: 19,249

Number of shares as per December 31, 2021.

PETER JANGBRATT
Head of Sweden

Born: 1967. Employed within the Group 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: 45,661

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 at Procter & Gamble and Reckitt Benckiser. Commercial Director, Oy Hartwall and CEO, 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 & Management School, Glion, Switzerland.

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

Other assignments: –

Shareholding: 49,769

ASLE PRESTEGARD
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. District Director West Norway, Scandic Hotels AS.

Other assignments: –

Shareholding: 13,062

FREDRIK WETTERLUNDH
Chief Human Resources Officer

Born: 1966. Employed by the Group since 2021. Member of Scandic's Executive Committee since 2021.

Nationality: Swedish.

Education: Bachelor of Science in Human Resource Management. Lund University, Sweden. Lieutenant, Swedish Infantry Officers' College, Halmstad, Sweden.

Previous experience: Global Lead HR Mergers & Acquisitions, Ericsson. Senior Vice President HR, Sobi. Global HR Lead, Pfizer Inc. Area HR Lead, Kraft Foods. Group HR Director, Codan AS. HR Director, Astra Sweden.

Other assignments: –

Shareholding: –

Number of shares as per December 31, 2021.

INCOME STATEMENT

GROUP

MSEK	Notes	2021	2020
INCOME	02, 03		
Room revenue		6,577	4,923
Restaurant and conference revenue		2,946	2,234
Franchise and management fees		25	19
Other hotel-related revenue		538	294
Net sales		**10,086**	**7,470**
Other income		44	0
TOTAL INCOME		**10,130**	**7,470**
OPERATING COSTS			
Raw materials and consumables		-839	-611
Other external costs	04	-2,248	-1,751
Staff costs	05	-3,597	-3,489
Fixed and guaranteed rental costs	12	79	494
Variable rental costs		-780	-424
Pre-opening costs		-52	-32
Items affecting comparability	06	7	-269
EBITDA		**2,699**	**1,387**
Amortization, depreciation and impairment	11, 12	-3,139	-6,187
TOTAL OPERATING COSTS		**-10,569**	**-12,269**
EBIT (operating profit/loss)		**-440**	**-4,800**
Financial items			
Finance income	07	10	5
Finance costs	08	-1,616	-1,286
Net financial items		**-1,606**	**-1,281**
EBT (earnings before taxes)		**-2,046**	**-6,081**
Income tax	09	367	130
PROFIT/LOSS FOR THE YEAR		**-1,679**	**-5,951**
Attributable to the Parent Company's shareholders		-1,681	-5,949
Non-controlling interests		2	-2
Profit/loss per share before dilution, attributable to the Parent Company shareholders (SEK per share)	10	-8.79	-40.02
Profit/loss per share after dilution, attributable to the Parent Company shareholders (SEK per share)	10	-8.79	-40.02

STATEMENT OF COMPREHENSIVE INCOME

GROUP

MSEK	Notes	2021	2020
Profit/loss for the year		-1,679	**-5,951**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Currency fluctuations from translation of foreign operations		202	-219
Changes in the value of electricity hedges, net of tax		62	-18
Items that will not be reclassified to profit or loss			
Actuarial gains/losses for the year, net after tax		79	-10
Total other comprehensive income, net of tax		**343**	**-247**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**-1,336**	**-6,198**

CONSOLIDATED BALANCE SHEET

GROUP

	Notes	Dec 31, 2021	Dec 31, 2020
ASSETS			
Non-current assets			
Goodwill	11	3,914	3,737
Trademarks	11	2,843	2,835
Other intangible assets	11	128	115
Land & buildings	12	31,251	25,762
Furniture, fittings and equipment	12	4,497	4,625
Shares in associates	13	21	20
Financial investments	14	7	6
Other non-current receivables		40	47
Deferred tax assets	23	729	405
Total non-current assets		**43,430**	**37,553**
Current assets			
Inventories	15	108	90
Trade receivables	16	527	153
Derivative instruments		68	-
Other current receivables		126	50
Prepaid expenses and accrued income	17	280	423
Cash and cash equivalents	18	216	14
Total current assets		**1,325**	**730**
TOTAL ASSETS		**44,755**	**38,283**

	Notes	Dec 31, 2021	Dec 31, 2020
EQUITY AND LIABILITIES			
Equity			
Share capital	19	48	48
Other contributed capital		9,890	9,544
Translation reserve		182	-155
Retained earnings		-9,005	-7,402
Equity attributable to the Parent Company shareholders		**1,115**	**2,035**
Non-controlling interests		40	36
Total equity		**1,155**	**2,071**
Non-current liabilities			
Liabilities to credit institutions	20	3,269	4,526
Convertible loan	20	1,333	-
Provisions for pensions & similar commitments	21	833	920
Other provisions	22	167	162
Other liabilities		60	42
Lease liabilities	20	32,302	26,169
Deferred tax liabilities	23	24	35
Total non-current liabilities		**37,988**	**31,854**
Current liabilities			
Advance payments from customers		220	170
Trade payables		977	317
Derivative instruments		-	18
Liabilities for commercial papers	20	-	201
Current tax liabilities		14	10
Current lease liabilities	20	1,947	1,850
Other liabilities		237	121
Accrued expenses and prepaid income	24	2,217	1,671
Total current liabilities		**5,612**	**4,358**
Total liabilities		**43,600**	**36,212**
TOTAL EQUITY AND LIABILITIES		**44,755**	**38,283**

CASH FLOW STATEMENT

GROUP

MSEK	Notes	2021	2020
Operating activities			
Operating profit/loss		-440	-4,800
Adjustments for items not included in cash flow, etc.	25	3,120	6,226
Taxes paid		-51	-54
Cash flow before changes in working capital		**2,629**	**1,372**
Changes in working capital			
Inventories		-14	35
Trade receivables		-368	465
Other current receivables		74	35
Trade payables		656	-420
Other current liabilities		724	-336
Cash flows from operating activities		**3,701**	**1,151**
Investing activities			
Acquisitions of property, plant and equipment	12	-513	-751
Cash flows from investing activities		**-513**	**-751**
Cash flows after investing activities		**3,188**	**400**
Financing activities			
Dividend, share swap agreement		-3	-37
New issue of shares		-	1,701
Issue of convertibles	20	1,577	-
Borrowings, credit institutions	20	1,480	4,571
Amortization, credit institutions	20	-2,737	-2,999
Amortization, leases	20	-1,544	-2,155
Issue of commercial papers	20	-201	-285
Financing costs	20	-65	-38
Interest paid, credit institutions		-266	-148
Interest paid, leases		-1,194	-1,036
Cash flows from financing activities		**-2,953**	**-426**
CASH FLOW FOR THE YEAR		**235**	**-26**
Cash and cash equivalents at the beginning of the year		14	26
Translation differences in cash and cash equivalents		-33	-26
Cash flow for the year		235	14
Cash and cash equivalents at end of year		**216**	**14**

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, 2020	**26**	**7,865**	**148**	**-1,481**	**6,558**	**43**	**6,601**
Profit/loss 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 electricity hedges, net of 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 for the year	**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**
OPENING BALANCE, Jan 1, 2021	**48**	**9,544**	**-155**	**-7,402**	**2,035**	**36**	**2,071**
Profit/loss for the year				**-1,681**	**-1,681**	**2**	**-1,679**
Other comprehensive income							
Items that may be reclassified to profit or loss							
Currency fluctuations from translation of foreign operations	-	-	200	-	200	2	202
Changes in the value of electricity hedges, net of tax	-	-	62	-	62	-	62
Items that will not be reclassified to profit or loss							
Actuarial gains/losses for the year, net of tax	-	-	-	79	79	-	79
Total other comprehensive income, net of tax	**0**	**0**	**262**	**79**	**341**	**2**	**343**
Total comprehensive income for the year	**0**	**0**	**262**	**-1,602**	**-1,340**	**4**	**-1,336**
Other adjustments	**0**	**0**	**75**	**0**	**75**	**0**	**75**
Transactions with shareholders							
Issue of convertibles	-	346	-	-	346	-	346
Share-based payments	-	-	-	-1	-1	-	-1
Total transactions with shareholders	**0**	**346**	**0**	**-1**	**345**	**0**	**345**
CLOSING BALANCE, Dec 31, 2021	**48**	**9,890**	**182**	**-9,005**	**1,115**	**40**	**1,155**

INCOME STATEMENT

PARENT COMPANY

MSEK	Notes	2021	2020
Net sales		**40**	**35**
Operating costs			
Other external costs	04	-20	4
Staff costs	05	-38	-36
Total operating costs		**-58**	**-32**
Operating profit/loss		**-18**	**3**
Financial items			
Interest income and similar income	07	129	243
Interest expenses and similar expenses	08	-216	-236
Net financial items		**-87**	**7**
Appropriations			
Profit/loss before tax		**-105**	**10**
Income tax	09	4	-3
PROFIT/LOSS FOR THE YEAR		**-101**	**7**

STATEMENT OF COMPREHENSIVE INCOME

PARENT COMPANY

MSEK	Notes	2021	2020
Profit for the year		**-101**	**7**
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		**-101**	**7**

BALANCE SHEET

PARENT COMPANY

MSEK	Notes	Dec 31, 2021	Dec 31, 2020
ASSETS			
Financial assets			
Participations in Group companies	27	8,415	8,415
Receivables from Group companies	30	1,342	4,537
Deferred tax assets	23	19	19
Total non-current assets		**9,776**	**12,971**
Current assets			
Current receivables			
Receivables from Group companies	30	5	4
Other current receivables		0	9
Total current assets		**5**	**13**
TOTAL ASSETS		**9,781**	**12,983**

