Annual Report 2012

ROUTE 2015

THE REZIDOR HOTEL GROUP

Content

Also available

Annual Report 2012 for iPad
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Responsible Business Report 2012
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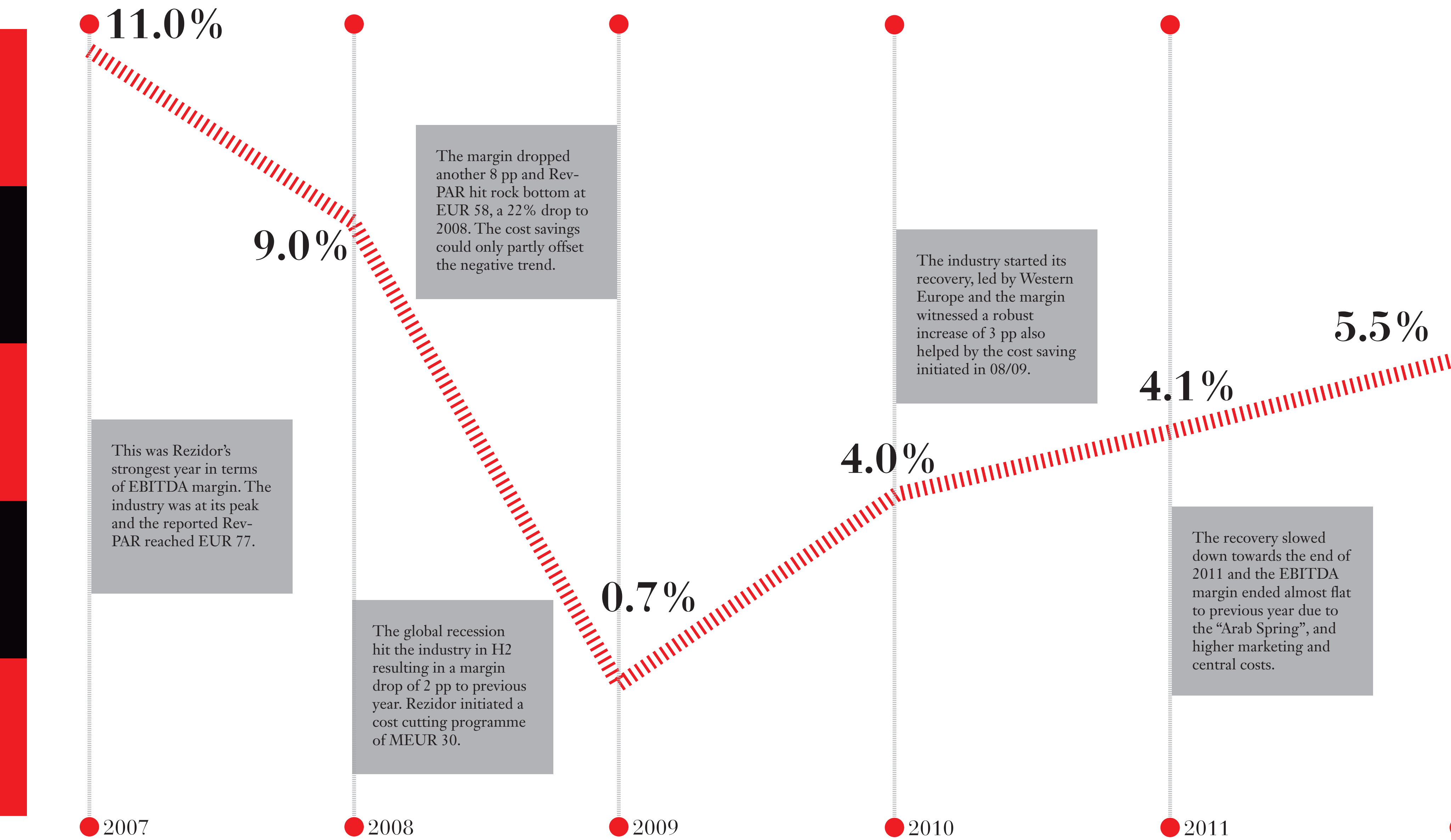
Together towards
Route 2015

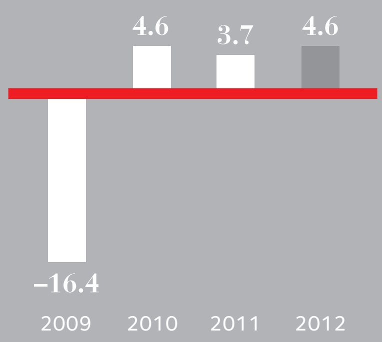
Rezidor's main focus is improving profitability both in absolute terms and relative to the industry. In December 2011 Rezidor therefore announced Route 2015, a number of initiatives to improve the group's EBITDA margin by 6–8 percentage points by 2015. This strategy is crucial to help reach Rezidor's overall EBITDA margin target of 12% over a business cycle.



2012 in brief

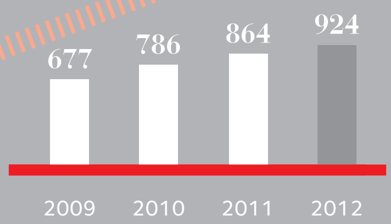
- Like-for-like ("L/L") RevPAR grew by a healthy 4.6%, mainly derived from an increase in occupancy.
- The Middle East & Africa (9.9%) and Eastern Europe (8.4%) led the L/L RevPAR recovery throughout the year followed by Rest of Western Europe (3.0%) and the Nordics (1.8%).
- Revenue was up by 6.9% to MEUR 924 (864), driven by the RevPAR growth together with a weakening of the Euro.
- The EBITDA margin grew by 1.4 pp over last year to 5.5% (4.1).
- Loss after tax was MEUR –16.8 (–11.9), negatively impacted by write-downs of assets of MEUR –12.3 (–11.6), termination costs due to exit of contracts of MEUR 9.4 (0.0) and a write-down of deferred tax asset of MEUR –3.3 (+3.2).
- Basic and diluted Earnings Per Share amounted to EUR –0.12 (–0.08).
- Cash flow from operating activities improved to MEUR 16.5 (14.1), negatively impacted by termination costs of MEUR 9.4.
- The Board has recommended paying no dividend for 2012 (EUR 0.00).
- Ca 4,000 new rooms opened and ca 7,100 new rooms were contracted, all under managed and franchised contracts.
- To support Route 2015 and in light of the uncertain economic outlook, a separate optimisation and cost saving programme was initiated, targeting operating cost reductions by MEUR 13–15 by 2015.
- Rezidor announced the exit from seven lease agreements in France and two in Sweden, representing a 0.5% positive EBITDA margin effect going forward.
- The Board appointed Wolfgang M. Neumann as the new President & CEO; effective January 1, 2013, replacing Kurt Ritter after 23 years as the group's CEO.
- The Board appointed Trudy Rautio as the Chairman of the Board, replacing Hubert Joly, up until the end of the 2013 AGM.

L/L RevPAR growth, %



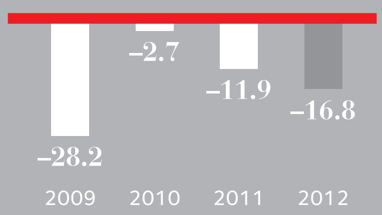
L/L RevPAR increased by 4.6% and was driven by occupancy growth. All four geographic segments reported L/L RevPAR growth over last year with the strongest development in the Middle East and Africa region.

Revenue, MEUR



Total revenue increased by 6.9% or MEUR 59.5 compared to last year. Revenue was to a large extent positively impacted by the weakening of the Euro and the result of a strong growth in the fee business.

Loss after tax, MEUR



Loss after tax amounted to MEUR –16.8, negatively impacted primarily by termination costs for lease agreements of MEUR –9.4 and write-downs of assets of MEUR –12.3.

6–8%
uplift in EBITDA margin by 2015

DELIVERING ROUTE 2015

Revenue Generation

Together with our strategic partner Carlson we aim to generate more than MUSD 400 in incremental revenues and a Revenue Generation Index increase of more than 9 points by 2015. See page 21.

Fee-based Growth

Rezidor's strategy is to become increasingly asset-light by adding management and franchise contracts to our portfolio. 100% of our pipeline of rooms under development is asset-light. See page 12.

Cost-saving Projects

Rezidor has launched a separate cost-saving initiative in 2012 targeting central and regional cost reductions by MEUR 13 to 15 by 2015. See page 19.

Cap Utilization

Some of our contracts include a mechanism called "cap utilization". A number of hotels fully consumed their caps in 2012 resulting in lower rental expenses and improved profitability. See page 20.

Asset Management

2012 saw the creation of a dedicated Asset Management department. Recent key deals comprise the exit of 7 leases in France and the conversion of 2 leases in Sweden to franchise contracts. See page 24.

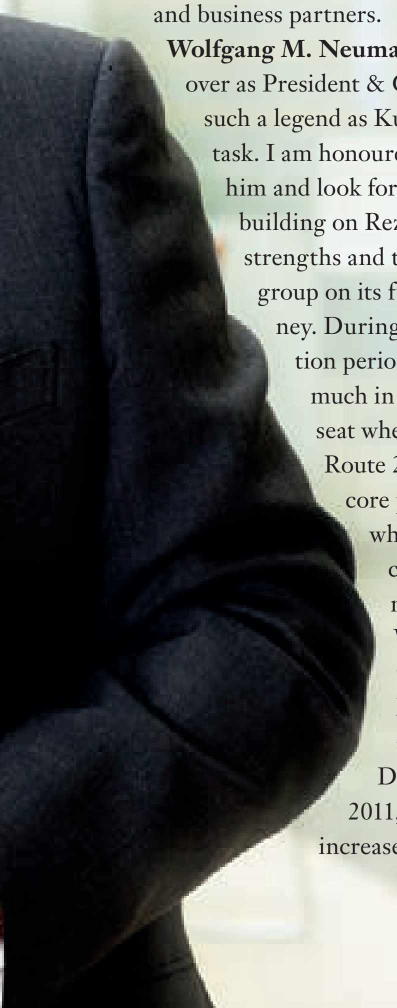
2015

A new CEO and a new era for Rezidor

Kurt Ritter was Rezidor's President & CEO for 23 years. In January 2013, he handed over the reins to his successor Wolfgang M. Neumann. The former and the new CEOs talk about Rezidor's past and future.

How have you set up the transition period? Does this leadership change also mean a strategy change for Rezidor?

Kurt Ritter: Leaving Rezidor after so many years is certainly a big step for me and also for the company. But the timing is right – with Wolfgang we have found an internationally experienced hotelier who is able to lead Rezidor. Our handover is well planned, structured and thought-through: We regularly discuss key decisions, and also travel together across Europe, the Middle East and Africa to see our most important owners and business partners.



Wolfgang M. Neumann: Taking over as President & CEO from such a legend as Kurt is quite a task. I am honoured to succeed him and look forward to building on Rezidor's strengths and to lead the group on its future journey. During the transition period, I was very much in the driver's seat when it comes to Route 2015 – our core programme which will not change under my leadership. We launched this comprehensive initiative in December 2011, targeting an increase of our EBITDA margin by 6 to 8 percentage points by 2015. The core component of Route 2015 is Revenue Generation including: global strategic partnership activities with Carlson, cost-saving initiatives, accelerated Asset Management, and growth of the fee-based hotel portfolio with a continued focus on Emerging Markets such as Russia/CIS and Africa. After the years of fast and successful growth we now need to concentrate on further improving our profitability, both in absolute terms and relative to the industry.

How successful has Route 2015 been so far, are you on the right track?

KR: Route 2015 is going in the right direction – we saw an improvement of our market share and an increase of our EBITDA margin by 1.4 percentage points in 2012. From a commercial point of view, 2012 was still a challenging year for Rezidor. Through Route 2015, we have created a platform that enables us to improve our future performance. We made significant progress regarding our Asset Management in 2012 and exited seven unprofitable leases in France and two in Sweden. This will have a positive effect on Rezidor's EBITDA of approximately MEUR 3 annually, as of 2013. We also launched a cost-saving initiative targeting operating cost reductions by MEUR 13 to 15 by 2015.

WMN: This initiative is a key activity linked to our organisational optimisation which we launched in early 2012 in order to decentralise our structure and to enable our area offices to provide even better support to our hotels. Project FIT – the working title of the activity – is a strategic in-depth review of our business processes and associated costs. Rezidor was "screened" to the smallest detail, and we now have a clear picture of our current strengths and development opportunities. We streamlined all areas of operation, all activities and all business units – and now we want to build on this to create long-term, profitable and sustainable results.

Let us talk about the market for a moment. Which recent developments have you seen in the EMEA region; and how has Rezidor performed in 2012?

KR: During the past two years, we have seen a positive market development with a double-digit growth rate in Eastern Europe, led by Russia. In 2012, the Middle East and Africa also showed a strong performance, clearly recovering from the political unrest in 2011. Western Europe and the Nordics have reported a slower pace; these countries are still suffering from the rather challenging economic environment. Our group L/L RevPAR in 2012 grew by 5%.

WMN: The RevPAR growth and the weakening of the Euro, resulted in a revenue increase of 7% including a strong growth in fee revenue of 17%. EBITDA amounted to MEUR 51 (35) and the EBITDA margin to 5.5% (4.1). Our net result amounted to MEUR –16.8 (–11.9) and was negatively impacted primarily by termination costs due to exit of contracts and write-down of assets. Our ambitious

Kurt Ritter leaves a strong heritage – Wolfgang M. Neumann wants to build on it.

growth continued despite the difficult market conditions – in 2012, we opened 4,000 new rooms and contracted 7,100 rooms. All of them are under management and franchise contracts supporting our asset-light strategy. Our pipeline of rooms under development remains strong at 22,000 rooms.

In January 2012, the Carlson Rezidor Hotel Group was born – your strategic partnership with Carlson, your major shareholder and owner of the brands Radisson Blu and Park Inn by Radisson. How did this cooperation develop in its first year?

WMN: Our joint global initiatives focus on two main areas: Revenue Generation and Branding. Together, Carlson and Rezidor aim to generate more than MUSD 400 in incremental revenues and a Revenue Generation Index increase of more than 9 points by 2015. We also look at a global brand alignment and development of our core brands Radisson Blu and Park Inn by Radisson. Our Revenue Generation teams have made good progress in 2012, and we are also delighted to see the Radisson Blu and Park Inn by Radisson brands grow in the Americas and Asia Pacific.

KR: Rezidor and Carlson have a close relationship that is due to our unique company cultures and our global service philosophy “Yes I Can!”. Trudy Rautio, Carlson’s President & CEO, values people development as much as we do. I am thankful that she is a big supporter of Rezidor and of our performance culture that has been further enhanced in 2012 in order to grow talent from within and to also attract the best people from outside the company. It was a huge compliment to all 80,000+ employees worldwide that the Carlson Rezidor Hotel Group was awarded “Hotel Group of the Year 2012” at the MKG Hospitality Awards in Paris.

On the branding side Carlson is not your only business partner. You also cooperate with Missoni for the development of the Hotel Missoni brand, and since September 2012 you also work with Regent Hotels & Resorts – a brand that you and Carlson had jointly sold in 2010. What made you re-enter the luxury segment?

KR: A luxury brand was never completely off our agenda. We still know Regent well and look forward to cooperating with the brand owner Formosa. They have already successfully relaunched Regent in Asia, and we are now working together on the future brand development across Europe, the Middle East and Africa. The luxury segment has recovered nicely from the downturn, and we see good potential for growth.

During all the years of international growth, Rezidor has always cherished its Scandinavian roots. The group has, for example, an industry-leading Responsible Business programme; will this remain a key item for you?

WMN: Doing sustainable business is essential for us and very much part of our DNA. We are proud that in 2012 we celebrated our most successful Responsible Business Action Month ever, donating close to EUR 475,000 in cash and an estimated EUR 310,000 in kind to charity organisations like World Childhood Foundation. We certainly do not rest on our laurels. Last year, we also launched Think Planet – a new and ambitious energy saving initiative targeting a 25% energy consumption reduction by 2016 across all our offices and hotels. In 2010, 2011, 2012 and yet again in 2013, Rezidor was named one of the world's most ethical companies by the US think tank "Ethisphere". This is a fantastic achievement and underlines our commitment to Responsible Business.

Kurt Ritter: Rezidor is a people business

When I joined Rezidor in 1976, the group featured 16 hotels – today, our portfolio comprises more than 430 hotels. It is of course with pride and satisfaction that I look back at this growth; a success that I could not have achieved without my team. Rezidor is a true people business of dedicated and loyal employees with an entrepreneurial approach and pioneering spirit. The Rezidorians made Rezidor what it is today; and they made me the leader I am. Our owners are also instrumental in our development. We could not do business without them! I thank them for the trust they put in our group, and for their outstanding hospitality during all my trips and visits to their hotels and countries.

There have been three key dates and decisions behind Rezidor's growth story. The first Master Franchise Agreement with Carlson for Radisson in Europe, the Middle East and Africa (followed by the second Master Franchise Agreement for Park Inn, Country Inns & Suites and Regent); the set up of our asset-light business model; and the strong focus on Emerging Markets. Complemented by the worldwide license agreement with Missoni and the alliance agreement with Regent Hotels & Resorts, these were the main ingredients for our development from a "country cousin" to an international player.

After our listing on the Stockholm Stock Exchange, our relationship to Carlson became even more intense. Today, Carlson is not only the brand owner of our core brands Radisson Blu and Park Inn by Radisson and our majority shareholder, but also our key strategic partner. As Carlson Rezidor Hotel Group, we appear as one global player on the worldwide hospitality market. I look forward to seeing Carlson Rezidor Hotel Group grow further and to remaining a member of the larger family in my new capacity as an advisor to Carlson's President & CEO Trudy Rautio. See you around!

Facts & figures

We are one of the fastest growing hotel companies worldwide and a member of the Carlson Rezidor Hotel Group, launched in January 2012.

The Rezidor Hotel Group currently features a portfolio of 438 hotels with 96,000 rooms in operation and under development in 76 countries across Europe, the Middle East and Africa, and has more than 35,000 employees. Rezidor operates the core brands Radisson Blu (upper upscale) and Park Inn by Radisson (midscale) – as well as Hotel Missoni (lifestyle) and Regent Hotels & Resorts (luxury) and. Rezidor has been listed on the Stockholm Stock Exchange since November 2006.

CARLSON REZIDOR
HOTEL GROUP

The Carlson Rezidor Hotel Group was launched in January 2012 as a strategic partnership between Rezidor and Carlson, a privately held hospitality company that owns the Radisson and Park Inn brands and is the majority shareholder of Rezidor. Through a number of joint activities, Carlson Rezidor aim to globally align their core brands, and to reach more than MUSD 400 in incremental revenue as well as a RevPAR index increase of more than nine points by 2015.

Our brands

Radisson BLU

Hotels that love to say yes
Radisson Blu is Europe's largest upper-upscale brand. The contemporary full-service hotels are mainly operated under management contracts and in special cases franchise and lease contracts.

park inn by Radisson

It's all about you!
Park Inn by Radisson is a fresh and energetic mid-market and full-service brand, mainly operated under management and franchise contracts.

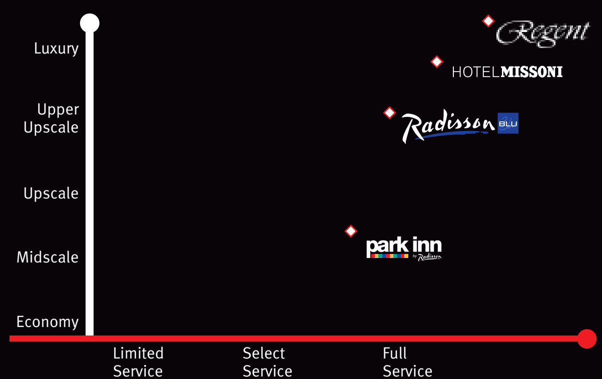
HOTEL MISSONI

Bold. Passionate. Fashionable.
Hotel Missoni is a new genre of lifestyle hotels developed in partnership with the iconic Italian fashion house Missoni and licensed to Rezidor on a global basis.

Regent

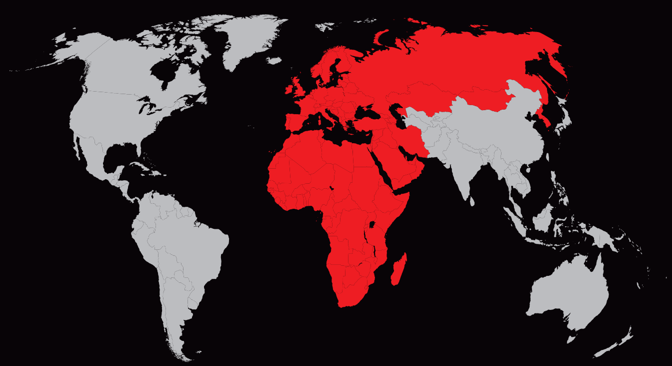
Elegant luxury with style
Regent is a global luxury hospitality brand encompassing hotels & resorts offering timeless supreme standards and services, residences and cruises.

Our brandscape

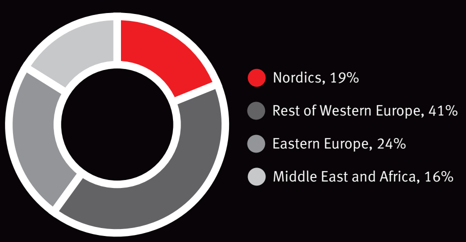


Rezidor has a small portfolio with four brands covering the segment from midscale to luxury. The brands are carefully selected and clearly defined to respond to our guests' needs.

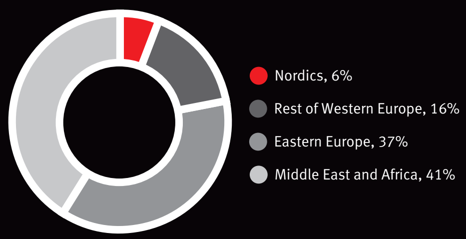
Our presence



Rooms in operation by region, %



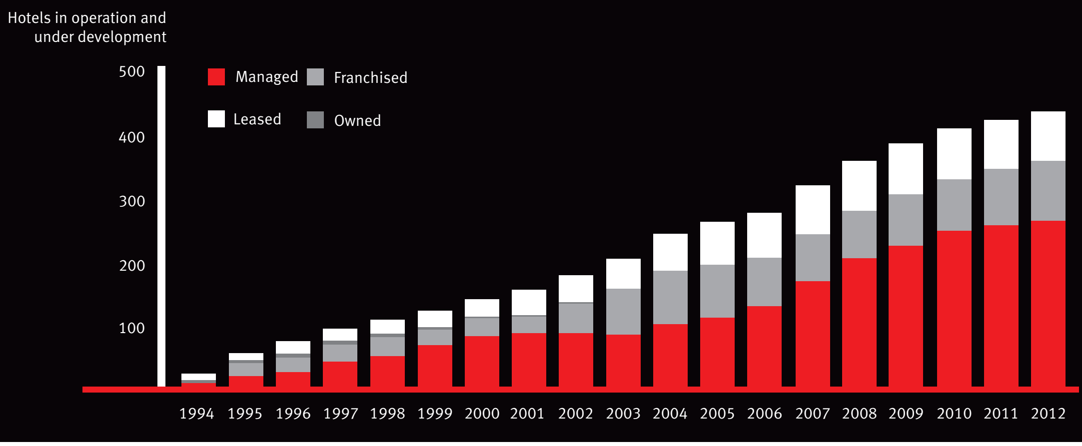
Rooms in pipeline by region, %



Our Growth

Following a strategic decision in 1997 to focus on hotel management, we sold all of the hotel properties we owned and since then, have also gradually reduced the proportion of leased hotels in our portfolio, and increased the relative proportion of managed and franchised hotels.

Organic growth has been a key pillar of our strategy. We have a pipeline of 100 hotels and 22,000 rooms due to open within the next three to four years. This is one of the strongest in the industry and represents about 30% of the current number of rooms in operation.



Our Financial Targets

Profitability target
EBITDA margin of 12% over a business cycle.

Balance sheet
Positive average net cash position.

Dividend policy
Approximately one third of annual after-tax income to be distributed to shareholders.

Our Vision

Yes I Can!

Yes I Can! Is both our vision and mission that ensures that every individual guest is treated with the best positive service attitude at every point of contact.

Radisson Blu – Hotels that love to say yes

Radisson Blu is our core upper upscale brand; featuring first-class and full-service hotels that combine a Scandinavian heritage with contemporary architecture and interior design. Many properties are award-winning landmarks and form part of the best places to stay within their destination. At Radisson Blu, our clientele enjoys a 100% Guest Satisfaction Guarantee and our service philosophy "Yes I Can!" featuring many extras such as free high-speed internet access. The majority of our guests are business travellers benefitting from comprehensive and tailor-made programmes such as the "Experience Meetings" concept that we launched in 2012. Many hotels also feature our own restaurant and bar concepts with the contemporary Italian "Filini" being the most prominent. We develop Radisson Blu across Europe, the Middle East and Africa, and focus on primary markets, city centres, conference locations, airports and resorts. Radisson Blu is also our key to entering new markets such as the emerging African countries. Our main contract type for Radisson Blu is the management agreement; in special cases we also negotiate franchise and lease agreements. Together with the brand owner Carlson, our strategic partner and majority shareholder, we are working on a global brand alignment and development, and support the growth of Radisson Blu in the Americas and Asia-Pacific.

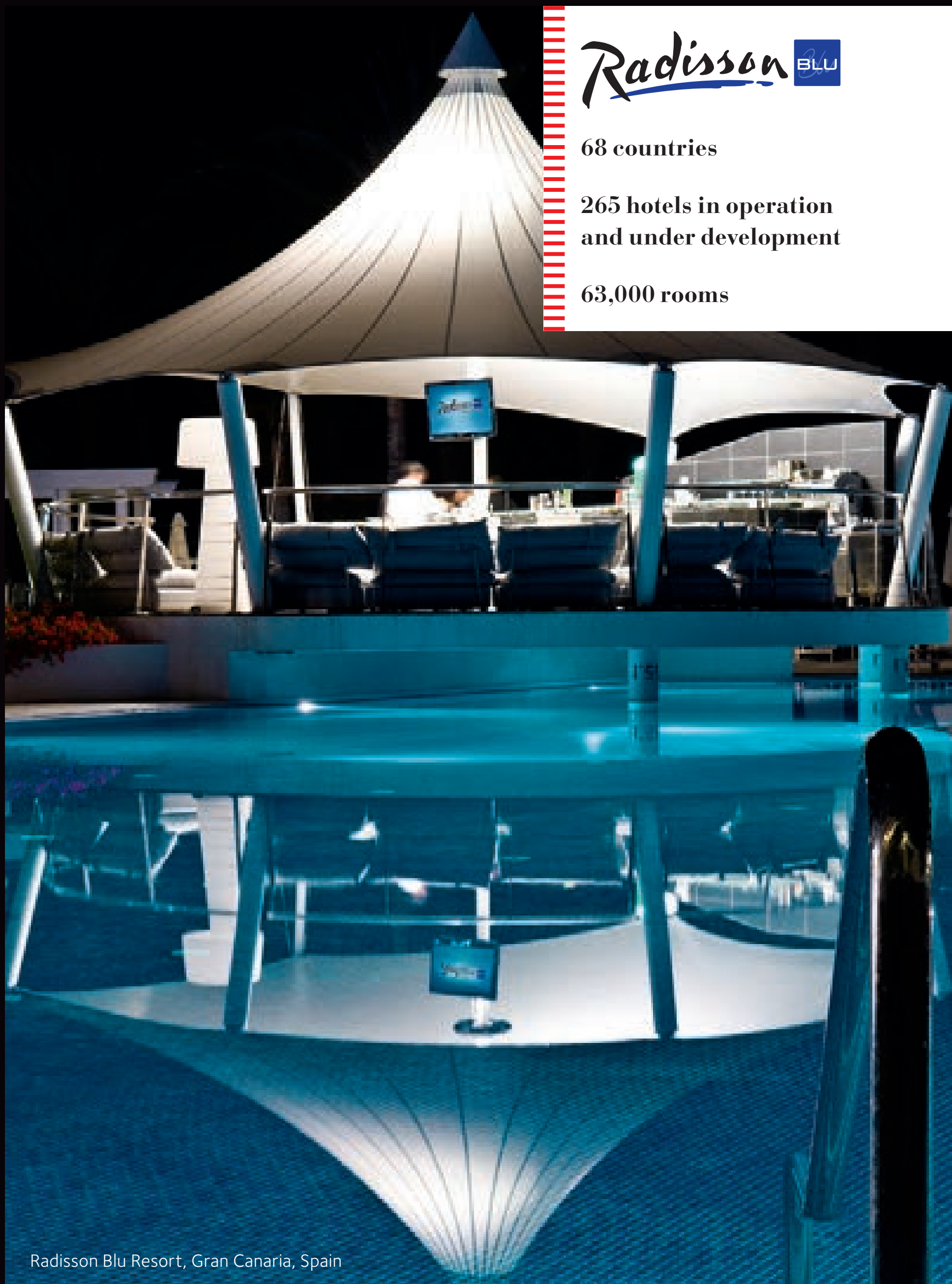
Upper upscale competitors: Hilton, Marriott, Sheraton, Sofitel

Radisson BLU

68 countries

265 hotels in operation and under development

63,000 rooms



Radisson Blu Resort, Gran Canaria, Spain

Park Inn by Radisson – It's all about you!

A smart investment. A smart consumer choice. A smart alternative in full-service, mid-scale arena. A global name that you can rely on wherever you go. Choice, Connectivity and Community – the colourful Park Inn by Radisson adorns all the brilliant essentials – giving you total control of your choices: Business or Pleasure. Sleep Well, Live Well. Network. And always stay connected to your inner self enabled by our legendary Yes I Can! service spirit. From advanced Online Check-In, Self Check-In/Check-Out Kiosks; to the inspirationally designed live-inn room, a buzzing social hub to connect and interact. WiFi for free and your entertainment on our Smart TV. Take your pick from The Kiosk with 24/7 access to drinks and refreshments. Come and experience a new kind of hotel stay. Park Inn by Radisson can now be found all around the world – in capital cities and economic hubs and always close to city centers, airports and railway stations. Our portfolio is growing faster than ever with 160 hotels and 31,000 rooms in operation or under development in 35 countries across Europe, the Middle East and Africa. Park Inn by Radisson – adding colour to life. Every day. Every stay.

Mid-market competitors: Holiday Inn, Novotel, Scandic, Courtyard by Marriott, Ramada

35 countries

160 hotels in operation and under development

31,000 rooms

Park Inn by Radisson Amsterdam Schiphol, Netherlands

Hotel Missoni – Bold. Passionate. Fashionable.

Hotel Missoni is our luxury lifestyle brand – born after a worldwide licence agreement with the Italian fashion house Missoni. In collaboration with founder Rosita Missoni, we create distinctly different and cutting-edge hotels for travellers seeking truly unique experiences. Each property is individually designed, inspired by the local culture, and features fabrics with the iconic Missoni patterns and colours, furniture and accessories from Missoni's home collection, as well as selected pieces by contemporary designers. Restaurants like Cucina with its authentic, seasonal Italian menu; Choco Café, an intensely flavoured sip of the classic café society; lively bars and wellness & spa areas complement the properties. Hotel Missoni debuted in 2009 in Edinburgh, followed by Kuwait City in 2011, and has five additional properties under development. Rezidor operates Hotel Missoni solely under management agreements targeting fashionable cities and resort destinations across the globe.

Lifestyle competitors: W Hotels, Edition by Marriott, Andaz by Hyatt

HOTEL**MISSONI**

7 countries

7 hotels in operation and under development

1,200 rooms

Hotel Missoni Kuwait

Regent Hotels & Resorts – Elegant luxury with style

In September 2012, Rezidor signed a Strategic Alliance Agreement with Regent Hotels & Resorts (wholly owned by Formosa International Hotels Corporation) to develop and operate new Regent properties in Europe, the Middle East and Africa. Regent is one of the world's leading luxury hotel brands. It was founded in 1970 by the legendary hotelier Robert H. Burns and was first developed in Asia and then around the world. Today, the brand combines refined gracious Asian hospitality with a modern luxury platform. Regent hotels offer supreme standards and services, and are operated solely under management agreements. Formosa and Rezidor primarily focus on mixed use development projects combining luxury hotels with branded residential components in the EMEA region. Rezidor does not yet operate any open properties, but has two projects under advanced negotiation.

Luxury competitors: Four Seasons, Ritz Carlton, St. Regis, Mandarin Oriental, Shanri-La

The Regent Beijing, China

Asset-light & profitable growth

Rezidor manages hotels, brands and real estate owned by third parties. Our future development focuses on asset-light growth in the dynamic Emerging Markets.

The hotels in our portfolio are either operated by Rezidor itself under a Lease contract, by providing management-services to a hotel owner under a Management contract, or by a separate operator using one of the brands under a Franchise contract.

Our growth strategy over the last fifteen years has been to move away from leases and become asset-light by growing through Management and Franchise contracts without financial commitments. This asset-light business model offers high profit margins, has a lower financial risk level, and requires limited investments. A Lease contract, on the other hand, requires some investments, mainly related to the upkeep of the hotel, by Rezidor as its operator. In 2012, Rezidor exited from nine unprofitable Lease contracts in Western Europe. Of the 74,000 rooms in operation by the end of 2012, 76% were under Management and Franchise contracts and 24% under Lease contracts. Our pipeline of rooms under development consists only of Management and Franchise contracts.

A strong presence in Eastern Europe and Africa

Our strategy is to further expand our portfolio in the Emerging Markets of Russia/CIS and Africa. These markets grow in importance as their economies become more developed and stable, attracting foreign direct investments and infrastructure development and, as a consequence, more travellers. Last, but not least, these regions have a very limited supply of internationally branded hotel rooms or dated room inventory. Rezidor has been successful in tapping into these markets early, and today operates regional offices in Moscow, Dubai and Johannesburg. We use only Management contracts to expand in these markets, which allows us to keep complete control of the high quality of our brands and limit our financial exposure.

A healthy balance between mature and Emerging Markets

The mature markets in Western Europe typically have a relatively high density of hotel rooms, and over recent years, these markets have seen little new hotel development due to the economic crisis and a lack of available financing. The growth potential has therefore been limited and opportunities mainly arise from conversions of existing hotels.

Due to higher achievable rates and higher occupancy, Emerging Markets

Our Contract Types

	Management contracts	Franchise contracts	Lease contracts
Brand, marketing, distribution	Rezidor	Rezidor	Rezidor
Employees	Third party	Third party	Rezidor
Rezidor financial commitment	In some cases, performance guarantees	None	Rent – fixed or variable 4–5% of leased revenue in maintenance investments
Rezidor revenue	% of total revenue plus % of profit	% of room revenue	All revenues

usually offer greater income potential than mature markets. However, there is also a higher risk: a project may never materialise or as recently seen in North Africa, political instability and turbulence can delay projects or have a negative impact on the performance.

A balance between Emerging Markets offering high income potential at the drawback of increased volatility and more mature markets providing stability is therefore crucial for success.

A definition of our contract types: Lease, Management, Franchise

Under a *Lease contract* Rezidor leases a hotel building from a property owner and is entitled to the benefits whilst carrying the risks associated with operating the hotel. Revenue is derived from room and food & beverage sales. Our main costs arising under a Lease contract are the fixed or variable rent paid to the owner, personnel costs and other operating expenses. Rezidor is also responsible for renovations and upkeep of the hotel and spends between 4 and 5% of leased hotel revenue over the contract term. The absolute EBITDA and EBIT amounts are generally higher for Rezidor in a successful Lease than under Management and Franchise contracts, but the margins are much lower. In some cases, EBIT may even turn negative because often the rent of the building is fixed and cannot be adjusted to the changing business climate. If RevPAR were to drop and costs cannot be reduced by the same amount, the rent may no longer be covered, resulting in a loss for Rezidor.

Under a *Management contract*, Rezidor provides management services for the hotel owner in exchange for a fee. Rezidor's services include the system infrastructure necessary for the day-to-day operation, administration such as preparation of budgets, hiring and training of staff. The owner is responsible for all investments and all costs including all employees. Rezidor's income, paid by the owner, is made up of a Base Fee determined as a percentage of total hotel revenue and a Management Fee (or "Incentive" Fee, calculated as a percentage of gross operating profit) plus a Reservation Fee and a Marketing Fee. If Rezidor has no financial commitment in a hotel, the income will always be positive and it will remain positive, even with a RevPAR drop. The absolute amounts may decrease, but the margins will more or less hold up because the costs will be adjusted as the revenue drops.

Under a *Franchise contract*, a hotel owner operates the hotel under one of the brands in exchange for a fee. Rezidor's income is a Royalty Fee, which is a percentage of Rooms Revenue plus a Reservation Fee and a Marketing Fee. The principle is similar to the Management contract. Royalty Fees may decrease, but margins will still keep up.

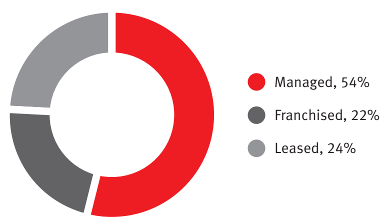
A sensitivity scenario: Differences in contract profitability

Let's look at the same hotel under a sensitivity scenario (see table below). As demonstrated in this example, Management and Franchise contracts result in higher margins, because there are very few costs associated with these contracts compared to Lease contracts where Rezidor is responsible for all the costs of the hotel and pays rent to the owner. However, a leased hotel's profits can also turn out much higher than the example below, if we succeed in delivering an operating performance that exceeds our rent commitment. Once the fixed costs are covered, such contracts can be incredibly profitable. However, in order to generate the same level of revenue as one Lease contract, we typically need up to 25 Franchise contracts or 15 Management contracts.

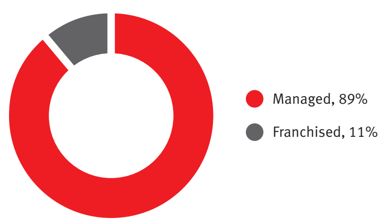
Example of Contract Profitability

Base Case (MEUR)	Leased	Managed	Franchised
Revenue/Fee income	12.0	1.0	0.5
Costs (excluding central costs)	7.6	0.3	0.3
Rent	3.0	n/a	n/a
EBITDA	1.4	0.7	0.3
EBITDA margin	12%	70%	50%
Depreciation	0.7	n/a	n/a
EBIT for Rezidor (before central costs)	0.7	0.7	0.3
EBIT margin	6%	70%	50%

Rooms in operation by contract type, %



Rooms in pipeline by contract type, %



Newcomers in 2012

1

3

4

2

5

Selected openings across the Emerging Markets of Eastern Europe, the Middle East and Africa:

1. Radisson Blu Hotel, Kyiv Podil, Ukraine
2. Radisson Blu Resort, Bukovel, Ukraine
3. Park Inn by Radisson Rosa Khutor, Russia
4. Radisson Blu Hotel, Doha, Qatar
5. Radisson Blu Hotel, Lusaka, Zambia

An early mover and a fast mover in Emerging Markets

Rezidor's strategy is to expand ambitiously in the Emerging Markets of Russia/CIS countries and Africa. These young and dynamic markets present attractive development opportunities that are fuelled by high room demand combined with an undersupply or dated inventory, and low operating costs. However, compared to the Mature Markets in Western Europe, these younger regions face greater uncertainties when it comes to financing and a higher risk of delays and cancellations.

Rezidor's 'early mover' spirit and entrepreneurial approach has helped to manage these challenges better than our counterparts, and our strong focus has paid off: Rezidor is the leading international hotel operator in Russia/CIS and the Baltics, and has the largest pipeline in sub-Saharan Africa. Growth in Emerging Markets is also in line with Rezidor's asset-light strategy targeting a profitable development through fee-based Management and Franchise contracts.

Travel & tourism on the rise

Market conditions in 2012 were still challenging, but the hotel industry demonstrated its resilience and continued recovery.

Despite the uncertain economic environment, tourism within Europe continued to grow in 2012. Both travel within Europe and from key long-haul origin markets increased demonstrating the resilience of the European travel industry. However, growth slowed as the year progressed and was lower in 2012 than in 2011 and 2010 following the continuing economic instability in the Euro zone. RevPAR (Revenue Per Available Room) in Europe grew by circa 2% at a constant exchange rate and by circa 5% in Euros in 2012*, driven by higher room rates against a backdrop of a small decline in occupancy. In contrast, the US delivered a good performance in 2012 with RevPAR up circa 7%, driven by a combination of occupancy and room rates. Between 2009 and 2012, RevPAR in Europe grew by 21%, but is still 13% below the level the industry enjoyed at its peak in 2007. Germany continued to perform well in 2012 (5%) thanks to a particularly favourable event calendar; and the UK (2%) and France (2%) proved fairly resilient. Some of the countries that struggled in 2012 were Switzerland, the Benelux countries, Sweden and also Italy, Greece and Portugal.

Hotels in Eastern Europe witnessed a strong recovery throughout 2012, up about 9%, after being hit hard by the global recession. Russia, Poland (hosting the UEFA Euro 2012), Estonia and Hungary posted above 8% increases in RevPAR.

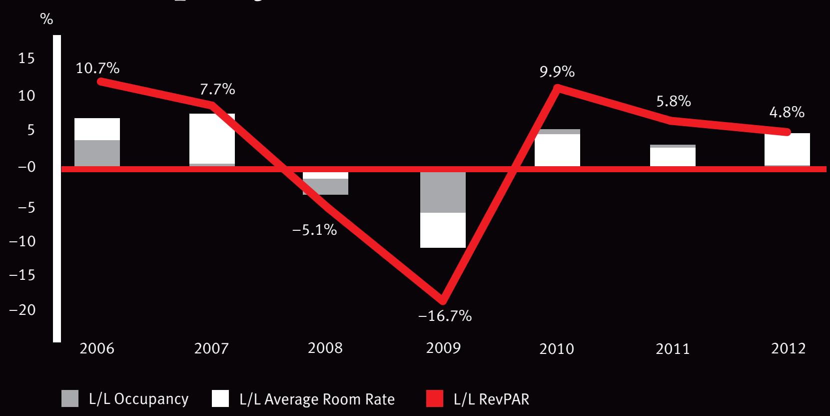
Contrary to the experience in Europe, the Middle East and Africa region recorded robust RevPAR improvements of about 9% driven mainly by occupancy growth. This is an offset to large falls in 2011 due to the Arab Spring.

Global trend towards branded hotel inventory

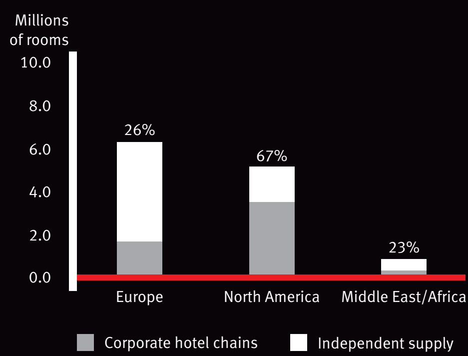
The global hotel market features close to 20 million hotel rooms, with some seven million branded and 13 million independent rooms. Compared to North America where 67% of the rooms are branded, Europe and the Middle East & Africa have a very low brand penetration of 26% and 23% respectively.

As a natural reaction to the economic crisis and higher borrowing costs, since 2009, there has been a market deceleration in hotel construction pipeline. The pipeline in Europe equates to 844 hotels totalling 141,000 rooms, 18% below the peak of 2008. 332 hotels and 42,000 rooms opened in 2012, with most falling within the economy segment. New projects in 2013 will remain rather stable in a persistently difficult environment for

L/L Occupancy, Rate and RevPAR trend



Global Hotel Supply in 2012



the industry. STR Global locates the largest pipelines in the UK, Russia (preparing for the Winter Olympics 2014 and the World Cup in 2018), Germany, Turkey (especially Istanbul), Italy, France, Spain and Austria.

However, during the last seven years, the supply of branded hotels has grown twice as fast as that of unbranded properties – demonstrating a trend towards branded inventory across Europe. This trend accelerated even further during the recession in 2009 as hard-hit independent hotel owners looked for international operators to support their properties with global marketing, sales and distribution tools amid the increased pressure of rising distribution costs driven by online travel agencies. This trend is expected to continue in 2013 and is a significant future catalyst for growth and immediate profit for hotel chains.

*Source: STR Global, MKG, and European Travel Commission

Radisson Blu Hotel, Nantes, France

Route 2015: On the way towards improved profitability

Through a number of key initiatives, Rezidor aims to increase the EBITDA margin by 6 to 8 percentage points by 2015.

At the time of Rezidor's public listing in 2006, the group announced an EBITDA margin target of 12% over a business cycle. In 2007, we reached 11%, but since then the EBITDA margin has averaged 5% due to the downturn in the global economy followed by a substantial drop in RevPAR. Our hotels in the Nordics have always performed very well, but the main challenge for Rezidor remains to improve the margins of the hotels under Lease contracts in the Rest of Western Europe. There, we have not yet reached sufficient brand awareness and our hotels do not yet have a fair share of the market. As a consequence, the EBITDA margin in the Rest of Western Europe has been unsatisfactory.

To help us reach the 12% EBITDA margin target, Rezidor launched the comprehensive programme Route 2015 in December 2011. This comprises a number of key initiatives aimed at improving the EBITDA margin by 6 to 8 percentage points by 2015 over 2011 numbers, and assuming market RevPAR growth covers cost inflation. The programme includes revenue initiatives, cost savings, cap utilization, fee-based growth and asset management activities.

Given the uncertain economic outlook and reduced GDP projections in Europe, Rezidor has taken a cautious view in terms of expected market RevPAR growth the coming years. To further support Route 2015, Rezidor has initiated a separate cost savings plan estimated at MEUR 13 to 15 in total by 2015. The savings will come from reduced central and regional cost and a restructured procurement process.

It is estimated that Route 2015 yielded 1.8 percentage points improvement in EBITDA margin in 2012. This is very much in line with the goals, and further improvement will be realised as the cost-savings plan is fully implemented.

DELIVERING ROUTE 2015

Tangible initiatives to improve the EBITDA margin by 6–8% by 2015

6–8% uplift in EBITDA margin by 2015*

Initiatives	Targets
Revenue Generation	3.0–4.0%
Fee-based Growth	2.0–2.5%
Cost Saving Projects	0.5–1.0%
Cap Utilization	0.5%
Asset Management	

*Assuming market RevPAR growth covers inflation

COST SAVING INITIATIVES

> Project FIT is a long-term support tool.

Catherine Bauer, Vice President Group Controlling, has coordinated Project FIT – an in-depth business review in order to make Rezidor leaner and more agile, and to optimise process-related costs.

How did you find this experience to head such a comprehensive project?

Catherine Bauer: It was a very intense and engaging project: We did not set it up as a top-down exercise run by an external partner, but we actively involved our own people – from the bottom-up data collection and interviews with internal stakeholders right through to the lead of key initiatives by members of our Executive Committee. Project FIT was also not just a short-term initiative. It is designed as a long-term support tool to help us deliver our core programme, Route 2015.

Project FIT has identified two key levers – organisation and procurement. What does that mean?

CB: Prior to Project FIT we had already started our organisation optimisation and journey towards decentralisation. FIT has confirmed that we are on the right track and that we can now look at additional components like reducing workload and optimising processes. On the procurement side, we have designed an ambitious long-term plan that not only looks at generating savings on our external spend, but also at driving a more interactive and integrated process between the head office, regions and hotels.

Radisson Blu Hotel, Uppsala, Sweden

Main initiatives within Route 2015:

Revenue Generation

A key element of Route 2015 is a stronger emphasis on Revenue Generation which is expected to improve the EBITDA margin by 3 to 4 percentage points by 2015. The main part will come through increased synergies with Rezidor's strategic partner and brand owner Carlson. Joint initiatives include a reinforced global sales team, unique yield optimisation tools, partnership projects with travel intermediaries, and the accelerated growth of Club Carlson, the group's successful loyalty programme. Read more about our revenue initiatives and their progress in 2012 on page 21.

Fee-based Room Growth

Fee-based room growth is expected to improve the EBITDA margin by 2 to 2.5 percentage points by 2015 through the opening of 22,000 rooms under high margin Management and Franchise contracts in our existing pipeline. Rezidor will reduce the percentage of Lease contracts to 15% in 2015 (from the current 24%). In 2012, we opened about 4,000 rooms, all under Management and Franchise contracts.

Cost-saving Projects

Cost savings shall improve the EBITDA margin by 0.5 to at least 1.0 percentage points by 2015. The savings will come from reduced central and regional costs following an in-depth review of key processes and associated costs across the group with the purpose of optimising the organisation into a more decentralised operating model. Additional savings will come from a restructured procurement process and reduced energy consumption across all hotels and offices.

Cap Utilization

Cap utilization is expected to improve the EBITDA margin by 0.5 percentage points by 2015. In our Lease contracts and Management contracts with performance guarantee, the minimum fixed lease and the performance guarantee is capped. When/if such cap is reached, the minimum fixed lease and the performance guarantee are expiring, reducing our financial obligations and usually increasing our margins. In 2012, seven hotels switched from fixed rent to a lower variable rent as they had reached their contractual caps on minimum guaranteed rent.

Asset Management

In 2012, Rezidor established a dedicated Asset Management department in order to optimise the existing portfolio of leased assets, to increase profitability and to reduce the leverage of the company. The department's focus is to exit unprofitable leases and extend and/or restructure our existing Lease contracts for the mutual benefit of both the owners and Rezidor. Read more about our accelerated Asset Management initiatives during the past year on page 24.

Joining forces & going global

Revenue Generation is a key element of the Route 2015 programme, contributing 3 to 4 percentage points to our overall target of 6 to 8 percentage points EBITDA margin uplift by the year 2015.

Our professional Revenue Generation teams focus on global, joint activities and synergies with our strategic partner Carlson. Since January 2012, we have appeared as Carlson Rezidor Hotel Group and as one dynamic player on the worldwide hospitality market. Together we aim to generate more than MUSD 400 in incremental revenue (MEUR 120 of this total sum shall be generated through Rezidor in Europe, the Middle East and Africa) and a RevPAR Index increase of more than nine points by 2015.

Growing Club Carlson: An attractive loyalty programme

Our work is based on the five pillars of Loyalty, Sales & Marketing, Revenue Optimisation, Travel Intermediaries and Brand Web. In 2012, material progress has been made towards our key deliverables – especially with a strong performance of our loyalty programme Club Carlson and Sales. The Global Sales Teams were enhanced to develop and foster increased inter-theatre sales between the Americas, Asia-Pacific and Europe, the Middle East and Africa. In order to fully support the drive towards decentralisation in EMEA, the commercial organisation has also been aligned and fortified to optimise Revenue Generation to the areas of operations. SNAP, our price optimisation tool, is now used at 180 Rezidor hotels across EMEA, and further maximises the properties' RevPAR performance.

Club Carlson is our primary global loyalty tool, and one of the most attractive and rewarding loyalty programmes in the travel industry. Award Nights start at 9,000 points, which is equal to only 5 nights stay; there are no blackout dates for redeeming points; and members benefit from numerous extras ranging from early check in and late check out, to true VIP treatments and services for Concierge Elite members. Club Carlson features more than 1,300 hotels worldwide (Radisson, Radisson Blu, Radisson Blu Edwardian, Country Inns & Suites, Park Inn by Radisson and Park Plaza) – including great holiday resorts around the globe – and is also one of the world's fastest growing hotel loyalty schemes. It boasts 9.7 million members worldwide and 1.8 million in EMEA where enrolments were up 20% in 2012; and aims to have 15 million by 2015. The programme focuses on big, global and compelling offers, and features extras, such as iPhone and Android mobile Apps that include express bookings, GPS mapping and the ability to redeem points; as well as linking to "Explore Destinations", a state-of-the-art feature that stores millions of points of interest.

We also offer a dedicated Club Carlson for Planners programme for meeting and event organisers, and launched our latest addition Club Carlson for Business in 2012. Club Carlson for Business is an attractive offer for Small to Medium Enterprises (SME) – businesses that do


Radisson Blu Waterfront Hotel, Stockholm, Sweden

not have a global or national sales agreement with Rezidor or Carlson.

Participating SMEs can save on their travel budget, get rewards for their company, and benefit from recognition and rewards at 1,000 hotels worldwide. They can change their collected points for Award Nights, MasterCard prepaid cards to pay events, dinners or office supplies; or they can donate points to Carlson Rezidor's corporate charity organisation, the World Childhood Foundation.