MSEK	Notes	Dec 31, 2021	Dec 31, 2020
EQUITY AND LIABILITIES			
Equity			
Share capital	19	48	48
Total restricted equity		**48**	**48**
Non-restricted reserves		8,403	8,051
Profit/loss for the year		-101	7
Total non-restricted equity		**8,302**	**8,058**
Total equity		**8,350**	**8,106**
Liabilities			
Non-current liabilities			
Liabilities to credit institutions		1,333	4,526
Other liabilities		15	18
Total non-current liabilities		**1,348**	**4,544**
Current liabilities			
Liabilities for commercial papers	20	-	201
Liabilities to Group companies	30	4	-
Other liabilities		42	27
Accrued expenses and prepaid income	24	37	104
Total current liabilities		**83**	**333**
Total liabilities		**1,431**	**4,877**
TOTAL EQUITY AND LIABILITIES		**9,781**	**12,983**

CASH FLOW STATEMENT

PARENT COMPANY

MSEK	Notes	2021	2020
Operating activities			
Operating profit/loss		-18	3
Taxes paid		-38	-
Cash flow before changes in working capital		**-56**	**3**
Changes in working capital			
Other current receivables		-1	-
Other current liabilities		-29	-21
Cash flows from operating activities		**-86**	**-18**
Investing activities			
Shareholders' contribution to subsidiaries		-	-3,376
Cash flows from investing activities		**-**	**-3,376**
Cash flows after investing activities		**-86**	**-3,394**
Financing activities			
Borrowings, credit institutions	20	802	4,554
Amortization, credit institutions	20	-5,252	-2,999
New issue of shares		-	1,701
Issue of convertibles	20	1,577	-
Dividend, share swap agreement		-3	-19
Issue of commercial papers	20	-201	-279
Financing costs		-	-38
Interest paid, credit institutions		-32	1
Loans to/from subsidiaries		3,195	473
Cash flows from financing activities		**86**	**3,394**
CASH FLOW FOR THE YEAR		**0**	**0**
Cash and cash equivalents at the beginning of the year		0	0
Translation differences in cash and cash equivalents		0	0
Cash flow for the year		0	0
Cash and cash equivalents at end of year		**0**	**0**

CHANGES IN EQUITY

PARENT COMPANY

MSEK	Restricted equity Share capital	Non-restricted equity Share premium reserve	Retained earnings	Total equity
OPENING BALANCE, Jan 1, 2020	**26**	**1,534**	**4,801**	**6,361**
Profit/loss 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**
OPENING BALANCE, Jan 1, 2021	**48**	**3,213**	**4,845**	**8,106**
Profit/loss for the year	**-**	**-**	**-101**	**-101**
Other comprehensive income	**-**	**-**	**-**	**-**
Total comprehensive income for the year	**0**	**0**	**-101**	**-101**
Transactions with shareholders				
Issue of convertibles	-	346	-	346
Share-based payments	-	-	-1	-1
Total transactions with shareholders	**0**	**346**	**-1**	**345**
CLOSING BALANCE, Dec 31, 2021	**48**	**3,559**	**4,743**	**8,350**

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 were 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 were prepared in accordance with the Swedish Annual Accounts Act and RFR 2 Accounting for legal entities.

The consolidated accounts were drawn up in accordance with the cost method, except in respect of certain financial assets and liabilities that were 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 of 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 statement 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 income statement 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 revalued. 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 2021	Jan–Dec 2020
SEK = EUR		
Income statement (average rate)	10.1449	10.4867
Balance sheet (at end of period)	10.2269	10.0375
SEK = NOK		
Income statement (average rate)	0.9980	0.9786
Balance sheet (at end of period)	1.0254	0.9546
SEK = DKK		
Income statement (average rate)	1.3641	1.4068
Balance sheet (at end of period)	1.3753	1.3492

New and amended standards adopted by the Group

None of the IFRS or IFRIC interpretations that entered into force in 2021 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 accounting principles of the Group and 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

2021, MSEK	Sweden	Norway	Finland	Other Europe	Central functions	Group
Lease agreements	3,114	3,497	2,082	1,388	-	10,081
Management agreements	2	-	-	9	-	11
Franchise and partner agreements	5	7	0	-	-	12
Hotel operations, own property	-	26	-	-	-	26
Total	**3,121**	**3,530**	**2,082**	**1,397**	**-**	**10,130**
Other	-	-	-	-	40	40
Group eliminations	-	-	-	-	-40	-40
Group	**3,121**	**3,530**	**2,082**	**1,397**	**-**	**10,130**

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
Hotel operations, own property	-	9	-	-	-	9
Total	**2,489**	**2,236**	**1,714**	**1,031**	**-**	**7,470**
Other	-	-	-	-	57	57
Group eliminations	-	-	-	-	-57	-57
Group	**2,489**	**2,236**	**1,714**	**1,031**	**-**	**7,470**

§ 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. 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.

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 over time, when they are realizable according to the terms and conditions of the agreement.

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. They are recognized in the income statement over time.

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.

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, investor relations, communication, 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 finance 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.

2021 MSEK	Sweden	Norway	Finland	Other Europe	Central functions	Group
Room revenue	2,193	2,145	1,357	882	-	6,577
Restaurant and conference revenue	821	1,013	629	482	-	2,945
Franchise and management fees	8	9	0	8	-	25
Other hotel-related revenue	55	362	96	25	-	538
Net sales	**3,077**	**3,530**	**2,082**	**1,397**	**0**	**10,086**
Other income	44	-	-	-	-	44
Intra-Group transactions	-	-	-	-	40	40
Group eliminations	-	-	-	-	-40	-40
Total revenue	**3,121**	**3,530**	**2,082**	**1,397**	**0**	**10,130**
Costs	-3,295	-3,004	-2,374	-1,196	-255	-10,124
Adjusted EBITDA[1)]	**-174**	**526**	**-292**	**202**	**-255**	**6**
Adjusted EBITDA margin, %	-5.7	14.9	-14.0	14.4	-	0.1
EBITDA[1)]	**-**	**-**	**-**	**-**	**-**	**2,699**
EBITDA margin, %	-	-	-	-	-	26.6
Amortization and depreciation	-	-	-	-	-	-3,139
EBIT (operating profit/loss)	**-**	**-**	**-**	**-**	**-**	**-440**
Net finance income	-	-	-	-	-	-1,606
EBT (earnings before taxes)	**-**	**-**	**-**	**-**	**-**	**-2,046**

[1)] There is a table showing the bridge between adjusted EBITDA and EBITDA on page 64.

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
Amortization and depreciation	-	-	-	-	-	-6,187
EBIT (operating profit/loss)	**-**	**-**	**-**	**-**	**-**	**-4,800**
Net finance income	-	-	-	-	-	-1,282
EBT (earnings before taxes)	**-**	**-**	**-**	**-**	**-**	**-6,081**

Assets and investments by segment	Sweden		Norway		Finland		Other Europe		Central functions		Group	
MSEK	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Non-current assets	10,524	10,624	8,591	8,466	16,301	13,626	5,766	5,384	2,248	-547	43,430	37,552
Investments in non-current assets	216	206	53	128	106	287	175	78	12	36	562	735

For definitions of key ratios, see page 128.

§ 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 were therefore identified on a geographic basis and based on the economic 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	2021	2020	Dec 31, 2021	Dec 31, 2020
Sweden	3,121	2,489	10,524	10,624
Denmark	1,159	776	4,273	3,658
Finland	2,082	1,714	16,301	13,626
Norway	3,530	2,236	8,591	8,466
Poland	38	29	3	1,722
Germany	200	226	1,490	3
Group assets	-	-	2,248	-547
Total for the Group	**10,130**	**7,470**	**43,430**	**37,552**

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 the revenue exceeds 10 percent of the total revenue of the Group.

NOTE 04 Audit fees

	Group		Parent Company	
MSEK	2021	2020	2021	2020
Audit assignment				
PwC	5	5	-	-
Other	-	0	-	-
Other statutory assignments				
PwC	1	1	-	-
Other	-	-	-	-
Tax advice				
PwC	0	1	-	-
Other	-	-	-	-
Fees for other services				
PwC	1	2	-	-
Other	-	-	-	-
Total	**7**	**9**	**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, 1 MSEK refers to PwC Sweden. For tax advice, 0 MSEK refers to PwC Sweden. For other services, 0 MSEK refers to PwC Sweden.

Other services mainly refer to services related to certificates for revenue based 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 2021	Group 2020	Parent Company 2021	Parent Company 2020
Salaries and other compensation	2,866	2,737	26	23
Payroll overhead excluding pension costs	467	496	6	7
Pension costs	264	258	6	6
Total staff costs	**3,597**	**3,490**	**38**	**36**

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	2021 Board fees	Fees for committee work	Fringe benefits	Total
Per G. Braathen, Chairman of the Board	804,924	146,780	-	951,705
Grant Hearn	345,644	151,515	-	497,159
Ingalill Berglund	345,644	146,780	-	492,424
Fredrik Wirdenius	345,644	52,083	-	397,727
Martin Svalstedt	345,644	104,167	-	449,811
Kristina Patek	345,644	56,818	-	402,462
Thérèse Cedercreutz[1]	212,917	32,083	-	245,000
Marianne Sundelius, employee representative	40,000	-	-	40,000
Total compensation	**2,786,061**	**690,227**	**0**	**3,476,288**

[1] Thérèse Cedercreutz was elected to the Board of Directors at the AGM on May 31, 2021.