Social Media activities

Our global brand websites form an important part of our guests' experience – before they even stay with us. In 2012, we decided to move to one single, consolidated web platform for Carlson Rezidor – a key step that will further increase conversion, improve SEO performance, allow a consistent online customer experience, and maximise web revenue contributions. In order to better enable our hotels to effectively work with increasingly important Social Media, we continue to further incorporate Social Media activities into our online strategy.

We have also updated our Social Media procedures and developed new, comprehensive guidelines supported by webinars and training sessions – including a dedicated Social Media course at the Business School. Furthermore, we rolled out "Revinate", an online monitoring tool for Social Media, which is already used by 215 hotels across EMEA. Our Facebook presence increased by 30% in 2012: more than 300 hotels are on Facebook, and have a total of 200,000 Facebook fans.

Customised gift cards

Besides global partnership activities with Carlson, we also continue to develop Revenue Generation tools for Europe, the Middle East and Africa. In 2012, Rezidor's gift card for hotel nights and services got a facelift and new style; cards that are purchased online can now be personalised for a unique and distinctive look. The personalised gift with an individual cover photo is just a few clicks away. At www.radissonblu.com/giftcard and www.parkinn.com/giftcard customers select and upload a photo from their desktop or the image gallery, choose the amount they would like to put on the gift card (20, 50, 75, 100 or 150 EUR, or 20, 50, 75 or 100 GBP), enter the delivery address, and pay online with their credit card. The card makes it all possible – whether the recipient dreams of a spa treatment in Ireland, a shopping weekend in London, a cosy dinner in Paris or a city break in Rome. The gift card can be used in more than 250 hotels in 34 participating countries and is valid for two years.

Innovative meeting concepts

The MICE business is our core business – and is now further boosting revenues, too. In 2012, we introduced Experience Meetings at 255 Radisson Blu hotels with a total of more than 2,200 meeting rooms in 55 countries across Europe, the Middle East and Africa. This new concept harmonises the meeting essentials – breakout rooms, food and connectivity – with the meeting intangibles – service, satisfaction and sustainability.

Experience Meetings begins with an easy planning and booking process. An enhanced online search tool, www.meetings.carlsonrezidor.com, enables users to search for hotels and to directly submit requests. Three key elements mark Experience Meetings: The first is Brain Food – an innovative food & beverage solution developed by skilled chefs and nutritionists to keep the guests' blood sugar level constant, helping them to stay concentrated and lowering their stress levels. The second is the Brain Box – a breakout room designed to elevate efficiency and to stimulate creativity. The third element is to enable connectivity – all Radisson Blu properties offer free and fast WiFi for all meeting delegates.

Intangible components complement the new meeting concept, such as our service philosophy Yes I Can!, our 100% Guest Satisfaction Guarantee and our Responsible Business activities. Guests can make their meeting paperless and members of Club Carlson for Planners (see above) also benefit from an automatic offset of the carbon dioxide emissions from any meeting that a member has booked.

REVENUE GENERATION

> "In 2012, we gained market share in all regions.

Interview with Olivier Jacquin
Senior Vice President Head of Global Sales

Why did Rezidor and Carlson decide to launch the Carlson Rezidor Hotel Group in January 2012?

Olivier Jacquin: This strategic partnership was an evolution and a natural step for our co-operation. Rezidor and Carlson have been working together since 1994 when we signed the first Master Franchise Agreement for Radisson. After Rezidor's IPO in November 2006, Carlson became our largest shareholder and is today our majority shareholder. To appear as one global player is the next chapter in our joint history, and has been received very positively by the market.

Which benefits does the strategic partnership have for Rezidor?

OJ: We focus on two core areas, Revenue Generation and Branding. Together we have increased our global sales force to 170+ people, and are vigorously pursuing top-line revenues, but with the focus on profit optimisation. Through joint activities and global initiatives, we are aiming for an increased share of travellers from the US and Asia-Pacific to EMEA and vice versa.

In 2012, our Revenue Growth Index (RGI) grew in all Rezidor regions, especially in the emerging markets. Rezidor will also benefit from the increased global brand presence and awareness of Radisson Blu. In 2012, the Radisson Edwardian hotels in the UK joined the brand and across the Americas and Asia-Pacific, Carlson is investing USD 1.5 billion in the Radisson Blu brand development – in 2011 and 2012, more than 40 hotels became Blu; among them flagships like the Radisson Blu Aqua Hotel, Chicago and the Radisson Blu Wetland Park Wuxi, China.

Leading the Leases: A new focus on Asset Management

2012 saw the creation of a dedicated department that negotiate exits for unprofitable agreements, extends profitable ones and enhances contract value.

Rezidor's EBITDA in Western Europe has fluctuated significantly as our portfolio includes a high proportion of lease contracts, many of which were signed at the peak of the market, and the heavy RevPAR drop since 2008. In the Nordics, our Lease contracts are in general highly profitable. The Route 2015 programme clearly addresses this challenge and opportunity. At the beginning of 2012, we established a separate Asset Management department, with responsibility for handling all contract-related aspects of our lease business, including terminating unprofitable agreements and extending and/or restructuring our existing leases.

We aim to terminate or renegotiate the majority of our unprofitable leases before 2015. Half of them are located in the UK and the rest can be found in France, Belgium and Germany. Renegotiations can be difficult as the leases are long-term, typically include a fixed income for the owner and were often signed at the peak of the cycle with rent levels that have proven to be in excess of market averages. In some cases, Rezidor's best option is to propose an upfront payment to exit the leases early. Other options include conversion to franchise or endeavouring to restructure the rent payment to the benefit of both parties.

Strengthen the asset-light strategy

This focus led to several significant signings in late 2012 and early 2013, which are collectively projected to contribute 0.5% in EBITDA margin and accelerate the company's asset light transformation. In total, the number of Lease agreements in the portfolio declined from 77 at the end of 2011 to 68 today.

In October 2012, we announced the exit from seven consistently unprofitable Lease contracts in France at the beginning of 2013. These hotels comprise 700 rooms, were mainly operated under the Park Inn by Radisson brand, and their positioning and locations were not commensurate with the future direction of the brands. The exit will positively affect Rezidor's EBITDA by MEUR 1.9 annually. In addition, Rezidor will be released from future capital expenditures.

In January 2013, we also published the conversion of two Lease agreements in Sweden, the Park Inn by Radisson Malmö and the Park Inn by Radisson Hammarby Sjöstad, to Franchise agreements. This transaction will positively affect Rezidor's EBITDA by approximately MEUR 0.9 annually, an important step toward achieving our Route 2015 goals.

Rezidor paid the equivalent of MEUR 12.4 to secure the above exits – a reason-

Asset Management deals in 2012

	Termination Costs, MEUR	Revenue impact, MEUR	EBITDA impact, MEUR	EBITDA-margin impact, %
Exit from 7 leases in France	11.5	−14.8	1.9	
Exit from 2 leases in Sweden	0.9	−10.2	0.9	
The conversion of a committed management agreement in Italy to franchise	–	−1.0	0.9	
Total Impact	12.4	−26.0	3.7	0.5

able sum considering the annual losses of approximately MEUR 3.7, in addition to the future CapEx expenditures.

Other achievements include converting a committed Management agreement in Italy to a Franchise agreement, avoiding annual losses of approximately MEUR 0.9. In addition, all profitable leases with initial expiration date before 2015 have been extended. Recent examples include the Radisson Blu Hotels in Trondheim and Stavanger, Norway and the Radisson Blu Hotels at Stockholm's Arlanda Airport in Sweden.

Coupled with the continuous openings of managed and franchised rooms, the lease exits in 2012 will enable Rezidor to reduce the weight of leased rooms to 18% at the end of 2012, compared to 26% in 2007. This trend will continue as all hotels under development comprise managed and franchised rooms and Asset Management will continue to play a pivotal role in supporting our Route 2015 goals.


Radisson Blu SkyCity Hotel, Stockholm-Arlanda, Sweden

Our people, our success

Rezidor's 35,000+ employees are our biggest asset and key drivers of our quality performance and profitable, sustainable growth.

All Rezidorians follow our vision Yes I Can! which is much more than a slogan – it is our core service philosophy, our way of life, and the blood that runs through our veins. Yes I Can! stands for a positive and personal attitude towards our guests and business partners, and for the extra mile our Rezidorians go each and every day to fulfil our guests' expectations.

And it works! A study by the renowned École Hôtelière de Lausanne in Switzerland has shown that Yes I Can! makes a significant contribution to better service performance and increases both guest and employee satisfaction. With Yes I Can! and our strong values of Being Host, Living Trust and Fighting Z-pirit, we believe that our commitment to People Development is a key factor to us achieving our ambitious goals.

Revitalised and relaunched: our strong company values

We presented our three renewed values in front of all our General Managers and company leaders at our Annual Business Conference 2012. Since then we have kept the focus on our values through a dedicated Values Campaign: It was promoted throughout the group to ensure that our values really come to life and are meaningful for all our staff. Our values are part of our DNA!

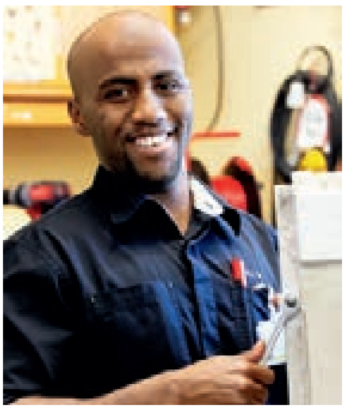
Newly created: the Rezidor Business Leader Profile

Rezidor has a great legacy of talent promotion and people development from within. In order to continue with this success story and to meet all future needs for high-potential talent of our fast growing company, we have reviewed our essential development tools – and are now stepping up one level:

2012 saw the creation of our own, clear and distinct Rezidor Business Leader Profile. It allows us to build a team of highly skilled and highly motivated leaders, and focuses on seven core dimensions we ask our top players to have: People Leadership, Passion & Integrity, Problem Solving, Quality Results, Active Relationships, Commercial Focus, and Strategic Perspective. Linked to the Rezidor Business Leader Profile we have also created "Proactive Leadership," a dynamic 3-day programme for our General Managers and senior executives to accelerate their development, optimise their performance and achieve their personal, professional and company objectives.

It gives participants a valuable opportunity to challenge their way of thinking, share experiences with their colleagues, and take away a range of approaches and choices to enhance their leadership effectiveness. The programme will be offered at the Business School @ Carlson Rezidor, our company's own development platform driving our values, brand quality and company revenues.

Born 16 years ago and held every quarter in one of our hotels, the Business School is led by both internal and external trainers, and comprises state-of-the-



art courses on hotel, revenue and service management and People Development, as well as our General Manager Certification Training. In 2012, four new programmes were added to the School's curriculum to broaden the possibilities and to help achieve our targets.

For the best in class: our Mentor Mentee Programme

In 2012, we also reviewed our acclaimed Mentor Mentee Programme that helps us to find the best of the best within the group; young leaders who have the talent to become General Managers. The Mentor Mentee Programme has been fully redefined and reinforced as a state-of-the-art management development programme for carefully selected Mentees who are accompanied and trained by highly experienced Mentors over a period of 12 months minimum.

Mentor Mentee is a pillar in helping us to fulfill our business needs by preparing and positioning the talent we have. The programme targets both our home and emerging markets: For our first batch of new mentees we have focused on selecting those who are interested in working in Rezidor's most important development areas Russia/CIS and Africa.

Last but not least, we have designed a brand new Performance Management Process. It formalises the performance expected from our team members, both in terms of what is to be achieved and how one can achieve it. It is designed to help everyone develop their skills and capabilities so that they can perform at their highest level. The Performance Management Process ensures regular and documented review meetings between a manager and his team member to clearly define the objectives and performance expectations, and to ensure a consistent performance in line with the group's overall objectives. The system is built around the Rezidor Business Leader Profile, a Talent Profile, and a succession module – the next two years will see the addition of Compensation and a Job Description Builder.

Industry leading: Our Employee Satisfaction Score

Through our innovative and inspiring People Development we want to become the number one company to work for and to be the employer of choice in our industry. We are on the right way: Rezidor's annual Climate Analysis, a group-wide employee satisfaction survey conducted by an external, independent partner, shows an Employee Satisfaction Score that has reached over 86 points each year for the past three years. Such industry-leading results make us proud – Yes, we do have a fantastic, dedicated and loyal team!

The Rezidor Values:

Being Host
Living Trust
Fightin Z-pirit

Rezidor takes responsibility

Our Responsible Business Programme is award-winning. The latest addition: The energy saving initiative "Think Planet".

Responsible Business and Safety & Security have a long tradition at Rezidor – their roots date back to 1988. Rezidor was one of the first international hotel groups to develop an own company-wide Responsible Business programme. Since 2009, the group has been a member of the United Nations' Global Compact – a global policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption. Today, we have a comprehensive and award-winning Responsible Business practice based on three main pillars: responsibility for the health and safety of our guests and employees, respect for social and ethical issues within the company and community, and a reduced negative impact on the environment.

Saving energy

Our core project in 2012 was Think Planet, an ambitious and proactive energy-saving initiative: In all Rezidor hotels across Europe, the Middle East and Africa, we are targeting an energy consumption reduction of 25% by 2016. The engaging programme has been developed and is driven by a specially formed, interdepartmental and cross-regional team at Rezidor – with representatives from Technical Services, Operations, Purchasing, Finance, and Responsible Business.

We also celebrated our ninth and most successful Responsible Business Action Month ever. September 2012 saw 80% of our hotels participating in community activities, volunteering and raising funds for a good cause. In 2012, Rezidor donated close to EUR 475,000 in cash and an estimated EUR 310,000 in kind to charity organisations, in support of Carlson Rezidor's corporate charity organisation World Childhood Foundation as well as local community projects. Highlights included "The Box Appeal" in the Middle East where Radisson Blu- and Park Inn by Radisson hotels in three countries distributed 13,000 boxes filled with useful provisions to people in need; and 13 hotels in the Baltics that cooperated with airBaltic's frequent flyer programme to collect more than 4,800 items for local orphanages.

Throughout the year our hotels continued to apply for eco-labels: 65% of all our properties are currently eco-labelled by renowned independent third-party labels, and we aim to have all Rezidor hotels eco-labelled by 2015.

Respecting business ethics

Rezidor is committed to maintaining a high standard of business ethics, honesty and integrity. Every employee is introduced to our ethical culture through the induction programme and the Living Responsible Business training. In 2012 and 2013, Rezidor was yet again and for the fourth consecutive year named one of the World's Most Ethical Companies.

Our Code of Business Ethics is also reflected in the "Always Care" motto of our Safety & Security programme TRIC=S, acknowledged as best practice for corporate security management. TRIC=S stands for Threat Assessment + Risk Mitigation + Incident Response Capability + Crisis Management Preparedness = Safe, Secure and Sellable Hotels. Developed within Rezidor and providing bespoke safety and security solutions for Carlson Rezidor hotels and offices, TRIC=S includes threat trend monitoring in all countries where we are present, regular information and briefings for employees, and detailed guidance, procedures and tools to prevent and prepare for and respond to any incident that may occur.

More details on our Responsible Business and Think Planet achievements can be found in the Responsible Business Report 2012.

THINK PLANET!

> "Saving energy helps maximise our profits.

Interview with Inge Huijbrechts
Vice President Responsible Business

You've launched the group wide energy-saving initiative "Think Planet" in early 2012 targeting an energy consumption reduction of 25% by 2016 in all Rezidor hotels. Which are the reasons behind this project?

Inge Huijbrechts: Think Planet reinforces Rezidor's position as one of the industry leaders in terms of sustainability. Many of our hotels have already introduced environmentally friendly measures – now we are spreading these initiatives into all our properties and focus on key energy-saving investments that will have the biggest impact. We are currently faced with significantly rising energy costs in many countries, along with increased government carbon taxation. In this context, Think Planet certainly contributes to maximising our profits.

After a company-wide energy audit you have created a general Energy Action Plan. Which actions does this plan include?

IH: Think Planet focuses on creating smart energy habits – such as switching off lights and equipment, turning heating and cooling to eco-mode, and reporting energy-related issues that request attention and preventive maintenance. The basic tools are simple and low-cost solutions: They comprise for example daylight and motion sensors for lighting, condensation water recuperation from air-conditioning, and alarms on freezers. Considerable investments are made to move to LED lighting in all hotels, install variable extraction systems in the kitchens, maximise insulation of glass facades and optimise building management systems. We closely track our energy key performance indicators: energy in kWh/m^2 and energy in kWh/occupied room. In 2012, we have achieved a 1.6% and 3.2% reduction respectively.

How do you make sure that all hotels and employees actively participate in "Think Planet"?

IH: Staff engagement is a crucial factor of the project. Good energy saving habits in operations can reduce energy consumption by up to 5%. In line with our vision Yes I Can! and with the help of Think Planet's mascot, the cute firefly Lumi, all 35,000+ employees are encouraged to participate in the initiative. Dedicated audio- and video training provides information about smart energy saving habits in housekeeping, kitchen and meeting areas, a monthly "Lumiquiz" and a competition for the most efficient, energy-saving hotel of the year ensure continuous employee motivation and involvement. All together, we will make Think Planet a fantastic Responsible Business success!

Contents Financial Reports

Board of Directors' Report

The Board of Directors and the President and Chief Executive Officer of the Rezidor Hotel Group AB, corporate registration number 556674-0964, hereby submit the Annual Report and Consolidated Financial Statements for the financial year 2012.

Operations

Rezidor Hotel Group AB ("Rezidor") is a hospitality company managing hotels, brands and assets owned by third parties. Rezidor operates the Radisson Blu, Park Inn by Radisson, Hotel Missoni and Regent Hotels & Resorts brands. The Radisson Blu and Park Inn by Radisson brands are developed and licensed by Rezidor in Europe, the Middle East and Africa ("EMEA") under Master Franchise Agreements with Carlson, a privately held hospitality and travel company. Rezidor has a worldwide license agreement with the Italian fashion house Missoni for the development of the Hotel Missoni brand. Rezidor also has an agreement with Regent Hotels & Resorts to develop and operate new Regent hotels in Europe, the Middle East and Africa. By the end of 2012 the group operated 338 hotels with 74,000 rooms in 56 countries.

Strategies and Development

The hotels in Rezidor's portfolio are either operated by Rezidor itself under a lease contract, by providing management-services for a hotel owner under a management contract, or by a separate operator using one of the brands under a franchise contract. Rezidor's strategy is to grow with management and franchise contracts and only exceptionally with leases. Management and franchise contracts offer a higher profit margin and more stable income streams. Of Rezidor's 74,000 rooms in operation at the end of the year, 76% were under management and franchise contracts and 100% of the rooms under development.

Rezidor's strategy is to further expand in the emerging markets of Eastern Europe, the Middle East and Africa. These markets present attractive development opportunities that are fuelled by strong growth in room demand combined with undersupply and low operating costs. However, compared to the mature markets in Western Europe, the emerging markets face greater uncertainties when it comes to financing and a higher risk of delays and cancellations.

18 new hotels with 4,000 new rooms opened during 2012, all under management and franchise contracts in key locations, such as Lusaka, Istanbul and Doha. Five hotels with 700 rooms left the system, resulting in net openings of 3,300 rooms.

Rezidor's pipeline (rooms under development) features 22,000 rooms, scheduled to open within three to four years and represents 30% of the rooms in operation. The entire pipeline comprises management and franchise contracts and 78% are located in the emerging markets. Rezidor is expanding through organic growth by converting existing hotels and opening new-build. During 2012, Rezidor signed agreements for 30 new hotels which represent 7,100 rooms, all under management and franchise contracts.

In operation December 31, 2012	Rezidor total	Radisson Blu	Park Inn by Radisson	Hotel Missoni	Other
Number of hotels	338	218	112	2	6
Number of rooms	74,006	52,012	21,038	305	651
Countries	56	53	29	2	6
Occupancy, % 1)	64.2	65.9	59.9	–	–
Reported RevPar, EUR 1)	67.4	76.7	41.9	–	–

1) Including leased and managed hotels in operation.

Under development December 31, 2012	Rezidor total	Radisson Blu	Park Inn by Radisson	Hotel Missoni	Other
Number of hotels	100	47	48	5	–
Number of rooms	22,026	11,326	9,832	868	–
Countries	43	33	18	5	–

Focus on profitability

One of Rezidor's main challenges over the years has been to improve the profitability of the leased hotel portfolio in the Rest of Western Europe. Several measures have been launched during 2011 and 2012 to improve the performance and the margins, both in absolute terms and relative to the industry.

In December 2011, Rezidor announced Route 2015 which lays out a number of initiatives that combined are expected to increase the EBITDA margin by 6 to 8 percentage points by 2015 over full year 2011 numbers; assuming market RevPAR growth covers inflation. These initiatives are crucial to help reach the group's EBITDA margin target of 12% over a business cycle.

An important element of the strategy is a stronger emphasis on revenue generation, partly through achieving more synergies with Rezidor's partner and brand owner Carlson. Rezidor and Carlson are working together in several areas, such as the customer loyalty programme Club Carlson, global sales, travel intermediaries, brand websites, revenue optimisation tools, key intermediaries and purchasing. Since January 2012, Rezidor and Carlson do business together as the "Carlson Rezidor Hotel Group" to facilitate this work.

In addition to different revenue initiatives, the targeted approach to improve Rezidor's EBITDA margin includes growing the group's fee-based hotel portfolio, cost savings and the full utilization of contractual caps on performance guarantees. Rezidor has also established a dedicated Asset Management department in order to optimise the existing portfolio of leased assets. In total it is estimated that this programme yielded 1.8 percentage points improvement in EBITDA margin in 2012. This is in line with the goals, and further improvement will be realised as the cost savings programmes are fully implemented.

As from the third quarter of 2011 the pace of RevPAR growth in the Western European and Nordic markets slowed down due to the economic instability in the Euro zone and this deceleration continued during 2012. Given the current uncertain economic outlook and reduced GDP projections in Europe, Rezidor has taken a cautious view in terms of expected market RevPAR growth going forward. To give further support to the Route 2015 initiatives, Rezidor initiated a separate cost savings plan in 2012 estimated at MEUR 13–15 in total by 2015. Most of the savings are expected to be realised in 2014 and 2015 and will come from reduced central and regional cost and from a restructured procurement process.

RevPAR development

Rezidor's L/L RevPAR for leased and managed hotels improved by 4.6% compared to 2011 and was driven by occupancy growth. L/L RevPAR for leased hotels grew by 1.7%, reflecting the weaker economic situation in the Nordics and the Rest of Western Europe.

All four geographic segments reported L/L RevPAR growth over last year.

The strongest growth was seen in the Middle East and Africa, as a consequence of a negative development in 2011 due to the political unrest in the region.

Eastern Europe continued to show strong improvements in RevPAR with Russia and Poland as the clear leaders.

The Nordics and the Rest of Western Europe generated lower RevPAR growth due to the progressive deterioration of the macroeconomic environment. Germany, Ireland and the UK reported a RevPAR development above 4%. Sweden, France, Benelux and Norway reported growth rates between zero and 3%. Denmark and Switzerland were the only countries that reported negative growth rates.

The RevPAR development for the year is presented in the table below and on page 33.

Income statement

Total revenue increased by 6.9% or MEUR 59.5 compared to last year. Revenue was positively impacted by the weakening of the Euro. The increase was also the result of a strong growth in the fee business (16.7%) which is a direct result of the increased number of hotels under management contracts as well as the positive RevPAR development in Eastern Europe, the Middle East and Africa. For leased hotels, Rooms Revenue

In EUR	L/L Occupancy		L/L Room Rates		L/L RevPAR		Reported RevPAR	
	2012	2011	2012	2011	2012	2011	2012	2011
Radisson Blu	66.8%	2.2 pts	113.4	0.8%	75.8	4.2%	76.7	6.2%
Park Inn by Radisson	60.6%	2.7 pts	67.4	1.3%	40.9	6.1%	41.9	8.8%
Group	65.1%	2.3 pts	101.7	0.9%	66.2	4.6%	67.4	7.1%

	2012	2011	2012	2011	2012	2011	2012	2011
Nordics	68.6%	1.7 pts	128.0	–0.8%	87.7	1.8%	90.9	5.7%
Rest of Western Europe	68.3%	1.4 pts	101.8	0.8%	69.5	3.0%	70.9	5.4%
Eastern Europe	61.0%	3.1 pts	87.5	2.9%	53.4	8.4%	52.9	7.9%
Middle East, Africa & Others	60.5%	4.2 pts	91.8	2.3%	55.5	9.9%	61.2	19.6%
Group	**65.1%**	**2.3 pts**	**101.7**	**0.9%**	**66.2**	**4.6%**	**67.4**	**7.1%**

RevPAR development	2012
L/L growth	4.6%
FX impact	2.9%
Units out	0.1%
New openings	–0.6%
Reported growth	7.1%

grew in line with the RevPAR development and a healthy development in Food & Beverage and the Conference business was delivered in the Nordics. The change in revenue, compared to the same period last year is presented in the table below.

EBITDAR improved by MEUR 25.9 to MEUR 300.5 and the EBITDAR margin increased by 0.7 percentage points (32.5% versus 31.8% in 2011). The increase is a result of the growth in leased hotel revenue combined with additional high-margin fee revenue. The development was negatively impacted by higher payroll costs, property tax increases and a MEUR 2.3 write-down of fee receivables following the termination of a loss-making management contract with performance guarantee in Q2 2012.

EBITDA improved by MEUR 15.8 to MEUR 50.8 and the EBITDA margin grew by 1.4 percentage points (5.5% versus 4.1% in 2011). As noted earlier, EBITDA improved by an estimated 1.8 percentage points due to the combined efforts of the Route 2015 initiatives. This improvement was offset by MEUR 2.4 provision for two onerous contracts in Rest of Western Europe (reported as rental expenses) and a MEUR 1.7 rent adjustment for one leased hotel in Sweden.

EBIT improved by MEUR 6.8 to MEUR –0.9 and the margin by 0.8 percentage points (–0.1% versus –0.9% in 2011). EBIT was negatively impacted by MEUR 11.4 noncash write-downs of fixed assets as well as a write-down of investments in other shares and participations in Eastern Europe of MEUR 0.9. The result was also impacted by termination costs of MEUR 9.4 for nine hotels under lease contracts exited in Q4 2012. Excluding the write-downs in 2012 and 2011 (MEUR 11.6 in 2011) and the termination costs in 2012, the EBIT was MEUR 20.8 (3.9) and the EBIT margin would have improved by 1.8 percentage points to 2.3% (0.5%).