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 at the AGM on June 15, 2020.
[2] Christoffer Lundström resigned from the Board at the AGM on June 15, 2020.
[3] Susanne Mørch Koch resigned from the Board at the AGM on June 15, 2020.
[4] Riitta Savonlahti resigned from the Board at the AGM on June 15, 2020.

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

Compensation to senior executives, SEK	2021 Base salary	Variable compen-sation[1]	Fringe benefits	Pension expense	Total
Jens Mathiesen, President & CEO	7,440,612	108,816	465,776	2,244,784	10,259,988
Other senior executives (12 people)	17,075,347	184,944	1,528,663	4,037,967	22,826,921
Total compensation and benefits	**24,515,959**	**293,760**	**1,994,439**	**6,282,751**	**33,086,910**

[1] Variable compensation includes share-based payments of 108,816 SEK to the CEO and 184,944 SEK to other senior executives.

The number of other senior executives is the total over the year. At year-end, other senior executives included 8 people.

Compensation to senior executives, SEK	2020 Base salary	Variable compen-sation[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 the CEO and other senior executives may include fixed salary, variable salary, pension and fringe benefits. Terms and conditions for remuneration to senior executives are described in the Corporate Governance Report on pages 74–85.

Pensions

The CEO is covered by a defined contribution pension plan until he or she 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

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 LTIPs were launched in 2020 and 2021. The share-based Long-Term Incentive Program that was implemented in 2018 (LTIP 2018) expired on the same day that Scandic published its quarterly report for the first quarter 2021. The allotment according to the program was 29,309 shares and the total cost was 1.3 MSEK.

The LTIP allows 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 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 at no cost, depending on the degree of meeting certain performance criteria adopted by the Board of Directors related to EBITDA and cash flow for the 2019–2021 financial years (LTIP 2019). 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 report for the first quarter 2022, 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 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:

	2021	2020	2019	2018
As of January 1	388,092	614,867	579,546	615,602
Awarded during the year	0	0	252,214	236,626
Exercised during the year	-182,953	-127,874	-120,132	-246,820
Forfeited during the year	-24,538	-98,901	-96,761	-25,862
Total as at December 31	180,601	388,092	614,867	579,546
– of which exercisable on December 31	-	-	-	-

The strike price is 0 SEK.

		Number of rights			
Award date	Expiry date	Dec 31, 2021	Dec 31, 2020	Dec 31, 2019	Dec 31, 2018
December 2, 2015	May 8, 2018	-	-	-	-
June 10, 2016	May 14, 2019	-	-	-	170,162
September 25, 2017	May 20, 2020	-	-	162,689	176,685
May 31, 2018	April 28, 2021	-	182,953	203,443	232,699
June 14, 2019	April/May 2022[1]	180,601	205,139	248,735	-
Total		**180,601**	**388,092**	**614,867**	**579,546**

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 simu-lation. The following input factors were used:

	LTIP 2019	LTIP 2018
Share price on the award date, SEK	80.55	85.95
Duration	2.90 years	2.91 years
Deduction of expected dividends	4%	4%
Fair value (SEK) on the reporting date, Dec 31, 2021	108	n/a
Fair value (SEK) on the reporting date, Dec 31, 2020	59	74

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 2019		LTIP 2018[1]	
MSEK	Group	Parent Company	Group	Parent Company
Expected cost of entire program	2	0	1	0
Maximum cost of entire program	25	9	28	8
Cost in 2021	1	0	-1	0
Cost in 2020	-1	0	-2	0
Cost in 2019	3	1	3	1
Cost in 2018	-	-	2	0
Cost in 2017	-	-	-	-

1) The expected cost of the LTIP 2018 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 2019; (ii) an estimated annual employee turnover of 10 percent; and (iii) an average fulfillment of each performance condition of 50 percent to 100 percent. The participants have invested in the program and may be allocated (iv) a maximum of 272,708 shares for the LTIP 2019, corresponding to approximately 0.1 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 remaining program, LTIP 2019, are estimated to total 2.4 MSEK, including social security contributions. The estimate is also based on the assumption of an annual share price increase of 10 percent for the duration of the program. In the final quarter 2021, a new assessment was made of the assumptions in the programs regarding the share price, where the LTIP 2019 program was determined to have an annual reduction of 10 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 remaining program will amount to 25.2 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 share 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	2021 Average number of employees	2021 of which men	2020 Average number of employees	2020 of which men
Parent Company				
Sweden	11	4	10	4
Subsidiaries				
Sweden	2,858	993	2,541	898
Denmark	833	344	730	300
Finland	1,293	370	997	299
Norway	1,207	470	1,649	679
Poland	115	32	84	23
Germany	143	78	141	79
Total for the Group	**6,460**	**2,291**	**6,152**	**2,282**

Gender distribution of the Board and Executive Committee on the reporting date	2021 Total	2021 of which men	2020 Total	2020 of which men
Board of Directors	8	4	7	4
Executive Committee	9	7	7	6
Total for the Group	**17**	**11**	**14**	**10**

§ 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 the 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 grant date multiplied by the number of vested shares and the cost is distributed over the vesting period. 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 deviations from the original assessment that the review raises are recognized in the income statement and the corresponding adjustments are made in equity. It can sometimes happen that employees render services before the grant date, in which case an estimate of the fair value is made in order to recognize a cost to be distributed for a fee reported to be spread over the period between the time the employee begins performing services and the grant 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 share 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 2021	Group 2020
Restructuring costs	7	-269
Sales of operations	-	-
Total	**7**	**-269**

§ 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 2021	Group 2020	Parent Company 2021	Parent Company 2020
Interest income	1	1	-	-
Interest income from Group companies	-	-	129	182
Revaluation of derivative instruments	7	-	-	-
Profit/loss from associates	0	1	-	-
Exchange rate gains, net	2	3	0	61
Total	**10**	**5**	**129**	**243**

§ 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 as regards the part of the hedge that is considered ineffective. Associates are recognized using the equity method.

NOTE 08 Finance costs

Distribution by type of cost MSEK	Group		Parent Company	
	2021	2020	2021	2020
Interest expenses, credit institutions	-255	-190	-215	-216
Interest expenses, convertibles	-101	-	-	-
Interest expenses, pension plan	0	0	-	-
Interest expenses to Group companies	-	-	0	-4
Interest expenses, leases	-1,194	-1,036	-	-
Revaluation of derivative instruments	-	-8	-	5
Exchange rate losses, net	-	-	-1	-
Share of transaction costs expensed during the year[1)]	-66	-52	-	-21
Total	**-1,616**	**-1,286**	**-216**	**-236**

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

	Group		Parent Company	
MSEK	2021	2020	2021	2020
Tax expense				
Current tax expense	-16	-11	4	-9
Adjustment of tax for previous year	0	-401	0	6
Deferred tax relating to temporary differences	-26	-15	-	-
Deferred tax on untaxed reserves	0	0	-	-
Deferred tax relating to loss carry-forwards	248	498	-	-
Deferred tax relating to IFRS 16	161	59	-	-
Total tax income/expenses	**367**	**130**	**4**	**-3**
Connection between tax expenses for the year and reported profit before tax, MSEK				
Tax in accordance with current rate, 20.6% (21.4%)	421	1,301	4	-2
Adjustment of tax expense from previous year	-7	-402	0	6
Tax effect of non-deductible expenses	-88	-685	0	-8
Tax effect of non-taxable income	25	2	0	0
Adjustment for foreign tax rates	-12	-12	-	-
Loss carry-forwards from previous year for which deferred tax asset not reported	-2	-80	-	-
Loss carry-forwards from previous year for which deferred tax asset reported	34	6	-	-
Tax effect of changed tax rate on deferred taxes	-5	0	-	-
Total tax income/expenses	**367**	**130**	**4**	**-3**

The current tax rate, 20.6 percent (21.4), was calculated based on the tax rate applicable to the Parent Company.

In Sweden, the tax rate was reduced to 20.6 percent as of January 1, 2021. Due to this change, 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 an actuarial revaluation profit of 16 (loss: -3) MSEK and hedge accounting of 13 MSEK (5).

NOTE 10 Earnings per share

Before dilution Group	2021	2020
Profit/loss for the year attributable to shareholders of the Parent Company, MSEK	-1,681	-5,949
Average number of shares outstanding, before dilution	191,250,686	148,618,805
Earnings per share, before dilution, SEK	-8.79	-40.02

After dilution Group	2021	2020
Profit/loss for the year attributable to shareholders of the Parent Company, MSEK	-1,681	-5,949
Average number of shares outstanding, before dilution	191,250,686	148,618,805
Dilutive effect of stock purchase plans	-	-
Average number of shares outstanding, after dilution	191,250,686	148,618,805
Earnings per share, diluted, SEK	-8.79	-40.02

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	2021 Acquisition value	2021 Accumulated amortization	2021 Reported residual value	2020 Acquisition value	2020 Accumulated amortization	2020 Reported residual value
Goodwill						
Opening balance	6,397	-2,660	3,737	6,680	-39	6,641
Impairment	-	-	0	-	-2,678	-2,678
Reclassifications	53	91	144	-75	-38	-114
Exchange rate differences	107	-74	33	-207	95	-112
Closing balance	**6,557**	**-2,643**	**3,914**	**6,397**	**-2,660**	**3,737**
Trademarks						
Opening balance	3,187	-352	2,835	3,260	-113	3,147
Amortization for the year	-	-29	-29	-	-21	-21
Impairment	-	-	0	-	-228	-228
Reclassifications	36	-	36	-61	-	-61
Exchange rate differences	9	-8	1	-12	9	-3
Closing balance	**3,232**	**-389**	**2,843**	**3,187**	**-352**	**2,835**
Other intangible assets						
Opening balance	409	-294	115	432	-279	153
Reclassifications	41	-	41	2	-	2
Amortization for the year	-	-33	-33	-	-29	-29
Exchange rate differences	16	-11	5	-25	14	-10
Closing balance	**466**	**-338**	**128**	**409**	**-294**	**115**
Total intangible assets						
Opening balance	9,993	-3,306	6,687	10,372	-431	9,941
Reclassifications	130	91	221	-134	-38	-172
Impairment	-	-	0	-	-2,906	-2,906
Amortization for the year	-	-62	-62	-	-50	-50
Exchange rate differences	132	-93	39	-245	119	-126
Closing balance	**10,255**	**-3,370**	**6,885**	**9,993**	**-3,306**	**6,687**