Loss after tax was MEUR –16.8 versus MEUR –11.9 last year. Income tax was MEUR –15.0 versus MEUR –3.3 last year. The high effective tax rate for the year is the consequence of not recording deferred tax assets on losses for the period and the noncash write down of previously capitalised tax assets of MEUR 3.3 in Q4 2012. Besides these points, the increase in income tax from 2011 to 2012 relates also to the fact that deferred tax assets were capitalised in 2011.

The Nordics

L/L RevPAR grew by 1.8%, driven by an increase in occupancy (2.6%) against a backdrop of a decline in rate. The best performing country was Norway with a RevPAR growth of 2.8%, while the development in Sweden was unchanged to last year and Denmark was –1.3%. The weak development in Denmark was mainly due to renovations works at the hotels in Copenhagen.

Leased hotel revenue increased by MEUR 31.1 or 8.3%. The increase was explained by a strong development in the meetings and events business in the first half of the year (partly attributed to the Radisson Blu Waterfront Hotel, Stockholm) and partly from the weakening of the Euro against the NOK and SEK. However, due to the relatively modest L/L RevPAR growth, a MEUR 0.9 in termination costs for the exit from two hotels under lease contracts in Sweden in Q4 2012 and a MEUR 1.7 rent adjustment in Q3 2012, the margins came in slightly below last year.

MEUR	2012	2011
Revenue	923.7	864.2
EBITDAR	300.5	274.6
EBITDA	50.9	35.1
EBIT	–0.9	–7.7
Profit/loss for the period	–16.8	–11.9
EBITDAR margin, %	32.5%	31.8%
EBITDA margin, %	5.5%	4.1%
EBIT margin, %	–0.1%	–0.9%

The Rest of Western Europe

L/L RevPAR grew by 3.0%, primarily due to an increase in occupancy (2.2%). The majority of the markets in the Rest of Western Europe noted a RevPAR rise with Ireland (11.3%) leading the way followed by Germany (5.3%) and the UK (4.2%). Switzerland was the only key market with a noteworthy RevPAR decline, mainly related to a weaker demand from international customers due to the strong Swiss Franc.

Revenue, MEUR	L/L	New	Out	FX	Change
Rooms Revenue	11.0	–	–1.1	15.7	25.6
F&B Revenue	9.3	–	–0.3	7.9	16.9
Other Hotel Revenue	–0.2	–	–0.0	0.7	0.5
Total Leased Revenue	**20.1**	–	**–1.4**	**24.3**	**43.0**
Fee Revenue	13.3	3.0	–1.3	0.3	15.3
Other Revenue	0.9	–	–	0.3	1.2
Total Revenue	**34.3**	**3.0**	**–2.7**	**24.9**	**59.5**

Leased hotel revenue grew in line with the RevPAR development and improved by MEUR 11.6 or 3.0% compared to last year. The flow-through from revenue to EBITDAR was negatively impacted by payroll increases and higher energy costs. However, because of the increase in revenues and lower rent as a percentage of leased revenue (one hotel switched from fixed rent to a lower variable rent), the EBITDA margin of the leased portfolio improved versus last year. Fee revenue improved by MEUR 2.5 or 7.4% but the margins declined compared to last year. This is notably due to a higher shortfall guarantee as a consequence of the provision for one onerous management contact and higher accruals for doubtful accounts.

EBIT and the EBIT margin were negatively impacted by write-downs of fixed assets of MEUR 11.4, termination costs of MEUR 8.5 for the seven exited hotels under lease contracts in France and MEUR 2.4 in provisions for onerous contracts. Excluding these one-off items the EBIT was MEUR –1.8 and the EBIT margin was –0.5%.

Eastern Europe

L/L RevPAR grew by 8.4%, coming primarily from higher occupancy (5.4%). Poland had the highest growth, with an increase of 12.6% (benefitted by Euro 2012) followed by Russia and the Baltics.

Fee revenue grew by 19.0% versus last year due to the strong RevPAR increase in the region and new hotels added to the portfolio since the beginning of 2011. The weakening of the Euro also positively impacted revenues. The margins improved as a result of the revenue increase, despite higher provisions related to fee receivables and a MEUR 0.9 write-down of investment in other shares and participations at one hotel in the region.

The Middle East, Africa and Others

L/L RevPAR improved by 9.9% driven primarily by a rise in occupancy (7.4%). A number of the key countries including Egypt, South Africa and Saudi Arabia experienced strong RevPAR growth rate above 10%. The RevPAR increase was a consequence of the political unrest in the Middle East and North Africa in 2011.

Fee revenue increased because of the RevPAR growth, new hotel openings since 2011 and the weakening of the Euro. The margin came in slightly below last year due to higher marketing expenses and higher provisions related to fee receivables.

Balance sheet end of 2012

Non-current assets were in line with year-end 2011. Net working capital, excluding cash and cash equivalents, but including current tax assets and liabilities, at the end of the period was MEUR –51.6 (–61.7 at year-end 2011). The change is mainly explained by a decrease in accrued expenses and prepaid income.

Cash and cash equivalents decreased by MEUR 1.2 from year-end 2011 to MEUR 8.6 at the end of 2012. Bank overdrafts increased by 18.2 to MEUR 26.1 as a result of termination cost and investments carried out in 2012.

Compared to year-end 2011, Equity including non-controlling interests decreased by MEUR 14.8, mainly due to the loss for the period.

MEUR	31-Dec 12	31-Dec 11
Balance sheet total	376.3	373.8
Net working capital	–51.6	–61.7
Net debt (net cash)	–17.5	1.9
Equity	149.9	164.7

Cash flow and liquidity

Due to the improved operating performance, cash flow from operating activities amounted to MEUR 16.5 in 2012, a positive improvement of MEUR 2.4 compared to the same period last year.

Cash flow from change in working capital amounted to MEUR –6.8, which was MEUR 1.5 above the change in 2011.

The investment in capital refurbishments continued with a total of MEUR 37.7, resulting in a cash flow from investing activities of MEUR –41.5, compared to MEUR –40.0 during the same period last year.

The total credit facilities available for use by the end of the year amounted to MEUR 106.8. MEUR 2.1 was used for bank guarantees and MEUR 26.1 was used for overdrafts, leaving MEUR 78.6 available for use. At the end of December 2012, Rezidor had MEUR 8.6 in cash and cash equivalents. The tenor of its committed overdraft facility and credit line ranges between one and four years, combined with customary covenants.

Net interest bearing liabilities amounted to MEUR –10.2 (15.3 at year-end 2011). The drop compared to last year was mainly explained by the increased use of the overdraft facilities. Net debt/cash, defined as cash & cash equivalents plus short-term interest-bearing assets minus interest-bearing financial liabilities (short-term & long-term), amounted to MEUR –17.5 (1.9 at year-end 2011).

MEUR	31-Dec 12	31-Dec 11
Cash flow from operations	23.3	19.4
Change in working capital	–6.8	–5.3
Investments	–40.2	–37.9
Free cash flow	–23.7	–23.8

Other important developments

Rezidor exited seven lease contracts in France at the end of 2012 and payed the owner, Hibernia France, MEUR 11.5. This had a negative impact of MEUR 8.5 on profit in Q4 2012. The exits will positively affect Rezidor's EBITDA by ca MEUR 2 annually, as from 2013. In addition, Rezidor will be released from future capital expenditures. The seven hotels will remain under their existing brands and will be operated by Rezidor for the next few years under management contracts. Should the owner sell the properties, the management contracts will be terminated thereafter.

Rezidor converted two lease agreements in Sweden, the Park Inn by Radisson Malmö and the Park Inn by Radisson Hammarby Sjöstad, to franchise agreements. Ligula Hospitality Group AB purchased the shares of the company which holds the lease agreements, Rezidor Hotel AB, which will operate the hotels under franchise agreements with Rezidor as from Q1 2013. The shares were sold for a symbolic SEK 1, while the net assets of the company was MEUR 0.9 which lead to an impairement of MEUR 0.9 being recognised during Q4 2012. The 2012 EBITDA losses for the two hotels were MEUR 0.8.

Rezidor announced the initiation of an optimisation and cost savings programme valued at MEUR 13–15 to support the Route 2015 strategy. The savings will come from a wide range of optimisation initiatives, focused on reducing operating costs at all levels and from restructuring the procurement process. Most of the savings are expected to be realised in 2014 and 2015.

The Board appointed Wolfgang M. Neumann to replace Kurt Ritter as Rezidor's new President & CEO; effective January 1, 2013. In September 2012, the Board also appointed Trudy Rautio as Rezidor's new Chairman for the period until the end of the 2013 AGM, replacing Hubert Joly.

Risk Management

Rezidor is exposed to operational and financial risks in the day-to-day running of the business. Operational risks occur mainly in running the hotels locally but also include implementation risks related to margin enhancing initiatives launched centrally. Such initiatives include, inter alia, gaining market share, cost-cutting programs, room growth and asset management activities related to our existing portfolio. Financial risks arise because Rezidor has external financing needs and operates in a number of foreign currencies. To allow local hotels to fully focus on their operations, financial risk management is centralised as far as possible to group management, governed by Rezidor's Finance Policy. The objectives of Rezidor's Risk Management may be summarised as follows:

- ensure that the risks and benefits of new investments and contingent liabilities are in line with Rezidor's Finance Policy;
- reduce business cycle risks through brand diversity, geographic diversification and by increasing the proportion of managed and franchised contracts in the portfolio;
- carefully evaluate investments in high-risk regions to reflect returns that exceed higher cost of capital in such regions;
- protect brand values through strategic control and operational policies;
- review and assess Rezidor's insurance programmes on an on-going basis.

Operational Risks

Market Risks

The general market, economic, financial conditions and the development of RevPAR in the markets where Rezidor operates are the most important factors influencing the Company's earnings. As the hotel business is by its nature cyclical, a recession puts industry RevPAR under pressure. In order to balance the market-related risks, Rezidor uses three different contract types for its hotels:

- the company leases hotel properties and operates the hotels as its own operation;
- the company manages a hotel on behalf of a hotel owner and receives a management fee; and
- the company franchises one of the brands to an independent owner and receives a franchise fee.

The management and franchise models are the most resilient while the leased model is more volatile and sensitive to market fluctuations. Rezidor operates leased hotels only in the Nordics and Rest of Western Europe. Rezidor's strategy is to grow by adding mainly managed and franchised hotels to the portfolio.

Rezidor's client base is well distributed with circa 55% business clients. Rezidor is not dependent on a small number of customers or any particular industry.

Rezidor operates a well defined multi-brand portfolio of hotels covering different segments of the market and operates in 56 countries across Europe, the Middle East and Africa (EMEA).

Political Risks

Rezidor's growth focus includes emerging markets such as Russia & other CIS countries, the Middle East and Africa. These countries have a higher political risk than the more mature markets in the Nordics and the Rest of Western Europe. In order to balance the political risks, Rezidor only operates under management and franchise contracts with limited or no financial exposure in these markets.

Rezidor acknowledges that terrorism as well as other issues such as social unrest, crime and weakness of local infrastructure can be threats to safe and secure hotel operations at certain times in certain locations. With the aid of external expertise, threat assessments are continuously carried out and hotels notified if a possible change to their threat situation is detected.

Partner Risks

The company does not own the brands under which the hotels are operated. Rezidor develops and operates the brands Radisson Blu and Park Inn by Radisson in EMEA under a master franchise agreement with Carlson that runs until 2052. Carlson is also the majority shareholder of Rezidor with 51.3% of the outstanding shares.

Hotel Missoni is Rezidor's third brand, and the company has the worldwide rights to the brand until 2020. The brand is owned by the Italian fashion house Missoni. Regent Hotels & Resorts is Rezidor's fourth brand. In September 2012 Rezidor signed a strategic alliance agreement with Regent Hotels & Resorts to develop and operate new Regent properties in Europe, the Middle East & Africa.

Rezidor does not own the real estate in which the company operates hotels. The company cooperates with a large number of hotel owners and real estate owners and is not dependent on any particular partner. With a business model focusing on managing its partner's assets, Rezidor is dependent on these partners' operational and financial capabilities.

Employee Related Risks

The employee turnover in the hospitality industry is relatively high. The job satisfaction among employees in Rezidor's hotels is assessed by an independent organisation on an annual basis. The job satisfaction score in 2012 was 86.5 in comparison to 86.6 in 2011 on a like for like basis.

Financial risks

Rezidor's financial risk management is governed by a finance policy approved by the Board of Directors. According to the finance policy, the corporate treasury function of the Company systematically monitors and evaluates the financial risks, such as foreign exchange, interest rate, credit, liquidity and market risks. Measures aimed at managing and handling these financial risks at the local hotel level are contained in a finance manual with the parameters and guidelines set forth in Rezidor's finance policy. Operating routines and delegation authorisation with regard to financial risk management are documented in this finance manual. For further information about these identified risks please see note 4.

Sensitivity Analysis

Any deterioration in the general market conditions normally has a negative impact on RevPAR. As RevPAR is a function of average room rate and occupancy, a decline in RevPAR results either from a decrease in room rate or occupancy, or a combination of both. If RevPAR decreases as a result of a decrease in room rate, there are fewer opportunities to save operational costs as the hotel will still have to serve the same level of occupancy. On the other hand, if RevPAR declines as a result of lower occupancy, the Company is able to adjust its cost structure more effectively through variable cost savings. A decrease in RevPAR has a bigger impact on leased hotels as Rezidor receives full revenues and is also responsible for the full costs for those hotels. In comparison, a decrease in RevPAR has a more limited impact on income from managed hotels as the fee revenue is defined as a percentage of hotel revenue and operating profit. The impact of a decrease in RevPAR on the franchised hotels is even more limited as royalty fees are based on a percentage of room revenue and is not linked to the result of those hotels.

With the current business model and portfolio mix Rezidor estimates that a EUR 1 RevPAR variation would result in a MEUR 6–8 change in EBITDA. Future cash flow projections related to leases or management contracts with performance guarantees are sensitive to changes in discount rates, occupancy and room rate assumptions. Changes in such assumptions may lead to a renewed assessment of the value of certain assets and the risk for loss-making contracts.

IFRS and proposed capitalisation of leasing commitments

As a lessee, Rezidor has entered into lease contracts primarily related to fully furnished hotel premises. Each lease contract is subject to a determination as to whether the lease is a financial or an operating lease. Lease contracts where virtually all rights and obligations are transferred from the lessor (owner) to the lessee are defined as a financial lease contract. Lease contracts that are non-financial are classified as operational lease contracts. All of Rezidor's leases are currently classified as operating leases, which means that the lease payments are recognised in the income statement as operating expenses on a straight-line basis or, for variable leases, in the period in which they are incurred.

The International Accounting Standards Board (IASB), together with the US accounting standards setting body, is working on a new accounting standard in which all future lease obligations, irrespective of whether the contracts are finance leases or operating leases, are to be capitalised in the balance sheet as a liability with a corresponding right of use assets. Today, only finance leases are capitalised. If such an accounting method would be introduced, it would have major implications on the balance sheet of Rezidor due to the size of the lease business. The impact on the income statement is still uncertain as the final standard has not yet been published and different alternatives have been presented during the course of this project.

Share Capital

The share capital amounts to TEUR 10,000, corresponding to 150,002,040 registered shares, of which 3,681,138 were held by the Company, leaving 146,320,902 shares outstanding as of December 31, 2012. There are no differences in classes of shares. Each owner of shares in the company is entitled to vote for the full amount of such shares at a general meeting, without any voting limitations. Shares held by the company or any of its subsidiaries do not entitle the owner to any of the rights associated with ownership of shares. Neither the articles of association nor any law stipulate restrictions the right to transfer shares from one owner to another. Nor is the company aware of any agreements between different shareholders that can impose such a restriction. The authorisations to buy back shares have been given to secure delivery of shares to the participants in the share based incentive programmes and to cover social security costs pertaining to these programmes as well as to ensure a more efficient capital structure. No shares have been bought back during 2012. For further information see note 32.

Articles of Association
The articles of association of the Company do not include any additional conditions compared to those of the Swedish Companies Act regarding changes of the articles of association.

Change of Control Clauses
Certain lease and management contracts entered into by members of the Company contain change of control clauses in relation to such members or their parents leading to possible changes in commercial terms and/or early termination. However, no contracts are related to the ownership of the ultimate parent company, The Rezidor Hotel Group AB.

Post Balance Sheet Events
On January 8, 2013, Rezidor announced the conversion of two lease agreements in Sweden, the Park Inn by Radisson Malmö and the Park Inn by Radisson Hammarby Sjöstad, to franchise agreements. Combined, the two hotels comprise more than 400 rooms and will remain under the Park Inn by Radisson brand. Ligula Hospitality Group AB purchased the shares of the company which holds the lease agreements, Rezidor Hotel AB, which will operate the hotels under franchise agreements beginning in Q1 2013. The shares were purchased for a symbolic SEK 1, while the net assets of the Company were MEUR 0.9 which has lead to an impairment of MEUR 0.9 being recognised during Q4 2012. The 2012 EBITDA losses for the two hotels were MEUR 0.8. The deal was closed on february 4, 2013.

Mr Wolfgang M. Neumann has been appointed President & CEO for the group as from January 1, 2013.

Dividend
Non-restricted reserves in the parent company available for dividend are (TEUR):

Share premium reserve	197,297
Loss brought forward	–1,393
Net profit for the year	990
Total	196,894

The Board of Directors proposes to the Annual General Meeting 2013 to pay no dividend to shareholders for the financial year 2012 and that the distributable funds are brought forward.

Responsible Business
Rezidor's Responsible Business programme builds on the principle of the triple bottom line, where all hotels shall strive to improve their environmental and social performance along with economic performance.

The Responsible Business programme engages all employees to take social, ethical and environmental issues into consideration when making decisions in their everyday work and sets clear targets in key areas.

Each hotel has a Responsible Business Coordinator working closely with the General Manager and the hotel Responsible Business team to implement the group-wide programme. All employees have been trained on Responsible Business since 2002.

The programme encompasses three key pillars: Think Planet – Reducing Rezidor's negative impact on the environment; Think People – Taking responsibility for the health and safety of employees and guests; Think Together – Respecting social and ethical issues in the company and the community.

Priorities of Rezidor's Responsible Business programme are to reduce energy by 25% by 2016, to achieve 100% eco-labelling by 2015, and continue to improve hotels' participation in Rezidor's yearly Responsible Business Action Month above the 80% reached in 2012.

Rezidor has been a signatory to the UN Global Compact since 2009. In 2012 Rezidor was named one of the World's Most Ethical Companies by the Ethisphere Institute for the third year in a row.

Hotel operations are not covered by any environmental permits, however, Rezidor's hotels are informed of applicable environmental and health and safety legislation. Legislative demands mainly concern waste recycling, energy efficiency in buildings, legionella prevention and control of water effluents.

Rezidor was not involved in any environmentally related legal disputes or complaints in 2012 and has no known material environmental related debts.

The Responsible Business Report offers a detailed description of Rezidor's Responsible Business programme and can be found on Rezidor's website, www.rezidor.com.

Compensation to key management approved by the AGM 2012
The details of the compensation principles approved at the last AGM can be studied in Note 10 of the financial statements and largely follows what has been proposed for 2013.

Proposal to AGM 2013 for compensation to key management
The Board of Directors will propose the following principles of compensation and other employment terms for the Company's key management (CEO and 7 mem-

bers of the Executive Committee) to the Annual General Meeting of the Shareholders in April 2013:

Total remuneration shall be competitive and in line with international market practice as defined by a peer group of international companies, both in terms of the level and the structure of the individual components of remuneration. The individual components of total remuneration may consist of fixed annual base remuneration, variable remuneration (annual and multi-year), pension contributions and other benefits

The fixed annual base remuneration is an appropriate portion of total remuneration and is reviewed and may be adjusted annually in line with the responsibilities, performance and level of remuneration of each executive.

Variable remuneration plans will consist of annual and multi-year plans and are based on the principle of pay for performance. Annual variable remuneration plans will be cash based and represent a potential to earn a percentage of the fixed annual base remuneration, subject to meeting ambitious, but achievable predefined financial, operational and personal performance objectives. Depending on the level of performance achieved, annual variable remuneration can vary from no variable payment up to 75% of base annual salary for Executive Committee members and 150% for the CEO.

Multi-year variable remuneration plans may be share based, normally covering a three-year period. Their design is intended to enhance company performance and align key management and shareholder interests over the longer term. Participants include the CEO, Executive Committee members and a limited number of other key executives. The material terms of share based variable remuneration plans shall be resolved by a General Meeting of Shareholders.

All future pension commitments will be in the form of defined contributions, calculated on a percentage of the fixed annual base remuneration and will not be calculated on any variable elements of remuneration.

Other benefits may consist of company car, housing, paid schooling for children and travel allowances.

Termination notice periods will normally not exceed 12 months or 3 months per five years of employment. Combined contractual notice periods and severance payments, in the event of termination by the company, will normally not exceed 24 months.

The Compensation Committee submits proposals to the Board of Directors regarding compensation etc. of the CEO. The Compensation Committee approves, on proposal from the CEO, compensation levels etc. for the other members of the Executive Committee. Furthermore, the Compensation Committee prepares principles for compensation of the Company's key management for decision by the Board of Directors and proposal to the Annual General Meeting.

The Board of Directors proposes, subject to the approval of the Annual General Meeting, to implement a share based variable remuneration plan for the period 2013-2015, according to the details set out in item 17 of the agenda for the Annual General Meeting. For a description of the outstanding share based variable remuneration plans in the Company, reference is made to note 33 in the 2012 Annual Report.

The Board of Directors shall be authorised to deviate from these guidelines if specific reasons for doing so exist in any individual case.

Parent Company

The Parent Company was registered in early 2005 and the primary purpose of the Company is to act as a holding company for the Group's investments in hotel operating subsidiaries in various countries. In addition to this main activity, the Parent Company also serves as a Shared Service Centre for all hotels in Sweden. The main revenues of the Company are internal fees charged to the hotels in Sweden for the related administrative services provided by the Shared Service Centre. Apart from the costs related to the activities of the Shared Service Centre, the Parent Company also bears other listing and corporate related costs.

Risks and uncertainties in the business for the Group are described in the Board of Director's report for the Group. The financial position of the Parent Company is dependent on the financial position and development of the subsidiaries.

Corporate Governance Report

The Corporate Governance Report 2012 is presented on page 81–89 and is available on the Company's website www.rezidor.com.

Radisson Blu Resort & Spa, Ajaccio Bay, Corsica, France

Financial Reports

FIVE YEAR SUMMARY

MEUR (except stated otherwise)	2012	2011	2010	2009	2008
Income statement					
Revenue	923.7	864.2	785.7	677.2	784.8
EBITDAR	300.5	274.6	254.1	210.1	275.7
EBITDA	50.8	35.1	31.5	4.9	70.9
EBIT	–0.9	–7.7	3.9	–25.0	42.9
Financial income & expense, net	–0.9	–1.0	–3.7	–0.7	0.7
Profit/loss for the year	–16.8	–11.9	–2.7	–28.2	26.1
Balance sheet					
Balance sheet total	376.3	373.8	377.8	352.9	384.0
Total equity attributable to equity holders of the parent	149.9	164.7	175.1	166.5	184.1
Total investments (tangible and intangible investments)	40.1	37.9	24.3	31.3	37.3
Cash flow					
Cash flow from operating activities	16.5	14.1	47.6	–6.1	61.9
Cash flow from investing activities	–41.5	–39.5	–12.4	–23.5	–36.4
Cash flow from financing activities	23.7	8.5	–13.4	7.9	–46.2
Financial key figures[4)]					
EBITDAR Margin, %	32.5	31.8	32.3	31.0	35.1
EBITDA Margin, %	5.5	4.1	4.0	0.7	9.0
EBIT Margin, %	–0.1	–0.9	0.5	–3.7	5.5
Return on capital employed, %	Neg	Neg	Neg	Neg	20.8
Return on equity, %	Neg	Neg	Neg	Neg	13.5
Operational key figures[4)]					
Number of hotels[1)]	338	325	312	286	260
Number of rooms[1)]	74,006	70,766	66,375	60,646	54,700
Number of employees[3)]	5,452	5,230	4,947	5,007	5,592
Occupancy %[2)]	64	62	62	60	65
RevPAR EUR[2)]	67	63	62	58	74
Share related key figures[4)]					
Basic average number of shares	146,320,902	146,315,374	146,307,540	146,307,540	147,502,253
Diluted average number of shares	146,320,902	147,034,833	147,448,368	146,307,540	147,502,253
Basic earnings per share, EUR	–0.12	–0.08	–0.02	–0.19	0.18
Diluted earnings per share, EUR	–0.12	–0.08	–0.02	–0.19	0.18
Proposed dividend per share, EUR	—	—	—	—	—

1) Includes leased, managed and franchised hotels in operation.

2) Including managed and leased hotels in operation.

3) Including consolidated entities (leased hotels and administrative units).

4) Definition of key figures are found on page 97.

CONSOLIDATED STATEMENT OF OPERATIONS

TEUR (except for share related data)	Notes	For the Year Ended December 31 2012	2011
Revenue	7, 8, 37	923,668	864,213
Costs of goods sold for Food & Beverage and other related expenses	9	–66,521	–65,452
Personnel cost and contract labour	10	–315,773	–303,120
Other operating expenses	11	–225,354	–207,513
Insurance of properties and property tax	12	–15,555	–13,551
Operating profit before rental expense and share of income in associates and before depreciation and amortisation and gain on sale of shares and of tangible assets (EBITDAR)		**300,465**	**274,577**
Rental expense	13	–251,997	–242,145
Share of income in associates and joint ventures	21, 22	2,366	2,639
Operating profit before depreciation and amortisation and gain on sale of shares and tangible assets (EBITDA)		**50,834**	**35,071**
Depreciation and amortisation	19, 20	–30,090	–31,578
Write-downs and reversal of write-downs	6, 19, 20	–12,272	–11,583
Costs due to termination/restructuring of contracts		–9,398	—
Gain on sale of shares and intangible and tangible fixed assets	14	—	423
Operating loss (EBIT)	7	**–926**	**–7,667**
Financial income	15	1,184	1,439
Financial expense	15	–2,153	–2,409
Loss before tax		**–1,895**	**–8,637**
Income tax expense	16	–14,953	–3,268
Loss for the year		**–16,848**	**–11,905**
Attributable to:			
Owners of the Company		–16,850	–11,907
Non-controlling interests		2	2
		–16,848	**–11,905**
Basic average number of shares outstanding	18	146,320,902	146,315,374
Diluted average number of shares outstanding	18	146,320,902	147,034,833
Loss per share after allocation to non-controlling interests (EUR)			
Basic	18	–0.12	–0.08
Diluted[1)]	18	–0.12	–0.08

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

TEUR	Notes	For the Year Ended December 31 2012	2011
Loss for the year		–16,848	–11,905
Other comprehensive income:			
Currency differences on translation of foreign operations		2,906	1,284
Change in fair value of available-for-sale financial assets	15	—	–1,000
Tax on exchange differences recognised directly in equity		–41	–36
Other comprehensive income for the year, net of tax		**2,865**	**248**
Total comprehensive income for the year		**–13,983**	**–11,657**
Total comprehensive income attributable to:			
Owners of the Company		–13,983	–11,603
Non-controlling interests		—	–54

1) Since the number of potential shares are antidilutive, basic and dilutd earnings per share are the same.

CONSOLIDATED BALANCE SHEET STATEMENT

TEUR	Notes	As of December 31 2012	2011
ASSETS			
Non-current assets			
Intangible assets			
Licenses and related rights	19	46,312	47,494
Other intangible assets	19	25,761	26,152
		72,073	**73,646**
Tangible assets			
Fixed installations in leased properties	20	44,348	35,400
Machinery and equipment	20	55,857	62,189
Investments in progress	20	12,246	11,826
		112,451	**109,415**
Financial assets			
Investments in associated companies	21	3,245	3,435
Investments in joint ventures	22	1,129	1,213
Other shares and participations	23	6,222	7,233
Pension funds, net	24	7,718	9,227
Other long-term interest-bearing receivables	25	13,782	12,770
Other long-term non-interest-bearing receivables	25	4,231	255
		36,327	**34,133**
Deferred tax asset	16	28,909	31,579
		249,760	**248,773**
Current assets			
Inventories		5,020	4,739
Accounts receivable	26	44,308	39,006
Current tax assets	16	10,756	7,044
Other current interest-bearing receivables	27	320	1,260
Other current non-interest-bearing receivables	28	53,257	56,622
Other short term investments	29	4,244	3,507
		117,905	**112,178**
Cash and cash equivalents	30	8,596	9,779
		8,596	**9,779**
Assets classified as held for sale	31	0	3,096
		0	**3,096**
Total current assets		**126,501**	**125,053**
Total assets		**376,261**	**373,826**

TEUR	Notes	As of December 31 2012	2011
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	32	10,000	10,000
Other paid in capital		120,302	120,302
Reserves		19,390	16,525
Retained earnings including profit for the year		160	17,870
Equity attributable to owners of the Company		**149,852**	**164,697**
Non controlling interests		1	1
Total equity		**149,853**	**164,698**
Non-current liabilities			
Deferred tax liabilities	16	16,638	15,721
Retirement benefit obligations	24	1,908	2,150
Provisions	34	6,228	1,249
Other long-term interest-bearing liabilities	35	6,887	6,902
Other long-term non-interest-bearing liabilities		9,883	4,348
		41,544	**30,370**
Current liabilities			
Accounts payable		35,078	34,181
Current tax liabilities	16	6,855	9,514
Other current interest bearing liabilities	35	26,161	7,878
Other current non-interest-bearing liabilities	36	116,770	120,376
		184,864	**171,949**
Liabilities directly associated with assets held for sale	31	0	6,809
		0	**6,809**
Total liabilities		**226,408**	**209,128**
Total equity and liabilities		**376,261**	**373,826**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

TEUR	Share capital	Other paid in capital	Reserves: Foreign currency translation reserve	Reserves: Fair value reserve – available for sale financial assets	Retained earnings	Equity attributable to equityowners of the parent	Non-controlling interests	Total Equity
Equity as of Dec. 31, 2010	**10,000**	**120,302**	**14,933**	**1,290**	**28,580**	**175,105**	**55**	**175,160**
Long-term incentive plan	—	—	—	—	1,195	**1,195**	—	1,195
Total comprehensive income for the period	—	—	1,302	–1,000	–11,905	**–11,603**	–54	–11,657
Equity as of Dec. 31, 2011	**10,000**	**120,302**	**16,235**	**290**	**17,870**	**164,697**	**1**	**164,698**
Long-term incentive plan	—	—	—	—	–862	**–862**	—	–862
Total comprehensive income for the period	—	—	2,865	—	–16,848	**–13,983**	—	–13,983
Equity as of Dec. 31, 2012	**10,000**	**120,302**	**19,100**	**290**	**160**	**149,852**	**1**	**149,853**

The accumulated costs related to the equity-settled share-based incentive programmes amount to TEUR 2,471 (3,333) and are recognised in retained earnings.

CONSOLIDATED STATEMENT OF CASH FLOWS

TEUR	Notes	For the Year Ended December 31 2012	2011
OPERATIONS			
Operating loss (EBIT)		–926	–7,667
Adjustments for non cash items:			
Depreciations, amortisations and write-downs	19, 20	42,362	43,161
Gain/loss on sale of shares and tangible assets	14	—	125
Change in pension assets/liabilities		1,266	143
Share of income in associated companies and joint ventures	21,22	–2,366	–2,639
Exchange differences and other adjustments for non cash items		10	1,092
Interest received	15	783	816
Interest paid	15	–736	–879
Dividend from associated companies	21, 22	1,877	1,746
Other financial items	15	–1,015	–1,481
Tax paid		–17,951	–15,036
Cash flows from operations before change in working capital		**23,304**	**19,381**
Change in:			
Inventories		–109	–95
Current receivables		–2,428	–8,775
Current liabilities		–4,260	3,577
Change in working capital		**–6,797**	**–5,293**
Cash flow from operating activities		**16,507**	**14,088**
INVESTMENTS			
Purchase of intangible assets	19	–2,416	–1,430
Purchase related to investments in progress	20	–12,795	–18,633
Purchase of machinery and equipment	20	–17,792	–12,511
Purchase fixed installations	20	–7,158	–5,308
Purchase of shares and participations	23	–344	–1,569
Sale of shares and participations	23	448	—
Loans to associated companies	27	—	–100
Other investments and divestments of financial fixed assets		–1,442	–461
Total investments		**–41,499**	**–40,012**
Disposals of shares			
Net proceeds from sale of shares in subsidiaries	14, 17	—	485
Cash flow from investing activities		**–41,499**	**–39,527**
FINANCING			
Overdraft facilities		18,174	7,878
Lease incentives and other long term liabilities		5,562	596
Total external financing		**23,736**	**8,474**
Cash flow from financing activities		**23,736**	**8,474**
Cash flow for the year		**–1,256**	**–16,965**
Translation difference in cash and cash equivalents		**73**	**36**
Cash and cash equivalents, January 1		**9,779**	**26,708**
Cash and cash equivalents, December 31		**8,596**	**9,779**

Notes to the Group accounts

Note 1

General information

Rezidor Hotel Group AB (publ), hereafter referred to as Rezidor or the Company, is a limited liability company incorporated in Sweden. Its registered office and principal place of business is in Sweden (Stockholm), address: Klarabergsviadukten 70 C7, 111 64 Stockholm, Sweden. The corporate head office is based in Brussels, Belgium.

Rezidor is an international hospitality company which currently has 438 hotels in operation or under development in 71 countries. Rezidor operates under the brands Radisson Blu Hotels & Resorts, Park Inn by Radisson and Hotel Missoni. Further information of the activities of the Company is described in Note 7.

The Annual Report as of December 31, 2012 was approved by the Board of Directors of Rezidor Hotel Group AB (publ) on March 15, 2013. The Annual Report is subject to approval by the Annual General Meeting on April 24, 2013.

Note 2

Adoption of new and revised international financial reporting standards

In the current year, the Group has adopted all of the new, revised and amended Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and IFRS Interpretations Committee that are relevant to its operations and effective for accounting periods beginning on January 1st 2012 and which were endorsed by the European Commission prior to the release of these financial statements. The new, revised and amended Standards and Interpretations are listed below:

New and revised Standards and Interpretations effective for 2012
Standards
Amendments to IFRS 7 Financial Instruments: Disclosures (Transfers of Financial Assets).
Amendment to IAS 12 Income taxes (Deferred Tax: Recovery of Underlying Assets).

Interpretations
There are no new interpretations that are effective from the financial year 2012.

All new, amended or revised standards and Interpretations above have been adopted but has not had any significant impact on the amounts presented in these financial statements. However they might affect the accounting for future transactions and events.

New and revised Standards and Interpretations in issue not yet effective
International Accounting Standards Board (IASB) och IFRS Interpretations Committee has issued the following new, revised or amended Standards and Interpretations which are not yet effective:

STANDARD/INTEPRETATION	EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER
Amendments to IAS 1 Presentation of Financial Statements (Presentation of Items of Other Comprehensive Income)*	1 July 2012 or later
Amendments to IAS 19 Employee benefits	1 January 2013 or later
IFRS 13 Fair Value Measurement	1 January 2013 or later
Improvements of IFRS 2009–2011 Cycle*	1 January 2013 or later
Amendments to IFRS 7 Financial Instruments: Disclosures (Offsetting Financial Assets and Financial Liabilities)	1 January 2013 or later
Amendments to IAS 32 Financial Instruments: Presentation (Offsetting Financial Assets and Financial Liabilities)	1 January 2014 or later
IFRS 10 Consolidated Financial Statements	1 January 2014 or later
IFRS 11 Joint Arrangements	1 January 2014 or later
IFRS 12 Disclosure of Interests of Other Entities	1 January 2014 or later
Amendments to IFRS 10, IFRS 11 and IFRS 12 (Transitional regulation)**	1 January 2014 or later
Amendments to IAS 27 Separate Financial Statements	1 January 2014 or later
Amendments to IAS 28 Investments in Associates and Joint Ventures	1 January 2014 or later
Investment Entities (amendments in IFRS 10, IFRS 12 and IAs 27)*	1 January 2014 or later
IFRS 9 Financial Instruments and subsequent changes to IFRS 9 and IFRS 7*	1 January 2015 or later

* Not yet endorsed by the EU.
**Not yet endorsed by the EU. IFRS 10, IFRS 11, IFRS 12, IAS 27 and IAS 28 becomes effective for the financial year that starts 1 January 2013 according to IASB, but become effective within the EU for the financial year that starts 1 January 2014 or later.

Impact on FY 2013
The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income, which means that the corridor approach is eliminated. Unrecognised actuarial gains and losses at the effective date will be recognized directly in equity as a changed accounting principle. At December 31st, 2012 the company had TEUR 5,116 unrecognised actuarial losses (note 24). When the company adopts the amended IAS 19 it will also cease to apply UFR 4 Accounting for special employer's contribution and tax on returns from pension funds, which has been withdrawn by the Swedish Financial Reporting Board. The company will instead account for special employer's contribution on pension funds in accordance with IAS 19, which implies that the actuarial assumptions made in the calculation of defined benefit plans also shall include taxes on pension benefits. The effect from implementing the amendments to IAS 19 will also have an impact on the income statement and

Cont. Note 2

other comprehensive income. If the company would have applied IAS 19R in 2012, pension expense recognised in FY 2012 would have been MEUR 0.4 less, net actuarial gains arising in 2012 in the amount of MEUR 12.9 would have been recognised in Other Comprehensive Income and net actuarial losses of MEUR 18.3 accumulated as at end of FY2011 would have been recognized in equity.

The other standards that become effective from 1 January 2013 will not have a material impact on the balance sheet or the income statement. The amendments to IAS 1 will however require Rezidor to present items reported in other comprehensive income in a different format than the current presentation format. Rezidor will not apply IFRS 10, IFRS 11, IFRS 12, the new IFRS 13 and IAS 27R and IAS 28R until they become mandatory by EU.

The company is currently analysing the impact of the application of the above new or amended standards and interpretations that becomes mandatory from 2014 and going forward.

Note 3

Accounting principles

The Rezidor Hotel Group's Annual Report has been prepared in accordance with International Financial Reporting Standards (IFRS)/International Accounting Standards (IAS) as endorsed by EU and the Swedish Annual Accounts Act. In addition, RFR 1.3 Supplementary Rules for Groups has been applied, issued by the Swedish Financial Accounting Standards Council.

The Rezidor Hotel Group applies the historical cost method when preparing the financial statements, except for valuation of certain financial instruments or as described below.

REPORTING CURRENCY

EUR is the functional currency of the primary economic environment in which the Parent Company and the majority of the entities within the Group operates and consequently the financial statements are presented with EUR as the reporting currency. Any difference between the functional currency and the currencies in which the Group companies reports is recognised directly in the statement of shareholders equity.

GENERAL PROVISION ON RECOGNITION AND MEASUREMENT

Assets are recognised in the balance sheet when it is likely that future economic benefits will flow to the Group as a result of past events and the value of the assets can be measured reliably.

Liabilities are recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is likely that future economic benefits will flow out of the Group, and the value of the liabilities can be measured reliably.

At initial recognition, assets and liabilities are measured at cost. Measurement after the initial recognition is effected as described below for each item.

Events or transactions occurring after the balance sheet date but before the financial statements are issued, that provides evidence of conditions which existed at the balance sheet, are used to adjust the amounts recognised in the financial statements.

Revenue is recognised in the income statement as and when earned, whereas costs are recognised at the amounts attributable to the financial period under review.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (directly or indirectly owned subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements used for consolidation have been prepared applying the Group's accounting policies.

The results from subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. That date is the date when the group effectively obtains or looses control over the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

For intra-group restructurings such as the formation of the new Parent Company, any difference between the acquisition costs and the equity of the acquired companies are adjusted against equity as such transactions are considered common control transactions and should not have any impact on the consolidated balance sheet.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interest of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

BUSINESS COMBINATIONS

The acquisition of companies or businesses is accounted for using the acquisition method. The cost acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control of the acquiree. Costs directly attributable to the business combination are expensed as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Disconitued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising from an acquisition is recognised as an asset being the excess of the cost of the business combination over the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss. The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised. The non-controlling shareholders interest in goodwill is included or excluded on a case by case basis.

INVESTMENTS IN ASSOCIATES AND INTEREST IN JOINT VENTURES

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Significant influence is normally present in situations where the company has more than 20% of the voting interests but less than 50%.

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control. That is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control. Currently, where the shareholding and votes are less than or equal to 50% of total (shareholding and votes), the Company accounts for these related investments as investments in associated companies.

The results, assets and liabilities of associates and joint ventures are incorporated in the Group's financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 Non-Current Assets Held for Sale and discontinued operations.

The share of income represents the Company's share in the net income (after tax) from these associates and is directly accounted for in the income statement. No further income tax expense is charged to the share of income as this kind of income is untaxed in the countries of the related shareholding entities.

Under the equity method, investments in associates and joint ventures 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 individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised.

Any goodwill arising from the acquisition of the Group's interest in a jointly controlled entity or an associated company is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a subsidiary (see above).

GAINS AND LOSSES FROM DIVESTMENT OF SHARES

Gains or losses from divestment of subsidiaries and associates are calculated as the difference between the selling price and the carrying amount of the net assets at the time of divestment, including a proportionate share of related goodwill and estimated divestment expenses. Gains and losses are recognised in the income statement under "Gains (loss) on sale of shares and intangible and tangible assets".

FOREIGN CURRENCY

Assets and liabilities in foreign currency

Foreign currency transactions are translated into the reporting currency using average monthly rates, which essentially reflect the rate of exchange at the date of transaction. Receivables, liabilities and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the rate of exchange at the balance sheet date. Exchange differences that arise between the rate at the date of transaction and the one in effect at the date of payment, or the rate at the balance sheet date, are recognised in the income statement as income or expense. Exchange differences on operating items are recognised in operating profit. Exchange differences on financial items are recognised in the income statement as financial income or expense.

Translation of financial statements of foreign subsidiaries

The functional currency of the majority of the reporting entities is considered to be their local currency. When consolidating, the reporting entities' income statements are translated using the monthly average rates and the balance sheets are translated using the rates at the balance sheet date. Any difference between the local currency and the functional currency for the Group is recognised directly in the statement of shareholders' equity.

The main exchange rates affecting the financial statements are:

		Year-end rate Dec. 31		Average rate Jan. 1–Dec. 31	
Country	**Currency**	**2012**	**2011**	**2012**	**2011**
Denmark	DKK	7.46	7.43	7.45	7.46
Sweden	SEK	8.57	8.92	8.70	9.03
Norway	NOK	7.34	7.74	7.48	7.80
United Kingdom	GBP	0.81	0.83	0.81	0.87

INCOME STATEMENT

Revenue recognition

Revenue consists of the value of goods and services sold in the leased properties, management fees, franchise fees and other revenues which are generated from the Group's operations.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes. The following is a description of the composition of revenues of the Group.

Leased properties – primarily received from hotel operations, including all revenue received from guests for accommodation, conferences, food and beverage or other services. Revenue is recognised when the sale has been rendered.

Management fees – received from hotels managed by the Group under long-term contracts with the hotel owner. Management fee is normally a percentage of hotel revenue and/or profit and recognised in the income statement when earned and realised or realisable under the terms of the contract.

Franchise fees – received in connection with the licence of the Group's brand names, usually under long-term contracts with the hotel owner. Franchise fee is normally a percentage of hotel revenue and/or profit and recognised in the income statement based on the underlying contract agreements.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. Dividend from investments is recognised when the shareholders rights to receive payment have been established.

Customer Loyalty programme
A Customer loyalty programme, Club Carlson (previously named goldpoints plus) is used by the Company to provide customers with incentives to buy room nights. On 28th October 2007, Carlson Group took over the responsibility for the goldpoints plus^{SM} programme from Rezidor. Rezidor was liable three years for points awarded before that date. Rezidor is not liable for points awarded under the loyalty programme after the date of transfer to the Carlson Group.

The Company's customers are awarded loyalty points under various third party loyalty programs. The customers are entitled to utlilise the awards as soon as they are granted. Revenues for Rezidor's portion of the award credits are recognised when the customer chooses to claim awards from the third party.

Cost of goods sold
Cost of goods sold relates mainly to cost of goods in restaurants (Food & Beverage) incurred to generate revenue.

Leasing
As a lessee, Rezidor has entered into lease contracts primarily related to fully furnished hotel premises. Each lease contract is subject to a determination as to whether the lease is a financial or an operating lease. The classification of leases as operating or financial leases are determined based on the individual terms. Leasing contracts where virtually all rights and obligations (which normally characterise ownership) are transferred from the lessor to the lessee are defined as a financial leasing contract. At the beginning of the leasing period, finance leasing contracts are reported at fair value. Assets held under finance leasing contracts are recognised in the balance sheet as a fixed asset and future commitment to the lessor as a liability.

Leasing contracts that are non-financial are classified as operational leasing contracts. All of Rezidor's leases are currently classified as operating leases. In all current leasing arrangements regarding hotels, Rezidor only carries risks limited to operating the hotel. The lease cost for operating lease contracts is recognised on a straight-line basis except where another systematic basis is more representative of the time pattern in which the economic benefits from the leased assets are consumed.

Assessment of the leased assets' useful economic life corresponds to the principles Rezidor applies to acquired assets. However, in certain exceptional cases, where Rezidor accepts a hotel that requires a major renovation or has excess capacity or other capacity limitation in the short-run (that is, until such time when the property builds up to its full potential), Rezidor may agree to pay a lower minimum lease fee in the beginning of the lease period, and account for it accordingly to better reflect the time pattern in which the economic benefits from such leased hotels are derived.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of any lease benefits, if any, are recognised as a reduction of the leasing cost on a straight line basis over the lease term.

Based on the transitional provisions of IAS 17 (revised 1999), the classification of leases entered into prior to 1999 have been retained.

Personnel cost
Personnel costs comprise salaries and wages as well as social security costs, pension contributions, etc. for employees employed by the legal entities of the Company.

Other operating expenses
Other operating expenses include royalty fees to Carlson Group and marketing expenses as well as expenses related to operating the hotels such as energy costs, supplies, other external fees, laundry and dry cleaning, contract services, administration costs, communication, travel, transport, operating equipment, licences, maintenance contracts and exchange differences on operating items.

Rental expenses
Rental expense include the rental costs paid and to be paid to the lessors of the hotels. It also includes all management guarantee payments (i.e. guarantee payments or shortfalls) owed to or paid to the hotel owners based on the related management contracts. Rental costs related to premises leased for administration purposes are recorded at cost in the rental expenses in the line item 'Fixed rent' (see Note 13).

Financial income and expenses
Financial income and expenses items include interest income and expenses, realised and unrealised foreign exchange gains on financial items, bank charges, write-downs of financial loans and receivables and capital gains and losses on loans and receivables and on liabilities as well as capital gains and losses on available-for-sale financial assets.

Taxation
Income tax expense represents the sum of the tax currently payable and deferred tax. The current tax is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted in the respective tax jurisdictions on the balance sheet date.

Deferred tax is recognised as the difference between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax is generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates and interest in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also recognised in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current liabilities and when they relate to income taxes levied by the same taxation authority and the Groups intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities over cost.

BALANCE SHEET
Licences and other rights and Other intangible assets
Acquired intangible assets are measured at cost less accumulated amortisation. These intangible assets are amortised on a straight line basis. Licences and other rights primarily relate to the contractual rights relating to the Carlson agreement which is being amortised over the length of the contract (expiring in 2052). Other intangible assets are normally the result of intangible assets acquired as part of new lease or management agreements and are amortised over the rental or management contract period.

If impaired, intangible assets are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment
Fixed installations in leased properties as well as machinery and equipment (mainly related to investments in leased hotels) are measured at cost less accumulated depreciation and write-downs.

Cost includes the acquisition price, costs directly related to the acquisition and expenses incurred to make the asset ready to be put into operation.

Interest and other finance costs relating to tangible assets during the manufacturing period are recognised in the income statement.

The basis of depreciation is cost less the estimated residual value at the end of the assets useful life. Depreciation is calculated on a straight-line basis with the following percentages based on an assessment of the asset's estimated useful lives:

Fixed installations and technical improvements	10.00%
Guest room Furniture, Fixture and Equipment (FF&E)	15.00%
Other Furniture, Fixtures & Equipment and Machinery	20.00%

In case the remaining term of a lease agreement for a hotel is shorter than the estimated useful life of the asset, the depreciation period is limited to the remainder of the lease term.

Tangible assets are written down to the recoverable amount if this amount is lower than the carrying amount. The recoverable amount is the higher of the net sale value and the value in use. Profits and losses from the sale of tangible assets are calculated as the difference between the selling price less selling expenses and the carrying amount at the time of sale.

Impairment of tangible and intangible assets excluding goodwill
At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money.
If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss. When an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is immediately recognised in profit or loss.

Assets classified as held for sale
Non-current assets and disposals groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Inventories
Inventories are measured at the lower of cost (using the FIFO principle) and net realisable value. Cost of goods for resale, raw materials and consumables consist of purchase price plus handling cost.

Cont. Note 3

Financial instruments

Financial instruments are stated at amortised cost or at fair value depending on their initial classification according to IAS 39.

Fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices. Fair value of other financial assets and liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis, using prices from observable current market transactions or dealer quotes for similar instruments.

Amortised cost is calculated using the effective interest method, where any premiums or discounts and directly attributable costs and revenues are capitalised over the contract period using the effective interest rate. The effective interest rate is the rate that yields the instrument's cost when calculating the present value of future cash flows.

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. In order to be classified as cash and cash equivalents, the maturity of the cash and cash equivalents instruments is three months or less at the time of acquisition. Cash and cash equivalents are carried at their nominal value.

Other shares and participations are classified as available-for-sale investments and measured at fair value. Gains and losses arising from changes in fair value are recognised in other comprehensive income, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period. Impairment losses recognised in profit and loss for equity investments are not subsequently reversed through profit and loss. Investments where the fair value cannot be measured reliably are measured at cost.

Receivables

Receivables are classified as loans and receivables and measured at amortised cost, usually equalling nominal value, less provisions for bad debts.

Other short-term investments

Other short term investments are comprised of cash on restricted accounts and are measured at nominal value.

Accounts payable

Accounts payable are classified as other financial liabilities and recognised at amortised cost, usually equalling nominal value.

Other interest- and non-interest-bearing liabilities

Other interest- and non-interest-bearing liabilities are classified as other financial liabilities and recognised at amortised cost, usually equalling nominal value.

Provisions

Provisions for obligations related to lease contracts and management contracts are made if a contract is considered to be onerous. Other provisions are recognised and measured as the best estimate of the expenses required for settling the liabilities at the balance sheet date. Provisions that are estimated to mature in more than one year after the balance sheet date are measured at their present value.

Retirement benefit obligations

Several companies within the Group have established pension plans for its employees. These pension commitments are mainly secured through various pension plans. These vary considerably due to different legislation and agreements on occupational pension systems in the individual countries.

For pension plans where the employer has accepted responsibility for defined contribution solutions, the obligation to employees ceases when contractual premiums have been paid. For other pension plans where defined benefit pensions have been agreed, the commitments do not cease until the contractual pensions have been paid to the employee on retirement.

The Group calculates its pension obligations for the defined benefit pension plans based on estimated future final salary. An estimate of funded assets is made at the balance sheet date. Pension costs for the year comprise the present value of pensions earned during the year, plus interest on the obligation at the beginning of the year, less return on funded assets. Amortisation of deviations from estimates and plan amendments is added to this total for certain pension plans. Cumulative actuarial deviations from estimates of up to 10% of the greater of pension obligations and pension assets are included in the so-called corridor and are not amortised. When the accumulated actuarial deviations from estimates exceeds this 10% limit, the excess amount is amortised over the average remaining employment period of the participants in the plan.

Share-based payment transactions

Fair value at grant date for the long-term equity-settled incentive programmes, in which the participants of the plans receive a certain amount of shares in the Company if certain performance criteria are met during the vesting period, is recognised as an expense over the vesting period, adjusted for the number of participants that are expected to remain in service. An amount equal to the expense is credited to equity. In addition to the service criteria, the current programmes have two performance criteria: one related to earnings per share (EPS), a so called non-market condition, and one related to the share price and dividend (TSR), a so called market condition. The non-market conditions are taken into consideration in the assessment of the number of shares that will be vested at the end of the vesting period. For market conditions no such assessment is made after the initial recognition at grant date. The additional social security costs are reported as a liability, revalued at each balance sheet date in accordance with UFR 7, issued by the Swedish Financial Accounting Standards Council's Emergency Task Force.

CASH FLOW STATEMENT

The cash flow statement is presented using the indirect method. It shows cash flows from operating activities, investing activities and financing activities as well as the cash and cash equivalents at the beginning and at the end of the financial period.