Goodwill and trademarks, MSEK	Goodwill Dec 31, 2021	Goodwill Dec 31, 2020	Trademarks[1] Dec 31, 2021	Trademarks[1] Dec 31, 2020	Total Dec 31, 2021	Total Dec 31, 2020
Sweden	703	725	2,312	2,312	3,015	3,037
Norway	835	681	531	508	1,366	1,189
Finland	2,373	2,328	0	15	2,373	2,343
Other Europe	3	3	0	0	3	3
Total goodwill and trademarks	**3,914**	**3,737**	**2,843**	**2,835**	**6,757**	**6,572**

1) Trademarks include the Scandic Hotels trademark, which has an indefinite useful life and a residual value of 2,838 MSEK (2,802) as per December 31, 2021. The value has been distributed according to the table above, but the entire value is reported 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 3.

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 five-year period. The cash flow for 2022 is based on a budget adopted by the Board of Directors of the company and, from 2023 to 2026, on the company's long-term forecast.

From 2022 to 2026, annual average revenue growth is expected to be in the range of 10 to 32 percent (17 to 26). The determination of revenue growth takes into account the low starting point due to the effects of the pandemic and the planned increase in the number of hotel rooms for each segment. The revenue is expected to increase gradually and exceed pre-pandemic 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.

The market growth was estimated at 2 percent (2) per year after the forecast period of 2022 to 2026. When calculating value-in-use, a discount rate after tax and a sustained growth rate were used in accordance with the table below.

Due to the negative effects of the Covid-19 pandemic on the company's operations, non-current assets were tested for impairment in 2020 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 amount was due to the fact that future cash flows are expected to be somewhat lower.

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

If the discount rate is increased by 1.0 percentage points and the EBITDA margin decreases by 1.0 percentage points, there will be an impairment loss of approximately 200 MSEK. For the interest rate applied per country, see the table below.

	Sweden	Norway	Finland	Other Europe
Forecast period, years	5 (6)	5 (6)	5 (6)	5 (6)
WACC rate, before tax %	12.6 (11.2)	12.7 (10.4)	12.3 (11.4)	12.5 (10.9)
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.

Due to the negative effects of the Covid-19 pandemic on the company's operations, goodwill was written down by 2,678 MSEK in 2020.

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 8 years. In 2018, the amortization period of the Cumulus brand was reassessed and changed to 4 years, which means that the brand was fully depreciated on December 31, 2021. Amortization is carried out on a straight-line basis over the estimated useful life.

Due to the negative effects of the Covid-19 pandemic on the company's operations, trademarks were written down by 228 MSEK in 2020.

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 10 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
- 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

	2021			2020		
Group, MSEK	**Acquisition value**	**Accumulated depreciation and impairment**	**Reported residual value**	**Acquisition value**	**Accumulated depreciation**	**Reported residual value**
Land and buildings[1]						
Opening balance	104	-25	79	114	-25	89
Reclassifications	-28	-	-28	-	-	-
Retirements/disposals	4	-2	2	-	-	0
Depreciation for the year	-	-1	-1	-	-2	-2
Exchange rate differences	4	-2	2	-10	2	-8
Closing balance	**84**	**-30**	**54**	**104**	**-25**	**79**
Furniture, fittings and equipment						
Opening balance	11,133	-6,605	4,528	11,001	-6,247	4,754
Reclassifications	28	-	28	-	-	-
Procurement	566	-	566	751	-	751
Retirements/disposals	-55	12	-43	-136	130	-6
Depreciation for the year	-	-790	-790	-	-794	-794
Impairment for the year	-	-5	-5	-	0	0
Exchange rate differences	311	-210	101	-483	306	-177
Closing balance	**11,983**	**-7,598**	**4,385**	**11,133**	**-6,605**	**4,528**
Total property, plant and equipment						
Opening balance	11,235	-6,629	4,606	11,115	-6,271	4,844
Procurement	566	-	566	751	-	751
Retirements/disposals	-55	12	-43	-136	130	-6
Depreciation for the year	-	-791	-791	-	-796	-796
Impairment for the year	-	-5	-5	-	0	0
Exchange rate differences	315	-212	103	-495	308	-187
Closing balance	**12,064**	**-7,625**	**4,439**	**11,235**	**-6,629**	**4,606**

1) Of buildings and land, 40 MSEK (79) of the reported residual value relates to the property in Gardermoen in Oslo, Norway.

Inventories, installations and equipment include ongoing new establishments of 435 MSEK (470).

In connection with the acquisition of Restel Hotellit Oy, 10 of the acquired lease agreements were identified as 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 lease agreements have been recognized in accordance with IFRS 16 since 2019. For 2021, the remaining agreements are included in the table on page 105, in accordance with IFRS 16.

Right-of-use assets

Group, MSEK	Dec 31, 2021 Acquisition value	Dec 31, 2021 Accumulated depreciation	Dec 31, 2021 Carrying amount	Dec 31, 2020 Acquisition value	Dec 31, 2020 Accumulated depreciation	Dec 31, 2020 Carrying amount
Buildings						
Opening balance	41,701	-16,018	25,683	40,820	-14,150	26,670
Adjustment of new right-of-use assets	7,074	-	7,074	2,563	-	2,563
Depreciation for the year	-	-2,251	-2,251	-	-2,396	-2,396
Exchange rate differences	1,026	-335	691	-1,682	528	-1,154
Closing balance	**49,801**	**-18,604**	**31,197**	**41,701**	**-16,018**	**25,683**
Furniture, fittings and equipment						
Opening balance	237	-140	97	226	-115	111
Adjustment of new right-of-use assets	37	-	37	19	-	19
Depreciation for the year	-	-24	-24	-	-30	-30
Exchange rate differences	4	-2	2	-8	5	-3
Closing balance	**278**	**-166**	**112**	**237**	**-140**	**97**

Lease-related amounts included in income statement

Group, MSEK	2021	2020
Depreciation of right-of-use assets	-2,275	-2,426
Interest expense, lease liabilities	-1,193	-1,036
Expenses related to short-term leases	-13	-6
Expenses related to leases of low value	-16	-18
Variable lease expenses not included in the lease liability	-780	-424

For 2021, total cash outflow for lease agreements amounted to 2,737 MSEK (3,191).

§ 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 an 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 2021, these obligations amounted to approximately 7 billion SEK (14) 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 items that continue to be recognized in the income statement related to guaranteed rental expenses chiefly refer to property tax, short-term leases and leases of low-value assets.

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 that 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 incremental borrowing rate 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 Scandic's 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 2021, Scandic received 270 MSEK (469) in state aid in the form of rent concessions. These were recognized when there was reasonable assurance that the conditions associated with the aid would be met. The rent concessions were recognized as a cost reduction against the item Fixed and guaranteed rental costs in the income statement.

When lease agreements are renegotiated, the basic rules of IFRS 16 apply, which means that the right-of-use asset and the lease liability are revaluated in the balance sheet.

! 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 is written down to the lowest of the recoverable amount and the reported value.

NOTE 13 Interests in associates

Group, MSEK	Share Dec 31, 2021	Share Dec 31, 2020	Carrying amount Dec 31, 2021	Carrying amount Dec 31, 2020
Gress-Gruppen AS	33%	33%	10	10
Aulangon Kylpylä Oy	25%	25%	9	8
Rukan Kokouskeskus Oy	33%	33%	2	2
Total			**21**	**20**

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	2021	2020
Accumulated acquisition values, opening balance	20	22
Exchange rate differences	1	-2
Accumulated acquisition values, closing balance	**21**	**20**

§ 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 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 2021 and 2020.

NOTE 14 Financial investments

The Group's changes during the year, MSEK	Dec 31, 2021	Dec 31, 2020
Accumulated acquisition values, opening balance	6	7
Impairment	-	0
Exchange rate differences	1	-1
Accumulated acquisition values, closing balance	**7**	**6**

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, 2021	Dec 31, 2020
Total trade receivables	542	155
Less provisions for credit losses	-15	-2
Trade receivables, book value	**527**	**153**

Change in provision for credit losses	Dec 31, 2021	Dec 31, 2020
January 1	-2	-7
Provision for doubtful trade receivables	-18	-3
Receivables written off during the year as uncollectable	3	6
Reversed unutilized amount	2	2
December 31	**-15**	**-2**

Age analysis, MSEK	Dec 31, 2021	Dec 31, 2020
Current receivables	396	109
Receivables, 1–30 days past due	117	37
Receivables, 31–60 days past due	14	2
Receivables, 61–90 days past due	5	2
Receivables, 91–120 days past due	8	1
Receivables, +120 days past due	2	4
Trade receivables, book value	**542**	**155**

§ 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 financial 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		Parent Company	
	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020
Prepaid rent	-37	149	-	-
Other prepaid expenses	243	245	-	-
Accrued income	74	29	-	-
Total	**280**	**423**	**0**	**0**

NOTE 18 Cash and cash equivalents

MSEK	Group		Parent Company	
	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020
Cash at bank and in hand	216	14	0	0
Total cash and cash equivalents	**216**	**14**	**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 3 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, 2020	**191,257,993**	**191,257,993**	**47,796,175**	**0.25**
Number of shares on December 31, 2021	**191,257,993**	**191,257,993**	**47,796,175**	**0.25**

NOTE 20A Borrowings

Changes during the year, MSEK	Liabilities to credit institutions	Convertible loan	Commercial papers	Lease liabilities	Total borrowings
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
Repayments	-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**
Opening balance, Jan 1, 2021	**4,526**	**-**	**201**	**28,019**	**32,746**
Borrowings	1,456	1,232	424	-	3,112
Capitalization of transaction costs[1)]	-45	-	-	-	-45
Transaction costs expensed during the year[1)]	37	-	-	-	37
Repayments	-2,550	-	-625	-1,544	-4,719
Activated interest expense	-	101	-	-	101
Changes in overdraft facilities	-187	-	-	-	-187
New financial liabilities according to IFRS 16, net	-	-	-	7,000	7,000
Exchange rate differences	32	-	-	774	806
Closing balance, Dec 31, 2021	**3,269**	**1,333**	**0**	**34,249**	**38,851**

1) Refers to transaction costs for the renegotiation of credit facilities in April 2021, which have been capitalized. The old transaction costs were expensed in full in 2021.

Over the year, 65 MSEK was paid in financing costs.

The Group's external loans partly refer to an original facility of 5,500 MSEK, which expires on December 31, 2023, comprising a fixed loan of 1,500 MSEK and a revolving part of 4,000 MSEK, as well as a revolving facility of 1,150 MSEK, which expires on December 31, 2023. The interest rate payable is STIBOR or corresponding plus a margin of 1.75 to 5.00 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. There is a mandatory requirement to write down the facilities if the excess liquidity on a 3-month basis exceeds a certain threshold. Over the year, an impairment of 706 MSEK was reported for the facilities. The Board of Directors closely monitors the company's financial position with respect to the fulfillment of the terms and conditions of the loans.

Over the year, a convertible loan of 1,800 MSEK (nominal amount) was taken out, which falls due on August 24, 2024. Of the gross proceeds of 1,609 MSEK, 1,232 MSEK was the initial loan granted. During the life of the loan, the interest is activated regularly and in 2021, the debt grew by 101 MSEK.

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.

§ Accounting principles

Borrowings

Borrowings are financial liabilities that are initially reported at fair value, net of transaction costs. 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, the debt component of the convertible loan 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. The implicit interest rate of the lessee as of January 1, 2020 was used for the calculation. The Group's incremental borrowing rate applied to these lease liabilities as of January 1, 2020 was between 3.60 and 6.23 percent. See Note 1 for the Group's weighted average incremental borrowing rate for discounting as per January 1, 2021.

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, 31 percent (33) were in SEK, 35 percent (30) were in NOK and 34 percent (37) were in EUR and other currencies.

Borrowings are in SEK, EUR and NOK. 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, 2021	Dec 31, 2020
Interest-bearing borrowings by currency		
SEK, %	64%	80
EUR, %	28%	14
NOK, %	9%	6

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, 2021	Change %	Effect on net debt 2021, MSEK	Effect on net debt 2020, MSEK
Exposure of liabilities to credit institutions at a change in:			
NOK/SEK	+/- 1	+/- 3	+/- 3
EUR/SEK	+/- 1	+/- 9	+/- 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 interest-bearing 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 or be based on mandatory requirements in the loan documents. When needed, the Group uses interest rate swaps or interest rate caps (interest-rate options) 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 hedges the interest rate risk using interest rate swaps and interest rate caps. In 2021, the Group hedged its interest rate risk using interest rate caps for the duration of the loans.

	Dec 31, 2021	Dec 31, 2020
Interest-bearing borrowings by fixed and variable interest		
Fixed interest, %	0	26
Variable interest, %	100	74

All external interest-bearing borrowings with variable interest have been hedged with an interest rate cap.

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. All banks and financial institutions that Scandic works with meet the rating requirement. 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 operations are settled in cash, by credit card or by invoicing. Provisions for bad debt loss as at December 31, 2021, amounted to 15 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 Dec 31, 2021				
Liabilities to credit institutions[1]	165	3,269	-	-
Convertible loan	-	1,333	-	-
Trade payables and other liabilities	977	-	-	-

Group, MSEK	< 1 year	1–3 years	3–5 years	>-5 years
As at Dec 31, 2020				
Liabilities to credit institutions[1]	170	4,637	-	-
Commercial papers	201	-	-	-
Derivative instruments[2]	4	-	-	-
Trade payables and other liabilities	316	-	-	-

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 according to IFRS 16

Group, MSEK	Dec 31, 2021	Dec 31, 2020
Years 1–3	6,433	8,541
Years 3–5	6,108	5,330
Years 5–10	13,291	11,144
Years 10–15	9,779	7,020
Years > 15	8,292	6,922
Total payments	**43,903**	**38,957**
Effect of discounted amounts	-11,601	-10,938
Total liabilities according to balance sheet	**32,302**	**28,019**
Classification:		
Non-current liabilities	32,302	26,169
Current liabilities	1,947	1,850

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 was 2,782 MSEK (1,241) on December 31, 2021.

Sensitivity analysis for interest rate options as at Dec 31, 2021	Change %	Effect on profit or loss, MSEK
Interest expense at current fixed interest rate in the event of change in interest rates	+/- 1	+/- 33
Interest expense in the event of change in the average interest rate level	+/- 1	+/- 25

An interest rate cap either has zero value or a positive value. If the variable market rate rises, the theoretical surplus value of the financial instrument will grow. Hedge accounting is applied, and interest rate caps 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 2021, the ineffective part of the value change for electricity derivatives amounted to 0 MSEK (1).

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, 2021	Dec 31, 2020
Total borrowings	37,518	32,746
Less: IFRS 16	-34,249	-28,019
Less: convertible loan	-1,333	-
Less: cash and cash equivalents	-216	-14
Interest-bearing net liabilities	3,053	4,713
Total equity	1,155	2,071
Debt/equity ratio	2.6 x	2.3 x

	Dec 31, 2021		Dec 31, 2020	
Maturity dates, MSEK	**Liabilities to credit institutions**	**Commercial papers**	**Liabilities to credit institutions**	**Commercial papers**
Liabilities due for payment				
– within 1 year	-	-	-	201
– between 1 and 5 years	3,269	-	4,526	-
– in more than 5 years	-	-	-	-
Total	**3,269**	**0**	**4,526**	**201**

Revolving credit facility, MSEK	Dec 31, 2021	Dec 31, 2020
Amount utilized	1,878	3,273
Amount not utilized	2,566	1,227
Total revolving credit facility	**4,444**	**4,500**

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 is made via Alecta instead of via PRI.

Defined benefit pension plans

Calculation of provision, MSEK	Dec 31, 2021	Dec 31, 2020
Present value of obligations	832	920
Fair value of plan assets	-	-
Total provision for defined benefit pension plans	**832**	**920**

Changes in provision during the year, MSEK	2021	2020
Net liability, opening balance	920	872
Revaluations of net pension obligation reported in Other comprehensive income[1)]	-74	10
Net expense reported in income statement	11	39
Pensions paid	-6	-6
Change in special employer contribution	-19	5
Net liability, closing balance[2)]	**832**	**920**

1) Items reported in Other comprehensive income consist of an actuarial loss of -73 (-30) MSEK in 2021 due to changes in financial assumptions and a loss of -1 (-20) MSEK from experience-based adjustments.
2) The weighted average duration of pension obligations is 24 years (25).

! Important estimates and assumptions

Important actuarial assumptions, %	Dec 31, 2021	Dec 31, 2020
Discount rate	1.80	1.40
Future annual salary increases	0.00	3.00
Future annual pension increases (inflation)	2.00	2.00
Employee turnover	0.00	3.00

Sensitivity analysis in actuarial assumptions	Change	Increase, %	Decrease, %
Discount rate	+/- 0.5%	12.6 (13.4)	-10.9 (-11.5)
Future annual pension increases (inflation)	+/- 0.5%	-10.8 (-11.4)	12.4 (13.1)
Life expectancy	+/- 1 year	-4.1 (-4.2)	4.1 (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 as a percentage 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	2021	2020
Current service cost, defined benefit pension plans	0	-40
Current service cost, defined contribution pension plans	-264	-218
Total pension expenses included in staff costs	**-264**	**-258**
Interest expenses for defined benefit pension plans	-11	-12
Total expenses in the income statement	**-275**	**-270**

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 2021, the consolidation level was 172 percent (148). Contributions to the plan that are payable in 2022 are estimated at 32 MSEK (49).

§ 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, 2021 Provision for loyalty program	Dec 31, 2021 Other provisions	Dec 31, 2021 Total other provisions	Dec 31, 2020 Provision for loyalty program	Dec 31, 2020 Other provisions	Dec 31, 2020 Total other provisions
Opening balance	**162**	**0**	**162**	**149**	**0**	**149**
Change through income statement	0	0	0	-	-	-
Transfer to current liabilities	5	0	5	13	-	13
Closing balance	**167**	**0**	**167**	**162**	**0**	**162**

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 points 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 below. The provision is expected to be utilized within 3 years.