Cash flows from the acquisition and divestment of enterprises are shown separately under "Cash flow from investing activities". Cash flows from acquired enterprises are recognised in the cash flow statement from the time of their acquisition, and cash flows from divested enterprises are recognised up to the time of sale.

"Cash flow from operating activities" is calculated as operating income before tax adjusted for non-cash operating items, increase or decrease in working capital and change in tax position.

"Cash flow from investing activities" includes payments in connection with the acquisition and divestment of enterprises and activities as well as the purchase and sale of intangible and tangible assets.

"Cash flow from financing activities" includes changes in the size or the composition of the Group's issued capital and related costs as well as the raising of loans, installments on interest-bearing debt, and payment of dividends.

Cash flows denominated in foreign currencies, including cash flows in foreign subsidiaries, are translated to the Group reporting currency using average monthly rates, which essentially reflect the rates at the date of payment. Cash at year end is translated to the functional currency using the rates at the balance sheet date.

Note 4

Financial risk management

Rezidor's financial risk management is governed by a finance policy approved by the Board of Directors. According to the finance policy, the corporate treasury function of the Company systematically monitors and evaluates the financial risks, such as foreign exchange, interest rate, credit, liquidity and market risks. Measures aimed at managing and handling these financial risks at the local hotel level are documented in a finance manual within the parameters and guidelines set forth in Rezidor's finance policy. Operating routines and delegation authorisation with regard to financial risk management are also contained in this finance manual.

According to the finance policy, the treasury function may use financial instruments, such as FX forwards, FX swaps, FX options and interest rate swaps to hedge against currency and interest rate risks. At year-end, the Company had not entered into any hedging contracts. FX swaps have, however, been used to reduce the use of overdraft facilities as described under 'Liquidity risks'.

INTEREST RATE RISKS

Cash flow risks

Almost all financial liabilities and receivables bear floating interest rates. It is the policy of the Company that borrowings and investments should have short term interest rates. The effect on financial net in the income statement of a change in market interest rates with 100 basis points would be immaterial, based on the loans and receivables outstanding on December 31, 2012.

Fair value risks

Since all interest-bearing receivables are measured at amortised cost, there is no impact from changes in market interest rates on the carrying values of these receivables and consequently no impact on the income statement or equity.

Off-balance sheet commitments

The main financing risk is related to Rezidor's ability to control and meet the company's off-balance sheet commitments under leases with fixed rent payments and management agreements with guarantees. Such fixed lease and guaranteed amounts have historically been agreed on a fixed rate basis with indexation as a percent of change in the relevant consumer price index, and are, therefore, not exposed to variations in the market interest rates. In addition, these commitments are normally limited to an agreed maximum financial exposure, which is usually capped at 2–3 times the annual guaranteed result under a contract or an annual minimum lease. The off-balance sheet commitments are consequently normally reduced over the contract term as the caps are consumed.

CURRENCY RISKS

The Company has operations in a vast number of countries with many different currencies and is therefore exposed to currency exchange rate fluctuations. The most important foreign currencies are the Swedish Krona (SEK), the Norwegian Krone (NOK), the Danish Krone (DKK), the U.S. Dollar (USD), the Swiss Franc (CHF) and the Pound Sterling (GBP). The exposure from the DKK is, however, limited as the currency is pegged to the EUR.

Transaction exposure

When entities within the Group generate revenues and incur costs in different currencies, they are subject to transaction exposure. In contrast to the leased business, where the nature of the business normally is local and the exposure consequently also limited, the fee business is generally subject to a relatively notable transaction exposure. This transaction exposure arises when fees are collected by entities located in another country than that of the hotel from which the fee originates and is mainly related to fees from managed and franchised hotels located outside the Nordics and the rest of Western Europe. Hotels in these regions with a large international customer base, however, generally adjust their room rates charged in the local currency to take into account volatile fluctuations in the EUR, Rezidor's reporting currency, or the USD. As a result, the exposure to exchange rate fluctuations on fee revenue from Rezidor's managed and franchised hotels is mitigated through the Company's policy to adjust prices based on fluctuations, except for food and beverage where Rezidor does not adjust prices.

All hotels use a reservation system that is set up and managed by the Carlson Group, for which the hotels pay a fee to the Carlson Group. The fees are collected centrally by Rezidor and paid further on to the Carlson Group. As these fees are paid in USD, the Group is exposed to fluctuations in the value of the USD, also affecting the leased hotels. For the managed and franchised hotels, this exposure is limited as the fees collected from these hotels in USD also are matched by an outflow in USD when the fees are paid further on to the Carlson Group.

Rezidor also pays franchise fees to the Carlson Group for the use of the brand names as well as a minor portion of the marketing fees collected. These fees are all paid in USD. However, as the base for the calculation of the fees is the revenue of the hotels in local currency, the transaction exposure is limited.

Translation exposure

The Company presents its financial statements in EUR. Since certain of Rezidor's foreign operations have a functional currency other than EUR, the consolidated financial statements and shareholders' equity are exposed to exchange rate fluctuations when the income statements and balance sheets in foreign currencies are translated into EUR. The exposure on the consolidated equity is however lowered through the decision to not own any real estate as this reduces the total assets denominated in foreign currencies.

A sensitivity analysis shows that if the EUR would fluctuate by 5% against other currencies in the Group, excluding DKK which is virtually pegged to the EUR, the effect on the consolidated equity would be approximately MEUR 1.6, based on the equity at year-end 2012, and MEUR 34.7 on total revenue, MEUR 2.2 on EBITDA and immaterial on net income, based on the income statement for 2012. This sensitivity assumes that all currencies would fluctuate 5% against the EUR and does not take into account the correlation between and the resulting risk diversification from those currencies.

CREDIT RISKS

Credit risks are related to the financial receivables in the balance sheet, i.e. 'Other long-term interest bearing receivables', 'Other long-term non-interest bearing receivables', 'Other current interest bearing receivables' and 'Accounts receivables'. Above that, the Group is also exposed to credit risks related to 'Other short-term investments' and 'Cash and cash equivalents'.

At the local hotel level, the credit exposure is normally limited, as the accounts regularly are settled in cash or by accepted credit cards. Credits are only offered to customers under a contract and only to companies or registered organisations with a legal structure. Credit terms must be described in the contract and comply with the central treasury guidelines as described in the finance manual. As for managed and franchised hotels, a thorough background check of the hotel owner is made before entering into a new contract, including an investigation of the creditworthiness. The credit term is normally 30 days for both local hotel customers and for fees. The central treasury guidelines set strict rules for the follow-up of overdue receivables and for credit meetings. As sales in both the local hotels and the fee invoicing to managed and franchised hotels, are dispersed among a large amount of different customers, the Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Information about accounts overdue receivables and impaired at year end is found under note 26.

In some cases Rezidor grants loans to owners of Rezidor's hotels, or to joint venture partners and associated companies in early stages of new projects. The terms for such loans vary, but in principle there is an agreement on interest on the loans and the repayment schedule is based on the project opening and project progress. Based on market conditions, interest rates, repayment schedules and security arrangements have been agreed upon. Terms and conditions for such loans are decided upon centrally by Group financial management. Information about these loans, maturity dates, security arrangements etc is found under notes 25 and 27.

Some entities within the Group have deposited money in restricted accounts to meet liabilities arising from payroll taxes and lease agreements. These deposits are classified as 'Other short-term investments' in the balance sheet and only made in banks already used in the current bank structure.

Cash not necessary for the normal course of business is deposited in a bank. Central treasury is responsible to coordinate the handling of surplus liquidity and liquidity reserves, and only central treasury or persons authorised by central treasury may engage in external investment transactions. Individual hotels and administration units with excess liquidity which cannot be held on accounts within the cash pool structure can invest externally only with the prior consent of central treasury and in accordance with the finance policy. According to the finance policy, the investments of surplus liquidity can only be made in creditworthy interest bearing securities, in securities with high liquidity, in investments/securities/deposits with short-term maturity, and, as regards deposits, normally with financial institutions with a rating of A–1/P1/F1 or higher.

The carrying amount of these financial assets, as disclosed in the table below, represents the maximum credit exposure for the Group.

TEUR	As of Dec.31	
Carrying amount	**2012**	**2011**
Other long-term interest-bearing receivables	13,782	12,770
Other long-term non-interest-bearing receivables	4,231	255
Accounts receivables	44,308	39,006
Other current non-interest bearing receivables	17,201	16,171
Other current interest-bearing receivables	320	1,260
Other short-term investments	4,244	3,507
Cash and cash equivalents	8,596	9,779
Maximum credit exposure	**92,682**	**82,748**

LIQUIDITY RISKS

Liquidity risk is that the Company is unable to meet its payment obligations as a result of insufficient liquidity or difficulty in raising external financing. Raising of capital and placement of excess liquidity is managed centrally by the central treasury function. The Group has objectives for liquidity reserves, such as excess cash and irrevocable credit facilities, that the Group should have available at any time. The central treasury function monitors the cash position of the different entities within the Group on a daily basis to ensure an efficient and adequate use of cash and overdraft facilities.

Rezidor has secured appropriate overdraft and credit facilities through a long term agreement with a leading European Bank with solid credit ratings. The banking structure provides a cross-border cash pool in which a majority of the cash flows within the Group is concentrated. Through this bank agreement, the Company has also secured combined overdraft and guarantee facilities with varied terms for a total amount of TEUR 105,000. In addition, the Group has credit facilities of TEUR 1,800 granted by other banks. The tenor of the committed credit facilities range between one and four years and are combined with customary covenants. The Group has not pledged any assets or given any guarantees to secure these facilities. At year-end, TEUR 26,052 was used as overdraft (7,878 at year-end 2011) and TEUR 2,276 (3,894) for bank guarantees. Cash and cash equivalents amounted to TEUR 8,596 (9,779), of which 6,932 (7,862) was coming from bank deposits and TEUR 1,664 (1,917) form petty cash in the hotels. In order to reduce the use of overdraft, Rezidor regularly enters into short term FX swaps, in which currencies with deposits in the cash pool are swapped into currencies with an overdraft in the cash pool. On December 31st, 2012, the Company had a TNOK 130,000 to GBP swap, a TNOK 40,000 to EUR swap and a TSEK 24,000 to DKK swap, all with a maturity shorter than two weeks.

Cont. Note 4

The payment obligations of the Group at year-end, defined as the remaining maturity for financial liabilities, is presented below:

TEUR	As of Dec.31	
Mature within 1 year	**2012**	**2011**
Accounts payables	35,078	34,181
Other current interest-bearing liabilities	26,161	7,878
Other current non-interest-bearing liabilities	17,228	18,808
Other long-term interest-bearing liabilities	253	—
	78,720	**60,867**
Mature after 1 year		
Other long-term interest-bearing liabilities	38	83
Other long-term non-interest-bearing liabilities	9,883	4,348
	9,921	**4,431**
Undefined maturity		
Other long-term interest bearing liabilities	6,596	6,819
	6,596	**6,819**

The long-term liability falling under 'Undefined maturity' is related to the financing of investments in a German hotel under a management contract, where the repayment of the loan is linked to the fees collected from this hotel.

MARKET RISKS

Apart from interest rate risks and currency risks, which are described above, the Company is also subject to price risk related to changes in fair value of the investments in other shares and participations. These investments, normally the result of equity financing in early stages of certain hotel projects, are classified as available-for-sale investments with changes in fair value recognised in other comprehensive income. The Company is also subject to price risk from changes in fair value on FX swaps, classified as held for trading, with fair value recognised through profit or loss. The fair value change on FX swaps outstanding on December 31st, 2012, was TEUR 3. The real exposure to the Company is, however, limited as the contracts mature within one week.

FAIR VALUE

FX swaps are classified as held for trading with changes in fair value recognised in profit or loss. The fair value is obtained from banks which have derived the fair value through calculations based on market interest rates and market FX rates. Other shares and participations, classified as available-for-sale investments with changes in fair value recognised in other comprehensive income, are measured at fair value, based on discounted cash flow analyses. However, one investment has been measured at cost as it is related to an investment in a hotel project at an early stage of the construction phase, where the cost best reflects the estimated fair value.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). The main approch used by the company for this purpose is discounted cash flow.

As of Dec. 31 2012	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss (held for trading)	—	3	—	**3**
Available-for-sale financial assets	—	—	6,222	**6,222**
Total	**—**	**3**	**6,222**	**6,225**

Assets measured at fair value based on Level 3	Available-for-sale financial assets	Total
Opening balance as of Jan. 1 2012	**7,233**	**7,233**
In other comprehensive income (exchange differences)	–11	**–11**
Disposal of shares	–448	**–448**
Write-down	–896	**–896**
Investments	344	**344**
Closing balance as of Dec. 31 2012	**6,222**	**6,222**

For other financial assets and financial liabilities, measured at amortised cost in the balance sheet, the carrying amounts in the financial statements approximate their fair values, as they mature within one year, bear a floating interest or have other terms and conditions considered to be equal or close to equal to market conditions.

CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of different categories, as defined in IAS 39, of financial assets and liabilities, December 31 were as follows:

TEUR	As of Dec.31	
Financial assets at fair value through profit and loss (held for trading)	**2012**	**2011**
Other current non-interest bearing receivables	3	15
	3	**15**
Loans and receivables		
Other long-term interest-bearing receivables	13,782	12,770
Other long-term non-interest-bearing receivables	4,231	255
Accounts receivables	44,308	39,006
Other current non-interest-bearing receivables	17,198	15,528
Other current interest-bearing receivables	320	1,260
Other short-term investments	4,244	3,507
Cash and cash equivalents	8,596	9,779
	92,679	**82,105**
Available-for-sale financial assets		
Other shares and participations	6,222	7,233
	6,222	**7,233**
Financial liabilities measured at amortised cost		
Other long-term interest-bearing liabilities	6,887	6,902
Other long-term non-interest-bearing liabilities	9,883	4,348
Accounts payables	35,078	34,181
Other current interest-bearing liabilities	26,161	7,878
Other current non-interest-bearing liabilities	17,228	18,808
	95,237	**72,117**

CAPITAL STRUCTURE

Rezidor defines its capital as equity and net cash, where net cash is cash and cash equivalents minus external borrowing, including the use of overdraft facilities. The objective is to have an efficient capital structure, considering both the financing needs of the Group and the shareholders' return. In order to achieve this, the long-term policy is to distribute approximately one third of the annual net income as dividend and to maintain a small net cash position and sufficient credit facilities. Depending on the financing needs of the Company, dividends may be adjusted, shares bought back or new shares issued.

FINANCIAL RISK MANAGEMENT – PARENT COMPANY

Joint risk management is applied to all units in the Group. The Parent Company forms a relatively small part of the Group. There are no material differences between the risk management applied for the Parent Company and that applied for the Group. Full application under IFRS 7 regarding qualitative and quantitative risk information is therefore not presented.

Note 5

Critical judgements and estimates

The preparation of financial statements and application of accounting policies are often based on the management's assessments or on estimates and assumptions deemed reasonable and prudent at the time they are made. Below is an overall description of the accounting policies affected by such estimates or assumptions that are expected to have the most significant impact on The Rezidor Hotel Groups' reported earnings and financial position.

Reporting of costs for defined benefit pensions are based on actuarial estimates derived from assumptions about discount rate, expected return on managed assets, future pay increases and inflation.

As a lessee, Rezidor has entered into lease contracts primarily related to fully furnished hotel premises. Each lease contract is subject to a determination as to whether the lease is a financial or an operating lease. The classification of leases as operating or financial leases are determined based on the individual terms. Leasing contracts where virtually all rights and obligations (which normally characterise ownership) are transferred from the lessor to the lessee are defined as a financial leasing contract. Leasing contracts that are non-financial are classified as operational leasing contracts. All of Rezidor's leases are currently classified as operating leases. In all current leasing arrangements regarding hotels, Rezidor only carries risks limited to operating the hotel.

Note 6

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that could have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed here below.

Impairment testing

At each balance sheet date (closing date), a review is conducted assessing any indication that the company's tangible, intangible assets and contracts are impaired and if this is the case, the recoverable amount of the individual assets and contracts (or the cash-generating unit to which they belong) is calculated in order to determine whether impairment exists. Each hotel contract is considered as a separate cash generating contract.

The method used for testing assets in use is the discounted cash flow technique (DCF) using the internal pre-tax discount rate (Weighted Average Cost of Capital) which is recalculated regularly and per region. The following discount rates have been used when discounting future cash flows:

Discount rates used	2012	2011
UK	7.7%	8.3%
Euro zone excl. Spain	7.1%	7.7%
Spain	11.7%	11.6%
Sweden	7.3%	7.6%
Switzerland	6.0%	6.7%
Norway	8.0%	8.3%

If the net present value shows a net present value (NPV) that is below the carrying value, then impairment is considered on the related tangible and intangible group of assets.

The key assumptions for the value in use calculations are discount rates, growth rates and expected changes in occupancy and room rates and direct costs during the period. Changes in selling prices and occupancy and direct costs are based on past practices and expectations of future changes in the market. Derived from the most recent financial budgets approved by management, the group prepares cash flows over the related length of each respective contract normally ranging from 15 to 20 years. Each individual hotel contract has been valued separately, taking into account the remaining contract term and the applicable commercial terms.

The expected cash flows for each unit take into account the budgeted figures for 2013 and the projected figures for 2014–2015 in Rezidor's internal long-range plan. The long term growth in revenues, costs and profit margins follow similar development pattern as the change in local consumer price index in line with the historical growth rates experienced in those regions except when justified otherwise by other factors. Such factors include ongoing higher than inflation improvement in market RevPAR, building up of revenues due to renovation works carried out to maintain the hotels at a certain standard, revenue turnaround and cost restructuring programmes, and impact of rebranding of one or more properties.

When required, write-downs have been performed. During the year, write-downs of TEUR 11,376 (11,602) of fixed assets related to leased hotels in ROWE, mainly in the UK, France and Belgium, were recognised as a result of impairment tests. The impairments were primarily the result of lowered market growth expectations. The assets have been written-down to the calculated value in use. No reversals of write-downs were recognised during the year, or last year.

Portfolio management, a revision of plans and projections for loss-making hotels or a setback in the economic recovery, with major implications on the performance of the company's hotels, may lead to a renewed assessment of the carrying value of both tangible and intangible assets.

Assessment of onerous contracts in management and lease agreements

A similar method as for impairment is applied to test if management contracts or lease agreements are onerous and, if applicable, a provision is recorded. During the year, TEUR 0 (2,150) was recognised as provisions for onerous lease contracts and TEUR 2,400 (TEUR 500) was recognised as provisions for onerous management contracts with shortfall guarantees. No provisions from prior years for onerous management contracts with shortfall guarantees were reversed (TEUR 802 in 2011). Provisions for management contracts with shortfall guarantees are recognised as guarantee payments under rental expenses in the income statement. Portfolio management, a revision of plans and projections for loss-making hotels or a setback in the economic recovery, with major implications on the performance of the company's hotels, may lead to a renewed assessment.

Deferred tax assets

Deferred tax is recognised for temporary differences between stated and taxable income and for deferred tax receivables attributable to unutilised tax losses carry forward. The valuation of tax losses carry forward and ability to utilise tax losses carry forward is based on estimates of future taxable income. The assumptions used in estimating the future taxable income are based on those used in the impairment tests. During the year, no capitalisation recognised (TEUR 11,719 in 2011), but TEUR 3,235 (8,386) was written down, following reviews of the likelihood to utilise tax losses carry forward. Portfolio management, a revision of plans and projections for loss-making hotels or a setback in the economic recovery, with major implications on the performance of the company's hotels, could trigger a need for further assessment of the recoverability of accumulated tax losses carry forward and therefore also on the carrying value of deferred tax assets. Furthermore, changes in tax rules and regulations, for example a reduction of the income considered taxable or the right to deduct expenses, can also trigger a need for further assessment of the recoverability of the tax losses carry forward and the related deferred tax assets.

Investments

During the year, a write-down of TEUR 896 of investments in Mongolianord GmbH was impaired (there was no write-down of investments in 2011) following the review of other shares and participations (Note 23) held by the Group.

Assessment of the off-balance sheet commitments

For leasing commitments, the Company estimates that the future leasing expense would entail payment of at least the annual fixed rent under the lease agreements (Note 39).

For management contract commitments, the Company discloses its maximum capped financial exposure related to all management agreements that carry a financial commitment. However of the maximum exposure presently disclosed (see Note 40), the annual costs are just a small part of the maximum commitment.

Provisions

Provisions are made when any probable and quantifiable risk of loss attributable to disputes is judged to exist. Provisions for claims due to known disputes are recorded whenever there is a situation where it is more likely than not that the company will have an obligation to settle the dispute and where a reliable estimate can be made regarding the outcome of such dispute.

Note 7

Segment disclosures

The segments are reported in accordance with IFRS 8 Operating segments. The segment information is reported in the same way as it is reviewed and analysed internally by the chief operating decicsion-makers, primarily the CEO, the Executive Committee and the Board of Directors.

The Rezidor Hotel Group's principal geographical markets, or regions in which the Group operates its business consists of:

- The Nordics including Denmark, Finland, Iceland, Norway and Sweden;
- The Rest of Western Europe including Austria, Belgium, France, Germany, Greece, Ireland, Italy, Luxemburg, Malta, the Netherlands, Portugal, Spain, Switzerland and the United Kingdom;
- Eastern Europe including Azerbaijan, Bulgaria, Croatia, the Czech Republic, Estonia, Georgia, Hungary, Kazakhstan, Latvia, Lithuania, Macedonia, Moldova, Mongolia, Poland, Romania, Russia, Serbia, Slovakia, Turkey, Ukraine, and Uzbekistan; and
- Middle East, Africa and Other including Angola, Bahrain, Benin, Brazil, China, Egypt, Ethiopia, Gabon, Ghana, Guinea, Ivory Coast, Jordan, Kenya, Kuwait, Lebanon, Libya, Mali, Mauritius, Morocco, Mozambique, Nigeria, Oman, Qatar, Rwanda, Saudi Arabia, Senegal, Sierra Leone, South Africa, Tunisia, the United Arab Emirates and Zambia.

The Rezidor Group's types of contractual arrangements (or operating structures) in which the Rezidor hotels are operated consists of:

- Leased contractual arrangements:
  Under Rezidor's lease agreements, Rezidor leases hotel buildings from property owners and is entitled to the benefits and carries the risks associated with operating of the hotel. The Company derives revenue primarily from room sales and food and beverage sales in restaurants, bars and banqueting. The main costs arising under a lease agreement are costs related to rent paid to the lessor, personnel costs and other operating expenses. Rent payments to lessor typically include a variable rent (as % of hotel revenue) with an underlying minimum fixed rent (for more details see Note 39). Under some lease agreements, the company also reimburses the owner of the hotel property for property taxes and property insurance. Under Rezidor's lease agreements, the company is responsible for maintaining the hotels Furniture, Fixtures and Equipment (FFE) in good repair and condition over the term of the lease agreement.

- Managed contractual arrangements:
  Under management agreements, the Company provides management services for third-party hotel proprietors. Revenue is primarily derived from base fees determined as a percentage of total hotel revenue and incentive management fees defined as a percentage of the gross operating profit or adjusted gross operating profit of the hotel operations. In addition, the company collects marketing fees based on total rooms revenue or on total revenue, and reservation fees are based on the number of reservations made. Under some management agreements, Rezidor may offer the hotel proprietor a minimum guaranteed result, as further described in Note 40. Under a management agreement, the hotel proprietor is responsible for all investments in and costs of the hotel, including the funding of periodic maintenance and repair, as well as for insurance of the hotel property. The employees that operate the hotels are, in general, employees of the hotel proprietor.

- Franchised contractual arrangements:
  Under franchise agreements, the company authorises a third-party hotel operator or property owner to operate the hotel under one of the brands in the Company's portfolio. Accordingly, under such agreements, the Company neither owns, leases nor manages the hotel. The Company derives revenue from brand royalties or from licensing fees which, under most of the franchise agreements, are based on a percentage of total room revenue generated by a hotel. In addition, the Company collects marketing fees based on total room revenue and reservation fees based on the number of reservations made. In order to gain access to different concepts and programmes associated with the brand, the hotel owners normally have to pay additional fees. Currently, franchise agreements for the Missoni brand are not allowed.

- Other represents complementary Group revenue from administrative activities, but also includes the share of income from associates and joint ventures.

REVENUE

The split made between the detailed segments is based on the location of the business activities and on the net contribution of each related entities in their respective regional place of business, meaning that the segment disclosure is made after elimination of intra-group and intra-segment transactions (i.e. internal fees).

The line item 'Leased' represents, per region, the operating revenue (Room revenue, F&B revenue and Other hotel revenue) from leased hotels.

The line item 'Managed' represents, per region, the fees from managed hotels.

The line item 'Franchised' represents, per region, the fees from franchised hotels.

The line item 'Other' represents complementary Group revenue from administrative activities.

EBITDA AND EBIT

The line item 'Leased' represents, per region, the net operational contribution of leased hotels per region, less related marketing costs. Royalty fees and reservation fees.

The line item 'Managed' represents, per region, the fees from managed hotels less related marketing costs, Royalty fees, reservation fees and any shortfall guarantees.

The line item 'Franchised' represents, per region, the fees from franchised hotels less related marketing costs, Royalty fees and reservation fees.

Marketing costs are allocated to the operational units, i.e., Leased, Managed and Franchised per region, based on room revenue. Amortisation of intangible assets related to the franchise agreements with the Carlson Group is allocated based on the same principle.

The line item 'Central costs' represents corporate and regional costs (excluding the marketing costs which are allocated to the operational units) before depreciations and amortisations.

The line item 'Other' represents the contribution of the rest of the administrative activities and includes also the share of income in associates (for EBITDA) and gain (loss) on sale of shares and fixed assets (for EBIT). Depreciations and amortisations related to administrative activities are included in 'Other' in EBIT.

Cont. Note 7

BALANCE SHEET, INVESTMENTS, KEY PERFORMANCE INDICATORS AND HOTEL INVENTORY

The chief operating decision-maker monitors tangible, intangible and financial assets as well as capital expenditure (investments) attributable to each segment for the purpose of monitoring segment performance and allocating resources between segments. Assets and capital expenditure include those used directly in the operation of each segment, including intangible assets, property, plant and equipment and investments in associates. These assets are allocated according to their physical location. Key Performance indicators like RevPAR (i.e. Rooms revenue in relation to the number of rooms available) expressed in euro and occupancy (i.e. number of rooms sold in relation to the numbers of rooms available) expressed in rate are disclosed between major brands, Radisson Blu and Park Inn by Radisson. Number of hotels and rooms in operation are segmented by geographic market and by operating structure.