Total liability in respect of the loyalty program	2021 Non-current provision	2021 Current liability	2021 Total liability in respect of loyalty program	2020 Non-current provision	2020 Current liability	2020 Total liability in respect of loyalty program
Opening balance	162	109	271	149	100	249
Change through income statement	-	-	-	-	-	-
Transfer to current liabilities	5	2	7	13	9	22
Closing balance	**167**	**111**	**278**	**162**	**109**	**271**

The assessed market value of free overnight stays used during the year amounted to 322 MSEK (167). 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 the cost of 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, 2021					
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, 2021	128	1	4	540	490	1,164
Reported in the income statement	-5	-2	0	215	151	359
Tax attributable to items in Other comprehensive income	-19	0	-	-	-	-19
Exchange rate differences	-	-	0	-9	9	0
Closing balance, Dec 31, 2021	**104**	**-1**	**4**	**746**	**650**	**1,504**
– of which receivables expected to be utilized within 12 months	-	-	-			0

	Intangible assets	**Land & buildings**	**Untaxed reserves**	**Accelerated amortization & depreciation**	**Hedge accounting**	**Total deferred tax liabilities**
Deferred tax liabilities						
Opening balance, Jan 1, 2021	-748	-9	-35	-6	3	-795
Reclassification	-1	0	12	0	0	11
Tax attributable to items in Other comprehensive income	-	-	-	-	-16	-16
Exchange rate differences	1	-1	0	1	-	1
Closing balance, Dec 31, 2021	**-748**	**-10**	**-23**	**-5**	**-13**	**-799**
– of which liabilities expected to be paid within 12 months						0

	Deferred tax liabilities, net
Deferred tax liabilities, net	
Opening balance, Jan 1, 2021	369
Reported in income statement	370
Tax attributable to items in Other comprehensive income	-35
Exchange rate differences	1
Closing balance, Dec 31, 2021	**705**

cont. Note 23

Distribution of deferred tax items by underlying balance sheet items and their changes during the year, MSEK	Dec 31, 2020					
	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 a mortization & 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 income statement	537
Tax attributable to items in Other comprehensive income	8
Exchange rate differences	-29
Closing balance, Dec 31, 2020	**370**

Loss carry-forwards

The Group has reported loss carry-forwards of 2,190 MSEK (2,765) mainly in Sweden, Norway 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 746 MSEK (540). The Group has assessed that it will be possible to offset these loss carry-forwards in the future, based on the forecasts of the Group for coming years. Non-recorded deficiencies amounted to 96 MSEK (366) in 2021 and are mainly related to Denmark, where it is still uncertain to what extent they can be offset. These deficiencies amount to 21 MSEK (81).

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, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020
Accrued rental expenses	273	252	-	-
Accrued staff costs	1,167	870	2	10
Accrued interest expenses, leases	110	96	-	-
Accrued interest expenses, other	10	10	-	10
Deferred income, current portion of loyalty program	112	108	-	-
Deferred income, bonus checks[1]	21	24	-	-
Other items	524	311	21	84
Total	**2,217**	**1,671**	**23**	**104**

[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	2021	2020	2021	2020
Amortization, depreciation and impairment	3,139	6,187	-	-
Change in accrued expenses/income and provisions	-19	39	-	-
Total	**3,120**	**6,226**	**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 3 months from the acquisition date are classified as cash.

NOTE 26 Statement of cash flows

			Non-cash items				
MSEK	Opening balance, Jan 1, 2021	Cash flows from financing activities	Transaction costs	Exchange rate difference	Interest expense	New financial liabilities under IFRS 16, net	Closing balance, Dec 31, 2021
Liabilities to credit institutions	4,728	-1,619	26	0	134	-	3,269
Convertible loan	-	1,333	-	-	-	-	1,333
Lease liabilities	28,019	-1,544	-	774	-	7,000	34,249
Accrued interest expenses, leases	96	-1,194	-	3	1,205	-	110
Accrued interest expenses, other	10	-266	-	-	266	-	10
Subtotal	**32,853**	**-3,290**	**26**	**777**	**1,605**	**7,000**	**38,971**
Cash and cash equivalents	-14	-235	-	33	-	-	-216
Total	**32,839**	**-3,525**	**26**	**810**	**1,605**	**7,000**	**38,755**

			Non-cash items				
MSEK	Opening balance, Jan 1, 2020	Cash flows from financing activities	Transaction costs	Exchange rate difference	Interest expense	New financial liabilities under IFRS 16, net	Closing balance, Dec 31, 2020
Loans	3,523	1,270	4	-69	-	-	4,728
Lease liabilities	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**

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, 2021	Dec 31, 2020
Accumulated acquisition values, opening balance	8,415	5,039
Shareholders' contribution provided	-	3,376
Accumulated acquisition values, closing balance	**8,415**	**8,415**

Holdings on the reporting date	Corporate identity number	Registered address	Dec 31, 2021 Proportion of equity	Dec 31, 2020 Proportion of equity	Dec 31, 2021 Carrying amount	Dec 31, 2020 Carrying amount
Scandic Hotels Holding AB	**556723-5725**	**Stockholm, Sweden**	**100%**	**100%**	**8,415**	**8,415**
Scandic Hotels AB	556299-1009	Stockholm, Sweden	100%	100%	-	-
Scandic Polen Sp.z o. o.	288532	Gdansk, Poland	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 [1)]	30 61 64 56	Copenhagen, Denmark	100%	100%	-	-
Scandic Hotel A/S	12 59 67 74	Copenhagen, Denmark	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**	**8,415**

1) Scandic Hotels Holding A/S was merged with Scandic Hotels A/S in January 2021.

NOTE 28 Pledged assets and contingent liabilities

MSEK	Group		Parent Company	
	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020
Assets pledged as security				
Shares in subsidiaries	12,432	0	8,415	0
Total assets pledged as security	**12,432**	**0**	**8,415**	**0**
Contingent liabilities				
Guarantee commitments, FPG/PRI	7	6	-	-
Bank guarantees	64	62	62	62
Travel guarantees	3	3	2	2
Loans pledged as security in subsidiaries	2,346	3,286	1,342	3,286
Total contingent liabilities	**2,420**	**3,357**	**1,404**	**3,350**

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 12 years. Fixed rental fees for the whole remaining term were 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.

NOTE 29 Financial assets and liabilities

Dec 31, 2021, 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
Derivatives – electricity derivatives	-	63	-	63
Derivatives – interest rate swaps	-	5	-	5
Trade receivables	527	-	-	527
Cash and cash equivalents	216	-	-	216
Total financial assets	**743**	**75**	**-**	**818**
Liabilities to credit institutions	3,269	-	-	3,269
Convertible loan	1,333	-	-	1,333
Liabilities for commercial papers	-	-	-	0
Trade payables	977	-	-	977
Other current liabilities – share swap	-	-	-14	-14
Total financial liabilities	**5,579**	**-**	**-14**	**5,565**

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	-	-	317
Derivatives – electricity derivatives	-	14	-	14
Derivatives – interest rate swaps	-	4	-	4
Other current liabilities – share swap	-	-	16	16
Total financial liabilities	**5,044**	**18**	**16**	**5,078**

The Group has entered into a share swap agreement related to the Long-Term Incentive Program, see Note 5.
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 their 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 are not based on observable market data.

For liabilities to credit institutions, the book value is the same as the fair value, as the fixed interest terms are short. Financial assets and liabilities measured at fair value refer to electricity derivatives and interest rate swaps.

Dec 31, 2021, 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	-	68	-	68
Total financial liabilities	**0**	**68**	**0**	**68**

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**

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 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. The OECD's recommendations for Transfer Pricing are applied for transactions with subsidiaries. The following transactions were carried out with related parties:

	Group		Parent Company	
MSEK	**Dec 31, 2021**	**Dec 31, 2020**	**Dec 31, 2021**	**Dec 31, 2020**
Purchases of services				
Braganza AB[1]	0	-	-	-
Total purchases of services	**0**	**0**	**0**	**0**
Sales of services				
Braganza AB[2]	0	-	-	-
Subsidiaries	-	-	40	35
Total sales of services	**0**	**0**	**40**	**35**
Closing balances at year-end from purchases and sales of services				
Receivables from related parties:				
Braganza AB	0	-	-	-
Subsidiaries	-	-	5	4
Total receivables from related parties	**0**	**0**	**5**	**4**
Liabilities to related parties:				
Braganza AB	-	-	-	-
Subsidiaries	-	-	4	0
Total liabilities to related parties	**0**	**0**	**4**	**0**
Loans to related parties				
Subsidiaries				
Opening balance	**0**	**0**	**4,537**	**4,397**
Payments made or received during the year	-	-	-3,383	83
Interest	-	-	153	177
Exchange rate differences	-	-	35	-120
Closing balance	**0**	**0**	**1,342**	**4,537**

1) The purchases mainly relate to air travel.
2) Sales relate entirely to income from accommodations.

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 2021, 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	5,191,073,970
Profit for the year	-101,499,000
Total	**8,303,218,857**
be distributed as follows:	
To be carried forward	8,303,218,857
Total	**8,303,218,857**
Total, KSEK	**8,303,219**

The Board of Directors and the CEO certify that the consolidated financial statements were 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 10, 2022 for adoption.

NOTE 32 Events after the reporting date

In March 2022, Åsa Wirén took over as the CFO of the Scandic Group.

ADOPTION

The Board of Directors and the CEO certify that the consolidated financial statements were 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 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 10, 2022 for adoption.

Stockholm, March 25, 2022

Per G. Braathen
Chairman of the Board

Ingalill Berglund
Board member

Grant Hearn
Board member

Kristina Patek
Board member

Thérèse Cedercreutz
Board member

Martin Svalstedt
Board member

Fredrik Wirdenius
Board member

Marianne Sundelius
Employee representative

Jens Mathiesen
CEO

Our audit report was presented on March 25, 2022
PricewaterhouseCoopers AB

Sofia Götmar-Blomstedt
Authorized Public Accountant
Auditor-in-Charge

AUDITOR'S REPORT

To the general meeting of the 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 2021 except for the corporate governance statement on pages 74–85. The annual accounts and consolidated accounts of the company are included on pages 60–119 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 parent company and the group as of 31 December 2021 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 2021 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 74–85. 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 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 approach

Audit scope

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 was evidence of bias that represented 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 99,5% 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 2021, 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 for the consolidated financial statements as a whole as set out in the table below. 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 of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and 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 Cash flow and financial position and Outlook. An extraordinary general meeting on April 26, 2021 approved the Board of Directors' proposal to take out a convertible loan, raising 1,609 MSEK in gross proceeds. After 32 MSEK in issue expenses, net proceeds totaled 1,577 MSEK. In April 2021, Scandic extended the existing bank loan, which has a total initial credit facility of 6,650 MSEK, to December 31, 2023. In connection with the extension, interest terms, securities and covenants were adjusted. Total agreed credit facilities were reduced through repayments of 706 MSEK during the fourth quarter 2021 and amounted to 5,944 MSEK at the end of December 2021. Loans from credit institutions totaled 3,269 MSEK and cash and cash equivalents amounted to 216 MSEK. Total available liquidity was approximately 2,780 MSEK. The restrictions that were reintroduced in Scandic's markets during December 2021 had a continued negative impact on demand in January 2022, when Scandic's occupancy rate was around 25 percent. Since then, Scandic has seen a positive trend in booking activity and occupancy as the restrictions have been lifted. Scandic expects a clear improvement in the hotel market during 2022. There is, however, uncertainty as to the speed at which recovery will take place as well as to what extent. Any delay in the recovery could mean negative cash flows and, as a possible consequence, challenges in financing the company's operations. Based on the prepared business plan and the cash flow forecast, it is the 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 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 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. We have also reviewed compliance with interest terms, securities and covenants.
Valuation of goodwill and other acquistion-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 of 31 December, goodwill and brands amounted to MSEK 6 757 which is equivalent to 50% 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 estimates and judgments. 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 company's operations, non-current assets were tested for impairment in 2020 in connection with the preparation of the interim report for the first quarter. The impairment test showed an impairment of intangible assets of MSEK 2,955. The impairment primarily involved assets in Norway and Sweden, but also in Denmark and Finland. The recoverable amount as per 31 December 2021 is determined based on value-in-use calculations for the cash-generating units: Sweden, Norway, Finland and Other Europe. These calculations are based on estimated future cash flows after tax based on a five-year period. The cash flow for 2022 is based on a budget adopted by the Board of Directors of the company and, from 2023 to 2026, on the company's long-term forecast. 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). Even if a given unit shows no impairment requirement in a testing as per 31 December 2021, future developments negatively deviating from the assumptions and judgments 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 estimates and on the information available in preparing the annual testing as per 31 December 2021, Scandic's assessment is that there is no impairment requirement regarding the above-mentioned assets as at 31 December 2021.	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 utilized 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 2021. 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 regard to 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 1–59 and 124–130. 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 Director's 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 intend 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 Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor´s report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The auditor's examination of the administration of the company and the proposed appropriations of the company's profit or loss

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Director's and the Managing Director of Scandic Hotels Group AB (publ) for the year 2021 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 Director's 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 Director's 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 and the group's type of operations, size and risks place on the size of the parent company's and the group' 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 Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

THE AUDITOR'S EXAMINATION OF THE ESEF REPORT

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Scandic Hotels Group AB (publ) for the financial year 2021.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report #c876acecfda3dfd90fe2d 4da8c7680564c0cbf2a57d2827caea1060af321d9f9 has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for Opinions

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Scandic Hotels Group AB (publ) 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 evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors and the Managing Director are responsible for ensuring that the Esef report has been prepared in accordance with the Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to form an opinion with reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the ESEF report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The reasonable assurance engagement involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The reasonable assurance engagement also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a technical validation of the Esef report, i.e. if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, statement of financial position, statement of changes in equity and the statement of cash flow.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 74–85 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 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 the shareholders on the 31 May 2021 and has been the company's auditor since the 9 May 2012.

Stockholm 25 March 2022
PricewaterhouseCoopers AB

Sofia Götmar-Blomstedt
Authorized Public Accountant

COMPENSATION REPORT 2021

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 and remained unchanged in 2021. It also provides information on compensation to the CEO and a summary of the company's outstanding share-based incentive program. The report has been prepared in accordance with the Swedish Companies Act and the Swedish Corporate Governance Board's Rules on compensation to senior executives and incentive programs.

Further information on compensation to executives can be found in Note 5 on pages 99–101 in the Annual Report for 2021. Information about the work of the Compensation Committee in 2021 is described in the Corporate Governance Report, which has been included in the Annual Report 2021 on pages 74–85. Compensation to the Board of Directors is not included in this report. This compensation is decided annually by the Annual General Meeting and is reported in Note 05 on page 99 in Scandic's Annual & Sustainability Report 2021.

The CEO's total compensation in 2021 (in SEK)

Jens Mathiesen, CEO	
Fixed compensation	
Base salary	7,440,612
Fringe benefits	465,776
Variable compensation	
One-year variable	0
Multi-year variable[1]	89,037
Extraordinary compensation	0
Pension expense	2,244,784
Total compensation	**10,240,209**
Proportion of fixed[2] and variable[3] compensation	99% / 1%

1) The value of shares allocated in the LTIP that expired in 2021, TIP 2018.
2) Fixed = fixed compensation + pension expense.
3) Variable = variable compensation + extraordinary compensation.

2021 IN BRIEF

The CEO summarizes Scandic's financial year in his CEO statement on page 3– 5 of the Annual Report 2021.

APPLICATION OF THE COMPENSATION GUIDELINES FOR 2021: 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 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 guidelines for compensation to senior executives are available on Scandic's website at scandichotelsgroup.com/corporate-governance/compensation-guidelines/

No deviations from the guidelines have been made. No deviations from the decision-making process that according to the guidelines must be applied to determine the compensation have been made. The auditor's report on the company's compliance with the guidelines is available at scandichotelsgroup.com. No compensation has been claimed back.

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). In 2020 and 2021, no LTIP was launched. The program implemented in 2018 (LTIP 2018) expired on April 28, 2021 – the day that Scandic published its interim report for the first quarter 2021.

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 2019 may, free of charge, be assigned matching shares, where 50 percent are subject to meeting 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 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 2022, subject to the participant remaining a permanent employee within the Group and retaining the savings shares.

The CEO has invested in 5,864 shares in the LTIP 2019 and has therefore 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 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. 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 2019–2021 (LTIP 2019).

COMPLIANCE WITH THE COMPENSATION GUIDELINES & APPLICATION OF PERFORMANCE CRITERIA

No general STI plan or LTIP was launched in 2021. For this reason, no performance criteria for variable compensation were defined in 2021.

Share-based incentive program (CEO)	LTIP 2018	LTIP 2019
Jens Mathiesen, CEO		
The main conditions of share-based incentive programs		
Specification of plan	LTIP 2018	LTIP 2019
Performance period	2018–2020	2019–2021
Award date	May 31, 2018	June 14, 2019
End of program period	April 28, 2021	April 27, 2022
End of holding period	April 28, 2021	April 27, 2022
Information regarding the reported financial year		
Opening balance		
Rights vested at the beginning of the year	15,345	35,184
During the year		
Rights vested	0	0
Shares awarded [1]	2,463	0
Closing balance		
Rights subject to a performance condition	0	32,252
Rights vested but not transferred	0	2,932
Shares subject to a holding period	0	0

1) In the LTIP 2018, 2,463 matching shares without performance criteria valued at SEK 89,037 were allotted. No performance shares were alloted in the LTIP 2018.

Information on changes in compensation and company performance

Year	2017[1]–2016	2018–2017[1]	2019–2018	2020–2019	2021–2020	2021
The CEO's compensation, TSEK [2]	-578 (-4.3%)	-4,883 (37.6%)	3,280 (40.5%)	-73 (0.6%)	-1,058 (9.4%)	10,240
Adjusted EBITDA for the Group, MSEK	60 (4.0%)	384 (24.4%)	89 (4.5%)	-3,549 (-173.5%)	1,509 (100.4%)	6
Profit/loss for the year, Group, MSEK	-171 (-19.4%)	-33 (4.6%)	47 (6.9%)	-6,676 (-920.8%)	4,272 (71.78%)	-1,679
Average compensation on a full-time equivalent basis of employees, entire Group, TSEK	31 (7.8%)	4 (1.0%)	9 (2.0%)	46.6 (10.6%)	-39.1 (-8.0%)	448

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

TWO YEARS IMPACTED BY COVID-19

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 2021, Scandic's share price dropped 4.9 percent while the OMX Stockholm Index increased 35 percent during the same period. At year-end 2021, Scandic's market capitalization was approximately 7.0 billion SEK.

ISSUE OF CONVERTIBLE BONDS TO STRENGTHEN CAPITAL STRUCTURE & LIQUIDITY

In 2021, Scandic strengthened its capital structure and liquidity through a convertible loan, raising 1,609 MSEK in gross proceeds. The conversion price was 43.36 SEK and at full conversion, the number of shares will increase by 41,510,920, corresponding to dilution of approximately 17.83 percent. The bonds are due in October 2024.