SEGMENTATION – REVENUE

TEUR	Nordics		Rest of Western Europe		Eastern Europe		Middle East, Africa and Other		Total			
For the year ended	**Dec. 31, 2012**	**Dec. 31, 2011**	**Dec. 31, 2012**	**Dec. 31, 2011**	**Dec. 31, 2012**	**Dec. 31, 2011**	**Dec. 31, 2012**	**Dec. 31, 2011**	**Dec. 31, 2012**	**%**	**Dec. 31, 2011**	**%**
Leased	404,525	373,387	395,319	383,744	—	—	—	—	799,844	86.6%	757,131	87.6%
Managed	4,963	5,350	26,788	25,391	34,577	28,978	23,826	16,848	90,154	9.8%	76,567	8.9%
Franchised	5,578	5,149	9,471	8,425	1,868	1,653	—	—	16,917	1.8%	15,227	1.8%
Other	12,139	12,171	4,614	3,067	—	—	—	50	16,753	1.8%	15,288	1.8%
Total	**427,205**	**396,057**	**436,192**	**420,627**	**36,445**	**30,631**	**23,826**	**16,898**	**923,668**	**100.0%**	**864,213**	**100.0%**

SEGMENTATION – EBITDA

TEUR	Nordics		Rest of Western Europe		Eastern Europe		Middle East, Africa and Other		Central costs		Total	
For the year ended	**Dec. 31, 2012**	**Dec. 31, 2011**	**Dec. 31, 2012**	**Dec. 31, 2011**	**Dec. 31, 2012**	**Dec. 31, 2011**	**Dec. 31, 2012**	**Dec. 31, 2011**	**Dec. 31, 2012**	**Dec. 31, 2011**	**Dec. 31, 2012**	**Dec. 31, 2011**
Leased	42,316	40,821	–3,505	–7,272	—	—	—	—	—	—	38,811	33,549
Managed	3,195	3,648	6,840	8,634	23,917	19,757	13,420	9,534	—	—	47,372	41,573
Franchised	3,129	2,767	4,107	3,104	1,256	866	—	—	—	—	8,492	6,737
Other[1]	3,026	1,191	492	13	120	22	443	808	—	—	4,081	2,034
Central costs	—	—	—	—	—	—	—	—	–47,922	–48,822	–47,922	–48,822
Total	**51,666**	**48,427**	**7,934**	**4,479**	**25,293**	**20,645**	**13,863**	**10,342**	**–47,922**	**–48,822**	**50,834**	**35,071**

1) Other also includes share of income in associates and joint ventures.

SEGMENTATION – EBIT

TEUR	Nordics		Rest of Western Europe		Eastern Europe		Middle East, Africa and Other		Central costs		Total	
For the year ended	**Dec. 31, 2012**	**Dec. 31, 2011**	**Dec. 31, 2012**	**Dec. 31, 2011**	**Dec. 31, 2012**	**Dec. 31, 2011**	**Dec. 31, 2012**	**Dec. 31, 2011**	**Dec. 31, 2012**	**Dec. 31, 2011**	**Dec. 31, 2012**	**Dec. 31, 2011**
Leased	26,936	27,569	–35,170	–31,080	—	—	—	—	—	—	–8,234	–3,511
Managed	3,152	3,602	6,656	8,442	22,812	19,463	13,274	9,399	—	—	45,894	40,906
Franchised	3,067	2,702	3,986	2,974	1,242	847	—	—	—	—	8,295	6,523
Other[1]	20	–2,594	458	–999	120	22	443	808	—	—	1,041	–2,763
Central costs	—	—	—	—	—	—	—	—	–47,922	–48,822	–47,922	–48,822
Total	**33,175**	**31,279**	**–24,070**	**–20,663**	**24,174**	**20,332**	**13,717**	**10,207**	**–47,922**	**–48,822**	**–926**	**–7,667**

1) Other also includes share of income in associates and joint ventures and gain /loss on sale of shares and fixed assets.

EBIT for leased hotels in Rest of Western Europe was negatively impacted by write-downs of tangible and intangible fixed assets amounting to TEUR 11,376 (11,583) as a result of impairment testing. In Eastern Europe, EBIT was negatively impacted by a write-down of investments in Mongolianord GmbH. The write-downs are further outlined in Note 6.

RECONCILIATION OF PROFIT/LOSS FOR THE PERIOD

TEUR For the year ended	Dec. 31, 2012	Dec. 31, 2011
Total operating profit/loss (EBIT) for report able segments	–926	–7,667
Financial income	1,184	1,439
Financial expense	–2,153	–2,409
Group's total profit/loss before tax	**–1,895**	**–8,637**

SHARE OF INCOME AND GAIN (LOSS) ON SALE OF SHARES AND TANGIBLE ASSETS

TEUR	Nordics		Rest of Western Europe		Eastern Europe		Middle East, Africa and Other		Total	
For the year ended	**Dec. 31, 2012**	**Dec. 31, 2011**	**Dec. 31, 2012**	**Dec. 31, 2011**	**Dec. 31, 2012**	**Dec. 31, 2011**	**Dec. 31, 2012**	**Dec. 31, 2011**	**Dec. 31, 2012**	**Dec. 31, 2011**
Share of income in associates	1,800	1,809	—	—	–1	–14	567	844	2,366	2,639
Gain/loss on sale of shares and tangible assets	—	423	—	—	—	—	—	—	—	423
Total	**1,800**	**2,232**	**—**	**—**	**–1**	**–14**	**567**	**844**	**2,366**	**3,062**

SEGMENTATION – BALANCE SHEET

TEUR	Nordics		Rest of Western Europe		Eastern Europe		Middle East, Africa and Other		Total	
For the year ended	**Dec. 31, 2012**	**Dec. 31, 2011**	**Dec. 31, 2012**	**Dec. 31, 2011**	**Dec. 31, 2012**	**Dec. 31, 2011**	**Dec. 31, 2012**	**Dec. 31, 2011**	**Dec. 31, 2012**	**Dec. 31, 2011**
ASSETS	157,563	153,230	153,996	161,373	30,351	23,856	34,351	35,367	376,261	373,826
Leased	152,799	147,140	144,191	149,147	7,243	7,249	17,122	17,857	321,355	321,393
Managed	1,416	1,802	6,038	7,451	12,675	13,457	16,652	17,021	36,781	39,731
Franchised	2,008	2,520	3,636	4,514	10,355	3,046	—	—	15,999	10,080
Other	1,340	1,768	131	261	78	104	577	489	2,126	2,622
Group's total assets									**376,261**	**373,826**
LIABILITIES	80,285	95,955	141,513	108,721	932	660	3,678	3,792	226,408	209,128

SEGMENTATION – INVESTMENTS[1)]

TEUR	Nordics		Rest of Western Europe		Eastern Europe		Middle East, Africa and Other		Total	
For the year ended	**Dec. 31, 2012**	**Dec. 31, 2011**	**Dec. 31, 2012**	**Dec. 31, 2011**	**Dec. 31, 2012**	**Dec. 31, 2011**	**Dec. 31, 2012**	**Dec. 31, 2011**	**Dec. 31, 2012**	**Dec. 31, 2011**
Leased	14,799	23,479	22,795	14,323	54	40	96	74	37,744	37,916
Managed	—	—	—	—	—	—	—	—	—	—
Franchised	—	—	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—	—	—	—
Total	**14,799**	**23,479**	**22,795**	**14,323**	**54**	**40**	**96**	**74**	**37,744**	**37,916**

1) Excluding investments related to financial assets, see Note 19 and 20.

SEGMENTATION – SIGNIFICANT NON-CASH EXPENSES

TEUR	Nordics		Rest of Western Europe		Eastern Europe		Middle East, Africa and Other		Total	
For the year ended	**Dec. 31, 2012**	**Dec. 31, 2011**	**Dec. 31, 2012**	**Dec. 31, 2011**	**Dec. 31, 2012**	**Dec. 31, 2011**	**Dec. 31, 2012**	**Dec. 31, 2011**	**Dec. 31, 2012**	**Dec. 31, 2011**
Depreciation and amortisation	17,226	18,353	12,668	13,036	109	120	87	69	30,090	31,578
Write-downs and reversal of write-downs	—	—	11,376	11,583	896	—	—	—	12,272	11,583
Group's total depreciation and amortisation									**42,362**	**43,161**

EBIT for leased hotels in Rest of Western Europe was negatively impacted by write-downs of tangible and intangible fixed assets amounting to TEUR 11,376 (11,583) as a result of the performance of the hotel has lowered expectations about ability to generate sufficient future cash flows to support its carrying value. In Eastern Europe, EBIT was negatively impacted by a write-down of investments in Mongolianord GmbH. The write-downs are further outlined in Note 6. The classes of assets to which these write-downs belong, can be found in Note 19 and 20. Revenue in Sweden, where the Parent Company has its place of business, amounted to TEUR 170,244 (156,701). Non-current assets in Sweden amounted to TEUR 758,524 (757,116).

SEGMENTATION – REVPAR AND OCCUPANCY[1)]

	Radisson Blu		Park Inn by Radisson		Rezidor	
For the year ended	**Dec. 31, 2012**	**Dec. 31, 2011**	**Dec. 31, 2012**	**Dec. 31, 2011**	**Dec. 31, 2012**	**Dec. 31, 2011**
RevPAR, EUR	76.7	72.3	41.9	38.5	67.4	63.0
Occupancy, %	65.9	64.3	59.9	57.7	64.2	62.4

1) RevPAR (Revenue per Available Room) – is calculated as Rooms revenue in relation to the number of rooms available.
Occupancy – is calculated as the number of rooms sold in relation to the number of rooms available.

SEGMENTATION – HOTEL INVENTORY (IN OPERATION)
Summary by geographic area and by operating structure

TEUR	Nordics		Rest of Western Europe		Eastern Europe		Middle East, Africa and Other		Total	
As of Dec. 31, 2012 – In operation	**Hotels**	**Room**	**Hotels**	**Room**	**Hotels**	**Room**	**Hotels**	**Room**	**Hotels**	**Room**
Leased	28	7,501	49	10,193	—	—	—	—	77	17,694
Managed	6	1,894	62	10,140	63	16,114	47	11,789	178	39,937
Franchised	24	4,769	50	9,628	9	1,978	—	—	83	16,375
Total Rezidor	**58**	**14,164**	**161**	**29,961**	**72**	**18,902**	**47**	**11,789**	**338**	**74,006**

TEUR	Nordics		Rest of Western Europe		Eastern Europe		Middle East, Africa and Other		Total	
As of Dec. 31, 2011 – In operation	**Hotels**	**Room**	**Hotels**	**Room**	**Hotels**	**Room**	**Hotels**	**Room**	**Hotels**	**Room**
Leased	28	7,498	49	10,188	—	—	—	—	77	17,686
Managed	6	1,894	63	10,278	57	14,762	43	10,762	169	37,696
Franchised	23	4,579	50	9,474	6	1,331	—	—	79	15,384
Total Rezidor	**57**	**13,971**	**162**	**29,940**	**63**	**16,093**	**43**	**10,762**	**325**	**70,766**

Note 8
Revenue

Operating Revenue per area of operation

TEUR	2012	2011
	For the Year Ended Dec. 31	
Rooms revenue	517,646	492,052
F&B Revenue	258,425	241,474
Other hotel revenue	24,047	23,598
Hotel revenue	**800,118**	**757,124**
Fee revenue	107,071	91,794
Other revenue	16,479	15,295
Total revenue	**923,668**	**864,213**

Specification of fee revenue

Management fees	33,028	28,583
Incentive fees	29,011	24,604
Franchise fees	7,433	6,688
Marketing fees	25,173	21,576
Other fees	12,426	9,944
Total	**107,071**	**91,794**

- The line item 'Other hotel revenue' consists of complementary hotel revenue such as revenue from parking, pool, laundry and gym.
- The line item 'Other Revenue' consists of complementary Group revenue such as administration revenue.

Note 9
Cost of goods sold for food & beverage and other related expenses

TEUR	For the Year Ended Dec. 31 2012	2011
Cost of Food	40,774	39,015
Cost of Beverage	12,267	12,330
Cost of other income	7,307	7,436
Cost of other goods sold	5,521	5,987
Cost of tel, fax, internet	652	684
Total	**66,521**	**65,452**

Note 10
Payroll cost, number of employees, etc

Payroll cost

TEUR	For the Year Ended Dec. 31 2012	2011
Salaries	215,120	201,708
Social security	39,026	34,701
Pension costs	8,039	6,740
Sub-total	**262,185**	**243,149**
Other personnel costs (other benefits in kind)	53,588	59,971
Total	**315,773**	**303,120**

These costs are included in the line personnel cost and contract labour in the income statement.

TEUR 15,030 (20,177) of the total salaries and remuneration in 2012 was related to senior officers within the Group, of which TEUR 822 (3,124) was variable salary. TEUR 1,037 (983) of the pension costs was related to senior officers within the Group. Senior officers are defined as General Managers at hotels, members of the Executive Committee and area vice presidents. The salary specified for senior officers relates to the remuneration they have received in their capacity as General Managers, members of the Executive Committee or area vice presidents.

For the Year ended Dec. 31,	Salaries		Social security		Pension costs		Subtotal		Other personnel costs		Total	
TEUR	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Denmark	13,280	13,498	494	499	1,079	1,053	14,853	15,050	1,816	2,096	16,669	17,147
Norway	63,301	57,417	8,642	8,072	3,128	2,340	75,071	67,829	9,037	10,504	84,108	78,333
Sweden	27,250	26,575	8,585	7,392	1,831	1,406	37,666	35,373	6,599	7,443	44,265	42,816
United Kingdom	28,451	23,441	2,433	1,955	575	439	31,459	25,835	9,352	8,032	40,811	33,867
Germany	24,677	24,284	5,024	4,920	—	—	29,701	29,204	10,924	10,421	40,625	39,625
France	14,402	13,896	5,827	5,144	—	—	20,229	19,040	2,911	2,928	23,140	21,968
Belgium	19,972	20,124	4,994	3,779	1,191	1,261	26,157	25,164	5,423	10,933	31,580	36,098
Other	23,787	22,471	3,027	2,941	235	242	27,049	25,654	7,526	7,612	34,575	33,266
Total	**215,120**	**201,708**	**39,026**	**34,701**	**8,039**	**6,740**	**262,185**	**243,149**	**53,588**	**59,971**	**315,773**	**303,120**

The average number of employees in Rezidor's companies during 2012 was 5,452 (5,230) and is split as follows:

	For the Year Ended Dec. 31			
	2012		2011	
	Men	Women	Men	Women
Denmark	137	126	117	142
Norway	564	650	510	623
Sweden	292	385	285	359
United Kingdom	571	646	556	571
Germany	396	482	412	461
France	244	253	251	238
Belgium	128	122	123	125
Other	261	195	229	228
Total	**2,593**	**2,859**	**2,483**	**2,747**
Total men and women		**5,452**		**5,230**

	For the Year Ended Dec. 31			
	2012		2011	
	Men	Women	Men	Women
Members of the Board of Directors1)	5 2)	3	7	3
Executive Committee (including CEO)3)	8	1	7	1

1) These numbers of members relate only to the members of the Board of Directors of the Parent Company elected at the Annual General Meeting of shareholders on April 25th, 2012.

2) Including Hubert Joly who resigned from the Board on 13 September 2012

3) The 2012 numbers of members are average numbers for the year ended December 31st. The Executive Committee had nine members until November 2012 and then eight members until the end of the year.

Remuneration to the external members of the Board of Directors of the Parent Company1)

	For the Year Ended Dec. 31	
TEUR	**2012**	**2011**
Urban Jansson	—	23
Hubert Joly	49	57
Benny Zakrisson	—	16
Trudy Rautio	62	49
Barry W. Wilson	41	44
Göte Dahlin	43	43
Wendy Nelson	40	42
Staffan Bohman	57	30
Anders Moberg	40	27
Elizabeth Bastoni	41	28
	373	**359**

1) TEUR 250 of the total remuneration to members of the Board of Directors in 2012 is attributable to the remuneration approved by the Annual General Meeting on April 25th, 2012 for the period beginning after that Meeting and ending on the next Annual General Meeting in 2013.

Remuneration of the Executive Committee (incl the CEO)1)

	For the Year Ended Dec. 31	
TEUR	**2012**	**2011**
Base remuneration2)	5,348	6,051
Variable remuneration	459	1,072
Post employment compensation3)	52	2,171
Pension costs to Executive Committee:		
Defined contribution plan	589	610
Defined benefit plan	53	43
Housing and company cars for the Executive Committee	544	575

1) The table above shows the gross amounts. Eight members of the Executive Committtee were remunerated on a net basis. Apart from the impact of changes in the agreed upon remuneration levels, the gross remuneration may also differ from year to year due to special tax treatment rules in Belgium. Regarding number of persons in the Executive Committee, see above.

2) The base remuneration for 2011 includes a one-off redundancy cost of TEUR 1,261.

3) The 2012 figure is an adjustment of the 2011 accrual and a result of the Belgian special tax treatment when calculating the gross amount.

The variable remuneration of the members of the Executive Committee are subject to accruals each year. The basis for the annual variable remuneration scheme for 2012 for the members of the Executive Committee is based on financial and personal performance objectives. The financial objective, which represents 75% of the maximum variable opportunity, is defined as the level of earnings per share (EPS) achieved in the year. The maximum variable opportunity depends on the executive's role and is capped to between 45% and 75% of the annual base remuneration (excl CEO). The related variable remuneration costs recorded in the P&L as of the end of the year represent the best estimate made at the balance sheet dates. The final variable remuneration payment is dependent on certain factors that will finally be known at a date subsequent to the release of the financial statements. Therefore, variable remuneration accrued in a specific year may be adjusted in subsequent periods as a result of the final parameters (such as the final profitability of the company) deviating from the assumptions made at the balance sheet dates. For members of the Executive Committee the contracted notice period for termination of their agreements and associated severance payments was between three and fifteen months or in some cases three months per period of five years of seniority. In case of dispute, the applicable law could lead to severance payments exceeding the contracted amount and may exceed two years annual remuneration. Remuneration to the CFO (Deputy President) was comprised in 2012 (2011) of: remuneration TEUR 716 (689), variable remuneration TEUR 52 (28), pension TEUR 173 (167), housing and company car TEUR 91 (80).

Effective as from January 1, 2013 Wolfgang M. Neumann was appointed as CEO, replacing Kurt Ritter. The remuneration for the previous CEO is as follows:

Remuneration – CEO	For the Year Ended Dec. 31	
TEUR	**2012**	**2011**
Base remuneration1)	1,950	1,432
Variable remuneration	315	555
Post employment compensation	52	2,171
Pension cost, defined contribution plan	395	395
Housing and company cars	156	223

1) The net base remuneration for the previous CEO amounted to TCHF 1,153 (1,153). The increase in base remuneration between 2012 (TEUR 1,950) and 2011 (TEUR 1,432) was mainly due to the payment of an outstanding amount of TCHF 308, due for payment on his retirement dating back to an agreement reached in 2007. Furthermore, the gross remuneration differs from year to year due to special tax treatment rules in Belgium. The increase in gross remuneration was the result of the payment of the outstanding amount, these special tax rules and the effect of exchange rates and has no effect on the net contracted remuneration in CHF. The amount includes the portion of the salary paid out by Rezidor Hotel Group AB (as described below), amounting to TEUR 111 (107).

The remuneration of the previous CEO is mainly paid by The Rezidor Hotel Group S.A. (Belgium), but due to a dual agreement, a portion amounting to TEUR 111 (107) is paid by Rezidor Hotel Group AB (Sweden). See also Note 3 hereafter in the Parent Company Accounts. These figures are excluding social costs. On April 15th, 2011 the Board secured an extension of the term of the CEO's employment until February 28th, 2015. The CEO's annual net base remuneration for the year 2012 amounted to TCHF 1,153. Based on present targets the CEO's variable remuneration remained 75% of annual base remuneration if targets are achieved, with the opportunity to reach 150% of the annual base remuneration if higher targets are achieved and 200% of such remuneration if stretched goals are achieved. The variable remuneration for 2012 shall be due and payable annually in arrears. The CEO is also entitled to certain benefits such as housing, car and travel allowances The CEO participates in a contribution pension scheme to which the Company makes annual contributions in an amount equal to 41% of his annual net base remuneration until the termination of his employment. In September 2012, in accordance with his contractual notice period, the CEO informed the Board of his intent to retire as of 31 March 2013 before the end of his extended term of employment. It was agreed that he would maintain his CEO responsibilities until 31 December 2012 and accompany his replacement during the first three months of 2013. The CEO is not entitled to any severance payment or any other kind of compensation as a result of the termination of his employment.

A new CEO has been appointed with effect from 1 January 2013. The new CEO has an annual gross base remuneration of TEUR 600 and has an annual and long term incentive opportunity representing up to 75% of base remuneration at target level achievement and 150% of base remuneration at maximum level achievement for each plan. He also receives a pension contribution of 10% of annual gross base remuneration, has a company car, travel allowance and housing.

EXCEPTIONAL SHORT TERM INCENTIVE 2012

For the 2012–2014 performance period, no equity based performance plan was proposed. Instead, an exceptional short term cash incentive, dependant on achieving performance targets for the company's EPS in 2012, was foreseen. The targeted EPS was not achieved, hence no payment is due.

LONG-TERM EQUITY-SETTLED PERFORMANCE BASED INCENTIVE PROGRAMME

In addition to the remuneration outlined above, the CEO and the Executive Committee participate in a long-term equity settled incentive programme before 2012. The details of this incentive programme are described in Note 33. The table below shows the maximum number of shares that can be awarded to the previous CEO and the rest of the Executive Committee under the two incentive programmes approved by the Annual General Meeting in 2011. In addition, the CEO and the rest of the Executive Committee would have been awarded 319,829 and 278,310 shares respectively in the 2010 programme. However, by December 31st, 2012, it was clear that the 2010 programme would not meet the performance criteria as further outlined in Note 33, but as the vesting period had not ended that day the shares were not formally forfeited by that day.

Cont. Note 10

Maximum number of shares that can be awarded to the Executive Committee

	As of Dec. 31	
	2012	**2011**
Previous CEO	300,000	619,829
The rest of the Executive Committee	430,000	814,737
Total	**730,000**	**1,434,566**

The probable outcome of number of shares for the previous CEO is low due to his termination as CEO.

Note 11

Other operating expenses

	For the Year Ended Dec. 31	
TEUR	**2012**	**2011**
Royalty fees and other costs to Carlson Group	13,809	11,387
Energy costs	30,466	29,596
Supplies	15,901	14,832
Marketing expenses	58,196	57,989
External fees	13,904	11,686
Laundry and dry cleaning	17,818	16,698
Contract services and maintenance	12,585	12,508
Administration costs	12,257	12,132
Communication, travel and transport	11,920	10,690
Operating equipment	3,877	4,498
Rentals and licences	6,846	4,670
Property operating expenses	9,548	7,983
Other Expenses	18,227	12,843
Total	**225,354**	**207,513**

Note 12

Insurance of properties and property tax

	For the Year Ended Dec. 31	
TEUR	**2012**	**2011**
Property & Miscellaneous taxes	13,926	11,895
Building insurance	1,629	1,655
Total	**15,555**	**13,551**

Note 13

Rental expense

	For the Year Ended Dec. 31	
TEUR	**2012**	**2011**
Fixed rent[1)]	198,424	199,062
Variable rent[2)]	43,103	33,372
Guarantee payments[3)]	10,470	9,711
Total	**251,997**	**242,145**

1) *Fixed rent represent all fixed lease payments (or minimum lease payments) made to the owners of the leased hotels. This line item also includes rental costs of premises which are leased for administration purposes.*

2) *Variable rent represent all variable lease payments (or contingent lease payments) made to the owners of the leased hotels (based on the underlying contract type) which are primarily based on the revenue of the leased hotels.*

3) *Guarantee payments are payments (or shortfalls payments) made to the owners of the managed hotels (based on the underlying contract type) when Rezidor has guaranteed a certain annual result to the property owner. The guarantee payments represent the difference between the guaranteed and achieved result.*

Note 14

Gain on sale of shares and intangible and tangible assets

Gain on sale of shares and intangible and tangible assets are split as follows:

	For the Year Ended Dec. 31	
TEUR	**2012**	**2011**
Sales price of shares	—	487
Net assets of sold entity	—	64
Total net gain on sale of shares and intangible and tangible assets	**—**	**423**

The gain on sale of shares and intangible and tangible assets in 2011 was related to the sale of one leased operation in Sweden.

Note 15

Financial items

	For the Year Ended Dec. 31	
TEUR	**2012**	**2011**
Interest income from external financial institutions	443	465
Interest income from other loans and receivables	319	332
Other financial income	422	642
Financial income	**1,184**	**1,439**
Interest expense to external financial institutions	–330	–398
Interest expense from other loans and payables	–406	–481
Other financial expense	–1,029	–1,239
Foreign currency exchange losses	–388	–291
Financial expense	**–2,153**	**–2,409**
Financial income and expenses, net	**–969**	**–970**

TEUR 327 of other financial income in 2012 was related to the sale of shares in Stavanger Hotel KS (Note 23). TEUR 567 of other financial income in 2011 was related to the waiver of accrued interest expenses on a long-term loan. Other financial expenses are related to bank charges and similar items.

Net gain/loss per category of financial assets and liabilities

	For the Year Ended Dec. 31	
TEUR	**2012**	**2011**
Financial assets at fair value through profit and loss (held for trading)	32	21
Loans and receivables and financial liabilities measured at amortised cost	–1,001	–991
Total	**–969**	**–970**
Available–for–sale financial assets	—	–1,000
Recognised in the statement of comprehensive income	**–969**	**–1,970**

All interest income and expense in 2012 and 2011 is related to financial assets and liabilities measured at amortised cost. No interest income in 2012 and 2011 was recognised on impaired financial assets.