STENA SESSAN AB STILL LARGEST SHAREHOLDER

Scandic's largest owner continued to be Stena Sessan AB, whose shareholding was 19.9 percent and remained unchanged during the year. AMF Pension & Fonder decreased its ownership during the year from 16.5 percent to 14.4 percent and at year-end, continued to be Scandic's second-largest owner. Formica Capital AB, which was previously Scandic's third-largest owner with 5.3 percent of the company's shares, sold its entire holdings during the year. At year-end, Avanza Pension was the third-largest owner with 2.8 percent of the capital.

INCREASED FOREIGN OWNERSHIP

Most of Scandic's shareholders are Swedish. During the year, however, the number of foreign shareholders increased somewhat, from about 20 to 27 percent. At year-end, Norwegian and American shareholders accounted for about 6 percent of Scandic's known shareholders. The largest foreign shareholder at the end of the year was Periscopus AS, a Norwegian company that holds 2.7 percent of Scandic's capital, making it Scandic's fourth-largest shareholder.

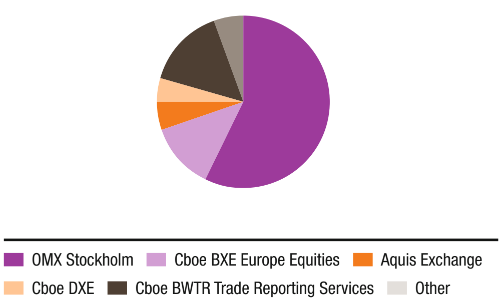
SHARE CAPITAL

At year-end 2021, 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.

DIVIDEND & DIVIDEND POLICY

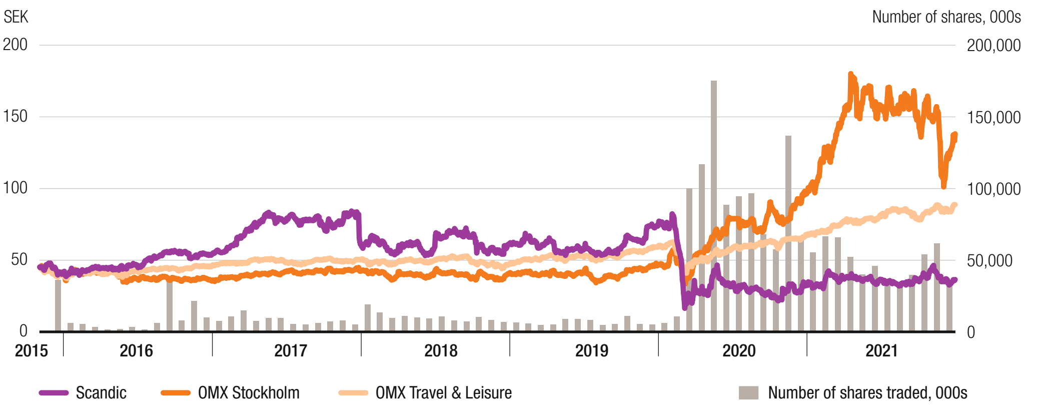
The Board of Directors has adopted a dividend policy that aims to distribute at least 50 percent of Scandic's net profit. The dividend is based on the net result excluding effects from IFRS 16. For 2021, the Board of Directors has proposed that no dividend be paid.

MARKETS WHERE SCANDIC SHARE WAS TRADED, 2021



Source: Bloomberg

SHARE PRICE & TURNOVER, DEC 2, 2015 – DEC 20, 2021



Source: Bloomberg

Analysts following Scandic

Stefan Andersson	SEB
Karl-Johan Bonnevier	DNB
Adela Dashian	Handelsbanken
Stuart Gordon	Berenberg
André Juilliard	Deutsche Bank
Becky Lane	Jefferies
Jamie Rollo	Morgan Stanley

Shareholder concentration	Share of capital and votes, %
10 largest shareholders	48.7
20 largest shareholders	54.3
30 largest shareholders	56.9

Source: Monitor of Modular Finance AB. Compiled and processed data from Euroclear, Morningstar and the Swedish Financial Supervisory Authority, among others.

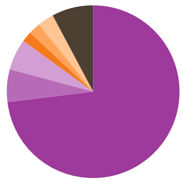
Share data

Ticket symbol	SHOT
ISIN	SE0007640156
Trading lot	1 share
List	Nasdaq Stockholm Nordic Mid Cap list
Sector index	Travel & Leisure

Shareholders	Share of capital and votes, %	Number of shares
Stena	19.9	37,974,365
AMF Försäkring & Fonder	14.4	27,500,000
Avanza Pension	2.8	5,441,771
Periscopus AS	2.7	5,138,955
Vanguard	2.2	4,297,913
Svenska Handelsbanken AB for PB	2.1	3,932,118
Handelsbanken Fonder	1.7	3,167,879
BlackRock	1.3	2,575,568
Swedbank Robur Fonder	0.8	1,595,158
Nordea Fonder	0.8	1,497,085
Per G. Braathen	0.7	1,433,305
Dimensional Fund Advisors	0.7	1,252,578
Norges Bank	0.6	1,213,955
Deka Investments	0.6	1,209,761
SEB Fonder	0.6	1,171,357
Total 15 largest shareholders	**52**	**99,401,768**
Other	48	91,856,225
Total	**100**	**191,257,993**

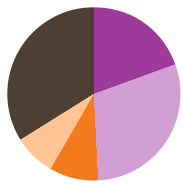
Source: Monitor of Modular Finance AB. Compiled and processed data from Euroclear, Morningstar and the Swedish Financial Supervisory Authority, among others.

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)
Refers to the average room revenue per sold room.

FTEs (full-time equivalents)
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)
Refers to the hotels that were in operation during the entire period as well as during the corresponding period of the previous year (no new or exited hotels for the year are included).

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 Group, 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, 2021	Dec 31, 2020
Liabilities to credit institutions	3,269	4,526
Liabilities, commercial papers	0	201
Cash and cash equivalents	-216	-14
Interest-bearing net liabilities	**3,053**	**4,713**

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, 2021	Dec 31, 2020
Current assets, excluding cash and cash equivalents	1,041	716
Current liabilities	-3,665	-2,289
Working capital, net	**- 2,624**	**-1,573**

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 10, 2022, STOCKHOLM

2022 ANNUAL GENERAL MEETING

The Annual General Meeting of the shareholders in Scandic Hotels Group AB (publ) will be held on Tuesday, May 10, 2022 at 11:00 at Vasateatern (Scandic Grand Central), Vasagatan 19, Stockholm. Registration will begin at 10:00.

Notice and registration

Shareholders who wish to attend the meeting physically or by proxy must be recorded in the share register kept by Euroclear Sweden AB on May 2, 2022 and May 4, 2022 at the latest. Shareholders may register in writing to Scandic Hotels Group AB (publ) c/o Euroclear Sweden AB, "Annual General Meeting 2022", Box 191, 101 23 Stockholm, by phone at +46 8 402 92 48 or on the company's website at scandichotelsgroup.com. Shareholders shall in their notice state their name, social insurance number or corporate identity number, address, telephone number and the number of proxies, if any (maximum 2).

Shareholders represented by proxy shall provide a written and dated power of attorney. A power of attorney template is available on Scandic's website at scandichotelsgroup.com. If the power of attorney is issued by a legal entity, a registration certificate or equivalent authorization document must be attached. In order to facilitate registration at the meeting, a power of attorney and registration certificate and any other authorization documents shall be received by the company at the above address no later than May 9, 2022.

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 2, 2022. 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 2, 2022 will be taken into account when compiling the share register.

Advance voting

Shareholders wishing to participate in the Annual General Meeting by advance voting must be recorded in the share register kept by Euroclear Sweden AB on May 2, 2022 and by May 4, 2022 at the latest notify the company of their intention to participate in the meeting by advance voting according to the instructions below such that their advance vote is received by Euroclear Sweden AB no later than on this date.

Shareholders who wish to participate in the meeting physically or by proxy must provide notice of such. This means that registration for advance voting alone will not suffice for any shareholder wishing to participate physically in the Annual General Meeting.

For advance voting, a special form shall be used. The form is available on Scandic's website at scandichotelsgroup.com. The completed form must be received by Euroclear Sweden AB no later than Wednesday, May 4, 2022. The completed form can emailed to: GeneralMeetingService@euroclear.com or by post to Scandic Hotels Group AB (publ), "Annual General Meeting 2022", c/o Euroclear Sweden, Box 191, 101 23 Stockholm. Shareholders may also cast advance votes using BankID verification on Scandic's website at scandichotelsgroup.com. Shareholders 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.

If a shareholder votes via advance voting by proxy, a power of attorney shall be attached to the form. A power of attorney template is available on Scandic's website at scandichotelsgroup.com. If the shareholder is a legal entity, the certificate of registration or other authorization documents must be attached to the form. If a shareholder has voted in advance and thereafter participates in the Annual General Meeting in person or by proxy, the advance vote will remain valid to the extent that the shareholder does not participate in a vote during the meeting or otherwise revokes the advance vote cast. If the shareholder during the meeting chooses to participate in a vote, the vote cast will replace the previously submitted advance vote on that particular item.

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 Fonder
Trygve Hegnar	Periscopus AS
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 2022

Interim Report January–June
July 15, 2022

Interim Report January–September
October 27, 2022

CONTACT DETAILS

Åsa Wirén, Chief Financial Officer
asa.wiren@scandichotels.com
Henrik Vikström, Director Investor Relations
henrik.vikstrom@scandichotels.com

Scandic

SCANDICHOTELSGROUP.COM