Note 16

Income taxes

Income tax recognised in profit or loss

TEUR	For the Year Ended Dec. 31 2012	2011
Tax expense(+)/income(–) comprises:		
Current tax expense(+)/income(–)	11,635	8,482
Adjustments recognised in the current year in relation to the current tax of prior years	53	807
Deffered tax expense(+)/income(–) relating to the origination and reversal of temporary differences	30	–15,463
Write-downs of deferred tax assets	3,235	9,442
Total tax expense/(income)	**14,953**	**3,268**

The total charge for the year can be reconciled to the accounting profit as follows:

TEUR	For the Year Ended Dec. 31 2012	2011
Profit/loss before tax from continuing operations	–1,895	–8,637
Income tax income(–)/expense(+) calculated at the local tax rate	–1,668	–2,470
Effect of revenue that is exempt from taxation	–176	–289
Effect of expenses that are not deductible in determining taxable profit	654	3,090
Effect of tax concessions (research and development and other allowances)	—	2
Effect of changes in the expected manner of recovery of assets	—	–357
Effect of tax losses and tax offsets not recognised as deferred tax assets	13,059	6,075
Effect of previously unrecognised deferred tax attributable to tax losses, tax credits or temporary differences of prior years	–31	–12,149
Effect on deferred tax balances due to the change in income tax rate	–1,112	428
Write-downs of deferred tax assets	3,235	9,442
Effect of withholding taxes	959	–1,485
Other	–20	174
Sub total	**14,900**	**2,461**
Adjustments recoginised in the current year related to the current tax of prior years	53	807
Income tax expense recognised in profit or loss	**14,953**	**3,268**

Tax expense recognised directly in equity:

Translation of foreign operations	41	–36
Total	**41**	**–36**

The average effective tax rate was –789% (–38). The average tax rate was mainly negatively impacted by the effect of not recognising deferred tax income of loss-making entities in France and the UK.

DEFERRED TAX ASSETS(+)/LIABILITIES(–) ARISE FROM THE FOLLOWING

2012	Opening balance	Charged to income	Charged to Equity	Acquisitions/ disposals	Reclassifica-tions	Exchange differences	Closing balance
Temporary differences							
Property, plant & equipment	–2,060	–134	—	—	—	–30	–2,224
Intangible assets	–13,086	2,620	—	—	—	4	–10,462
Provisions	7	723	—	—	1,119	—	1,849
Doubtful debts	653	107	—	—	–313	—	447
Untaxed reserves	–912	192	—	—	—	–49	–769
Pensions	–1,907	472	—	—	—	–126	–1,561
Other liabilities	–4,823	–217	—	—	679	–171	–4,532
Long term non-interest-bearing receivables	0	—	—	—	—	—	—
Other current non-interest-bearing liabilities	–342	72	—	—	—	–18	–288
	–22,470	**3,835**	**—**	**—**	**1,485**	**–390**	**–17,540**
Unused tax losses and credits							
Tax losses	38,328	–7,100	—	—	–1,485	68	29,811
	38,328	**–7,100**	**—**	**—**	**–1,485**	**68**	**29,811**
Total	**15,858**	**–3,265**	**—**	**—**	**—**	**–322**	**12,271**

Cont. Note 16

DEFERRED TAX ASSETS(+)/LIABILITIES(–) ARISE FROM THE FOLLOWING:

2011	Opening balance	Charged to income	Charged to Equity	Acquisitions/ disposals	Exchange differences	Closing balance
Temporary differences						
Property, plant & equipment	–2,125	136	—	—	–71	–2,060
Intangible assets	–13,608	535	—	—	–13	–13,086
Provisions	—	2	—	—	5	7
Doubtful debts	1,802	–1,116	—	—	–33	653
Untaxed reserves	–777	–122	—	—	–13	–912
Pensions	–2,654	742	—	—	5	–1,907
Other liabilities	–6,350	1,521	—	—	6	–4,823
Long term non-interest-bearing receivables	1,287	–1,244	—	—	–43	0
Other current non-interest-bearing liabilities	–423	82	—	—	–1	–342
	–22,848	**536**	**—**	**—**	**–158**	**–22,470**
Unused tax losses and credits						
Tax losses	32,546	5,485	—	—	297	38,328
	32,546	**5,485**	**—**	**—**	**297**	**38,328**
Total	**9,698**	**6,021**	**—**	**—**	**139**	**15,858**

Deferred tax balances are presented in the balance sheet as follows:

	As of Dec. 31	
TEUR	**2012**	**2011**
Deferred tax assets	28,909	31,579
Deferred tax liabilities	–16,638	–15,721
Total	**12,271**	**15,858**

UNRECOGNISED DEFERRED TAX ASSETS

The following deferred tax assets have not been recognised at the balance sheet date

	As of Dec. 31	
TEUR	**2012**	**2011**
Tax losses	35,774	22,225
Temporary differences	5,019	4,316
Total	**40,793**	**26,541**

The unrecognised tax losses have no expiry date.

Capital gains and losses on sale of shares in subsidiaries, associates and joint ventures are normally not subject to any taxation and there are consequently no temporary differences associated with these assets.

Deferred tax assets attributable to tax losses carry forward are recognised to the extent it is probable, based on convincing evidence, that future taxable profits will be available against which the unused tax losses can be utilised such as for example that a previously loss making entity has turned into profitability or that a change in structure will generate taxable income to offset historic losses. When assessing the probability of utilisation, the amount of taxable temporary differences relating to the same taxation authority as the tax losses carry forward are taken into account as well as the projected future taxable profits, taking into account among other things, the caps on fixed rent obligations. The projected future taxable profits are estimated based on budgets and long range plans, taking into account the expiry of contracts. The deferred tax assets attributable to tax losses carry forward are mainly found in Germany (TEUR 11,697), Belgium (TEUR 12,070) and Sweden (TEUR 6,794). The subgroups in those countries had taxable profit in 2012. Portfolio management, a revision of plans and projections for loss-making hotels or a setback in the economic recovery with major implications on the performance of the company's hotels, could trigger a need for further assessment of the recoverability of tax losses carry forward and therefore also on the carrying value of deferred tax assets.

Note 17
Sold and acquired operations

Disposed subsidiaries	For the Year Ended Dec. 31	
TEUR	**2012**	**2011**
Fixed assets	—	122
Current assets	—	18
Cash and bank	—	2
Current liabilities	—	–78
Net assets disposed of	**—**	**64**
Capital gain	—	423
Sales price	—	487
Net contribution	—	487
Cash and bank in disposed operations	—	–2
Total cash flow from disposed operations	**—**	**485**

The assets and liabilities of the disposed operations in 2011 relate to one leased operation in Sweden.

Note 18
Earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

Basic

	For the Year Ended Dec. 31	
TEUR	**2012**	**2011**
Loss for the year attributable to equity holders of the parent (TEUR)	–16,848	–11,905
Weighted average number of ordinary shares for the purposes of basic earnings per share	146,320,902	146,315,374
Total basic earnings per share	**–0.12**	**–0.08**

	For the Year Ended Dec. 31	
TEUR	**2012**	**2011**
Weighted average number of ordinary shares used in the calculation of basic earnings per share	146,320,902	146,315,374
Contingently issuable shares	—	719,459
Weighted diluted average number of ordinary shares	**146,320,902**	**147,034,833**

The basic earnings per share is calculated by dividing the earnings attributable to the equity holders of the parent company by a weighted average number of ordinary shares during the period, excluding those shares bought back and held by the parent company. Since the number of shares is antidilutive due to the reported loss for the period, basic and diluted earnings per share are the same.

The participants of the equity-settled incentive programmes, approved by the Annual general Meetings in 2010 and 2011, are entitled to a certain amount of shares at the end of the vesting periods (further described in Note 33 Share Based Payments) if certain performance criteria are met, including growth in earnings per share and total shareholder return relative to a defined peer group. The maximum number of shares that can be awarded is 1,669,615. No shares would have been awarded had the vesting period ended on 31 December, 2012.

Note 19
Other intangible assets

TEUR	Other intangible assets	Licenses and related rights	Total
Cost			
Balance as of Jan. 1, 2011	**43,523**	**54,900**	**98,423**
Investments	1,427	3	1,430
Disposed operation	–71	–1	–72
Effect of foreign currency exchange differences	88	–3	85
Balance as of Jan. 1, 2012	**44,967**	**54,899**	**99,866**
Investments	2,416	—	2,416
Disposed operation	–1,194	–1	–1,195
Effect of foreign currency exchange differences	40	3	43
Other	2,511	—	2,511
Balance as of Dec. 31, 2012	**48,740**	**54,901**	**103,641**
Accumulated amortisation and impairment			
Balance as of Jan. 1, 2011	**–13,529**	**–6,232**	**–19,761**
Amortisation	–2,795	–1,175	–3,970
Write-down	–2,580	—	–2,580
Disposals	—	2	2
Effect of foreign currency exchange differences	89	—	89
Balance as of Jan. 1, 2012	**–18,815**	**–7,405**	**–26,220**
Amortisation	–2,972	–1,208	–4,180
Write-down	–7	–14	–21
Disposals	1,178	2	1,180
Effect of foreign currency exchange differences	13	36	49
Other	–2,376	—	–2,376
Balance as of Dec. 31, 2012	**–22,979**	**–8,589**	**–31,568**
Carrying amount			
As of Dec. 31, 2011	**26,152**	**47,494**	**73,646**
As of Dec. 31, 2012	**25,761**	**46,312**	**72,073**

TEUR 45,732 (46,903) of the carrying amount of 'Licences and other related rights' is related to the contractual rights associated with the master franchise agreements with the Carlson Group. These rights were renegotiated in 2005 and in exchange for the new terms, the Carlson Group received 25% of the shares in Rezidor. This was achieved through a contribution in kind, where the value of the renegotiated terms was estimated to be TEUR 55,000. This amount is being amortised over the length of the contract, which expires in 2052.

More information about the write-downs recognised during the year is provided in Note 6.

Note 20
Tangible assets

TEUR	Fixed installations	Machinery and equipment	Investments in progress	Total
Cost				
Balance as of Jan. 1, 2011	**135,207**	**226,811**	**7,461**	**369,479**
Investments	5,308	12,511	18,633	36,452
Disposed operation	—	–170	—	–170
Disposals	–1,505	–13,853	–6	–15,364
Reclassification	993	13,293	–14,286	0
Effect of foreign currency exchange differences	1,296	2,791	27	4,114
Balance as of Jan 1, 2012	**141,299**	**241,383**	**11,829**	**394,511**
Investments	7,158	17,792	12,795	37,745
Disposals	–6,488	–4,556	–61	–11,105
Reclassification	3,198	–3,198	—	0
Effect of foreign currency exchange differences	4,376	7,353	599	12,328
Transfer from investments in progress	4,844	6,690	–11,534	0
Other	36,013	–36,343	–50	–380
Balance as of Dec. 31, 2012	**190,400**	**229,121**	**13,578**	**433,099**
Accumulated depreciations and impairment				
Balance as of Jan. 1, 2011	**–98,944**	**–161,821**	**—**	**–260,765**
Reclassified from held for sale	1,608	13,254	—	14,862
Disposed operation	—	46	—	46
Depreciation	–7,070	–20,538	—	–27,608
Impairment	–771	–8,232	—	–9,003
Effect of foreign currency exchange differences	–678	–1,891	—	–2,569
Balance as of Jan 1, 2012	**–105,855**	**–179,182**	**—**	**–285,037**
Depreciation	–8,931	–15,993	–986	–25,910
Impairment	–7,006	–3,967	–382	–11,355
Disposals	6,278	4,452	61	10,791
Effect of foreign currency exchange differences	–3,274	–5,771	–25	–9,070
Other	–27,264	27,197	—	–67
Balance as of Dec. 31, 2012	**–146,052**	**–173,264**	**–1,332**	**–320,648**
Carrying amount				
As of Dec. 31, 2011	**35,444**	**62,201**	**11,829**	**109,474**
As of Dec. 31, 2012	**44,348**	**55,857**	**12,246**	**112,451**

Amounts reported as 'Other' were mainly related to reclassifications between 'Fixed installations' and 'Machinery and equipment' due to the introduction of the new chart of accounts on January 1, 2012.

More information about the write-downs recognised during the year is provided in Note 6.

Note 21
Investments in associated companies

TEUR	Ownership (%) as of Dec. 31, 2011	Ownership (%) as of Dec. 31, 2012	Carrying value as of Dec. 31, 2011	Share of income	Dividends	Exchange difference	Carrying value as of Dec. 31, 2012
Nordrus Hotel Holding A/S	26.08%	26.08%	214	–1	—	–14	199
Al Quesir Hotel Company S,A,E	20.00%	20.00%	3,164	121	—	–299	2,986
Afrinord Hotel Investment A/S	20.00%	20.00%	57	3	—	—	60
Total			**3,435**	**123**	**—**	**–313**	**3,245**

Summarised financial information for associated companies	As of and for the Year Ended Dec. 31	
TEUR	2012	2011
Total assets	23,547	23,848
Total liabilities	13,637	13,844
Net assets	9,910	10,004
Group's share in net assets	3,245	3,435
Revenue	3,856	3,254
Profit/loss after tax	617	149
Group's share in net profit	123	27

Note 22
Investments in joint ventures

TEUR	Ownership (%) as of Dec. 31, 2011	Ownership (%) as of Dec. 31, 2012	Carrying value as of Dec. 31, 2011	Share of income	Dividends	Reclassification	Exchange difference	Carrying value as of Dec. 31, 2012
Casino Denmark A/S	50.00%	50.00%	—	—	—	—	—	—
Casino Denmark K/S	50.00%	50.00%	1,213	1,800	–1,884	—	—	1,129
Total			**1,213**	**1,800**	**–1,884**	**—**	**—**	**1,129**

Rezidor's share of negative equity in the 50% (50%) owned Rezidor Royal Hotel Beijing Co Ltd and the long-term receivable from that company (Note 25) are seen as a net investment. The net investment is presented as receivable on the face of the balance sheet, and therefore not included in the table above.

Summarised financial information for joint ventures	As of and for the Year Ended Dec. 31	
TEUR	2012	2011
Total assets	36,270	36,042
Total liabilities	13,326	12,606
Net assets	22,944	23,436
Group's share in net assets	11,472	11,718
Revenue	27,866	24,461
Profit after tax	3,466	4,323
Group's share in net profit	1,733	2,162

TEUR 10,343 (10,505) of the Group's share of net assets and TEUR 443 (803) of Group's share of net profit in the table above is related to Rezidor Royal Hotel Beijing Co Ltd.

Note 23
Other shares and participations

TEUR	Ownership (%) as of Dec. 31, 2011	Ownership (%) as of Dec. 31, 2012	Carrying value as of Dec. 31, 2011	Investments	Disposed shares	Write-down	Exchange difference	Carrying value as of Dec. 31, 2012
Doriscus Enterprise Ltd	13.41%	13.41%	4,142	—	—	—	10	4,152
First Hotels Co K.S.C.C	1.82%	1.82%	1,012	—	—	—	4	1,016
Timmendorf mbH & Co Beteiligungs KG	18.67%	—	306	—	–306	—	—	0
Mongolianord GmbH	14.28%	14.28%	1,569	224	—	–896	2	899
Stavanger Hotels KS	1.00%	—	142	—	–142	—	—	0
Tax Shelter Films Funding	2.43%	2.43%	—	120	—	—	—	120
Others	—	—	62	—	—	—	–27	35
Total			**7,233**	**344**	**–448**	**–896**	**–11**	**6,222**

Note 24

Pension funds, net

Pension obligations recognised in the Group balance sheet

	As of Dec. 31	
TEUR	**2012**	**2011**
Pension funds over funded	7,718	9,227
Pension funds under funded	–1,908	–2,150
Total	**5,810**	**7,077**

DEFINED BENEFIT PENSION PLANS

These mainly cover retirement pensions and widow pensions where the employer has an obligation to pay a lifelong pension corresponding to a certain guaranteed percentage of wages or a certain annual sum. Retirement pensions are based on the number of years a person is employed. The employee must be registered in the plan for a certain number of years in order to receive full retirement pension.

For each year at work the employee earns an increasing right to pension, which is recorded as pension earned during the period as well as an increase in pension obligations. Rezidor pension plans for salaried employees in Sweden, Norway and Belgium are funded through defined benefit pensions plans with insurance companies.

	As of Dec. 31	
TEUR	**2012**	**2011**
Discount rate		
Norway	3.80%	2.60%
Belgium	3.00%	4.75%
Sweden	2.25%	2.50%
Expected return on Plan assets	3.79%	3.88%
Expected rate of salary increase	3.50%	3.75%
Other (local government rate in Norway)	3.25%	3.25%

Increase in the discount rate in Norway is explained by switch from state to corporate bonds as recommended by the Norwegian Accounting Standards Board, while decrease in discount rate in Belgium is market-driven.

Net expenses recognised in the income statement regarding defined benefit pension plans are as follows:

	As of Dec. 31	
TEUR	**2012**	**2011**
Current service cost	–2,875	–2,740
Interest cost on obligation	–1,757	–2,106
Expected return on plan assets	1,793	2,241
Actuarial losses(–)/gains(+) recognised in the year	–714	–717
Contribution from plan participants	85	66
Pension costs for defined benefit plans	**–3,468**	**–3,256**

The amount included in the balance sheet arising from the entity's obligation in respect of its defined benefit plans is as follows:

	As of Dec. 31	
TEUR	**2012**	**2011**
Present value of defined benefit obligation	51,904	62,646
Fair value of plan assets	–52,598	–51,410
Sub total	**–694**	**11,236**
Deficit/(Surplus)	–694	11,236
Net actuarial gains and losses not recognised	–5,116	–18,313
Net asset arising from defined benefit obligation	**–5,810**	**–7,077**

Movements in the present value of the defined benefit obligations in the current period were as follows:

	As of Dec. 31	
TEUR	**2012**	**2011**
Opening defined benefit obligation	62,646	60,063
Current service cost	2,875	2,740
Interest cost	1,757	2,106
Actuarial losses (+)/gains(–)	–15,360	–423
Exchange differences on foreign plans	2,744	545
Benefits paid	–2,758	–2,385
Closing defined benefit obligation	**51,904**	**62,646**

Movements in the present value of the plan assets in the current period were as follows:

	As of Dec. 31	
TEUR	**2012**	**2011**
Opening fair value of plan assets	51,410	47,664
Expected return on plan assets	1,793	2,241
Actuarial gains/losses	–2,446	686
Exchange differences on foreign plans	2,560	472
Contributions from the employer	1,552	2,108
Contributions from plan participants	88	75
Benefits paid – premium payments	–2,359	–1,836
Closing fair value of plan assets	**52,598**	**51,410**

Historic information:

	As of Dec. 31				
TEUR	**2012**	**2011**	**2010**	**2009**	**2008**
Total present value of defined benefit obligations	51,904	62,646	60,063	53,171	45,732
Fair value of plan assets	–52,598	–51,410	–47,664	–43,268	–35,433
Deficit	**–694**	**11,236**	**12,399**	**9,903**	**10,299**

The major categories of plan assets at the balance sheet:

	As of Dec. 31	
TEUR	**2012**	**2011**
Equity instruments	16%	23%
Debt instruments	59%	57%
Property	14%	14%
Other	11%	6%

In 2012 the experience adjustments on plan liabilities and plan assets amounted to gains of TEUR 13,221 (2011: 1,930, 2010: 4,259) and TEUR 91 (2011: 686, 2010: 1,382), respectively. The expected contributions by the employer in 2012 amount to TEUR 1,594 (2011: 2,233, 2010: 1,959).

DEFINED CONTRIBUTION PENSION PLANS

These plans mainly cover retirement, sick and family pensions. The premiums are paid regularly during the year by group companies to different insurance companies. The size of the premium is based on wages. Pension costs for the period are included in the income statement and amount to TEUR 4,572 (3,484).

The obligations for retirement and sick pensions for employees in Swedish companies have been safeguarded through insurance in Alecta. According to a statement from the Swedish Accounting Standards Council, UFR 3, this is a defined benefit multi-employer plan. The Group has no access to the information necessary to report these plans as defined benefit plans for the financial year 2012. Pension plans that are safeguarded through insurance in Alecta according to ITP are therefore reported as a defined contribution plan under the alternative rules in IAS 19 paragraph 30. Premiums during the year to Alecta amounted to TEUR 1,161 (1,123) Alecta's surplus can be passed on to the insurance-takers and/or the insured. At the end of 2012 Alecta's surplus in the form of the collective consolidation level was 129% (113). The collective consolidation level is the market value of Alecta's assets as a percentage of insurance obligations measured according to Alecta's actuarial assumptions, which are not in agreement with IAS 19.

Note 25

Other long-term receivables

In some cases Rezidor grants loans to owners of the company's hotels, or to the company's joint venture and associated companies in early stages of new projects. The terms for such loans vary, but in principle there is an agreement on interest on the loans and the repayment schedule is based on the project opening and project progress. These related parties and terms concerning these loans are presented below. No collateral was held as security for these receivables and no receivables were past due at the end of the reporting periods. Non-interest bearing receivables in the tables below include various items, such as VAT claims and certain prepayments.

As of Dec. 31, 2012

Loan from	Counterpart	Nominal loan amount	Currency	Nominal value in TEUR	Exchange losses in TEUR	Amortised cost in TEUR	Duration and interest rates
Rezidor Riga Hotel A/S	Polar Bek Daugave Ltd. Riga Hotel	1,225	USD	1,098	—	1,098	Undefined duration –10,08%
SIHSKA A/S	Rezidor Royal Hotel Beijing Co. Ltd	15,902	USD	12,052	–1,709	10,343	Undefined duration
Africa Joint Venture	Afrinord Hotel Investment	1,449	EUR	1,337	—	1,337	15/04/2019 – Euribor 6M +6,1%
Rezidor Hotels UK Ltd	New Hotel JSC	847	EUR	847	—	847	13.88%
Rezidor Group	Other	157	EUR	157	—	157	Various interest bearing deposits
Total of interest-bearing				**15,491**	–1,709	**13,782**	
Rezidor Group	Other			4,231	—	4,231	Non-interest bearing
Total of non-interest-bearing				**4,231**	**—**	**4,231**	
Total long-term receivables				**19,722**	**–1,709**	**18,013**	

As of Dec. 31, 2011

Loan from	Counterpart	Nominal loan amount	Currency	Nominal value in TEUR	Exchange losses in TEUR	Amortised cost in TEUR	Duration and interest rates
Rezidor Riga Hotel A/S	Polar Bek Daugave Ltd. Riga Hotel	1,225	USD	1,145	–2	1,143	Undefined duration –10,08%
SIHSKA A/S	Rezidor Royal Hotel Beijing Co. Ltd	16,152	USD	12,477	–1,972	10,505	Undefined duration
Rezidor Hotel ApS Denmark	Orchard Hotels A.S	200	EUR	204	—	204	15/10/2011 – Euribor 3M +1,5%
Rezidor Hotels UK Ltd	New Hotel JSC	756	EUR	811	—	811	13,88%
Rezidor Group	Other	112	EUR	107	—	107	Various interest bearing deposits
Total of interest-bearing				**14,744**	–1,974	**12,770**	
Rezidor Group	Other			293	—	293	Non-interest bearing
Total of non-interest-bearing				**293**	—	**293**	
Total long-term receivables				**15,037**	–1,974	**13,063**	
Less assets held for sale				**–38**	—	**–38**	Non-interest bearing
Total reported long-term receivables				**14,999**	**–1,974**	**13,025**	

As from 2012, the loan from Rezidor Hotels Aps Denmark is reported as a current interest-bearing receivable. For more information, see Note 27.

Note 26

Accounts receivables

TEUR	As of Dec. 31 2012	2011
Accounts receivables before allowance for doubtful accounts	52,764	45,539
Allowance for doubtful accounts	–8,456	–5,902
Accounts receivables net of allowance for doubtful accounts	**44,308**	**39,637**
Less assets held for sale	—	–631
Total reported accounts receivables net of allowance for doubtful accounts	**44,308**	**39,006**

As of Dec. 31, 2012	Accounts receivables before allowance for doubtful accounts	Provision for doubtful accounts	Accounts receivables net of allowance for doubtful accounts
Accounts receivables not overdue	19,944	–44	19,900
Accounts receivables overdue			
1–30 days	18,410	–68	18,342
31–60 days	4,682	–628	4,054
61–90 days	2,011	–912	1,099
More than 90 days	7,717	–6,804	913
Total overdue	**32,820**	**–8,412**	**24,408**
Total ledger	**52,764**	**–8,456**	**44,308**

As of Dec. 31, 2011	Accounts receivables before allowance for doubtful accounts	Provision for doubtful accounts	Accounts receivables net of allowance for doubtful accounts
Accounts receivables not overdue	21,377	—	21,377
Accounts receivables overdue			
1–30 days	14,538	–46	14,492
31–60 days	2,945	–412	2,533
61–90 days	1,451	–556	895
More than 90 days	5,228	–4,888	340
Total overdue	**24,162**	**–5,902**	**18,260**
Total ledger	**45,539**	**–5,902**	**39,637**

Movement in the allowance for doubtful accounts TEUR	As of Dec. 31 2012	2011
Balance at the beginning of the year	**–5,902**	**–6,197**
Amounts written off during the year	–2,815	–825
Amounts recovered during the year	2,724	197
Increase/Decrease in allowance recognised in profit or loss	–2,466	960
Translation difference	3	–37
Balance at the end of the year	**–8,456**	**–5,902**

No collaterals are held as security for accounts receivables outstanding.

Note 27

Other current interest-bearing receivables

Loan from	Counterpart	As of Dec. 31, 2012 Amortised cost in TEUR	Interest rates
Africa Joint Venture Holding A/S	Afrinord Hotel Investments A/S	111	6 months Euribor + 6.1 %
Rezidor Hotels Aps Denmark	Orchard Hotels A.S	209	3 months Euribor + 1.5 %
Total of current interest-bearing receivables		**320**	

Loan from	Counterpart	As of Dec. 31, 2011 Amortised cost in TEUR	Interest rates
Africa Joint Venture Holding A/S	Afrinord Hotel Investments A/S	1,260	6 months Euribor + 6.1 %
Total of current interest-bearing receivables		**1,260**	

No collateral was held as security for these receivables. Nothing was past due at year-end 2012 and 2011.

Note 28

Other current non-interest-bearing receivables

TEUR	As of Dec. 31 2012	2011
Prepaid expenses		
Prepaid Rent	15,919	16,723
Prepaid Heating	298	140
Prepaid Property tax	1,834	1,157
Prepaid Interest	—	25
Prepaid Other	6,114	13,474
	24,165	31,519
Accrued Income		
Accrued Income – Fees	6,779	8,231
Accrued Income – Other	5,112	3,525
	11,891	11,756
Fair value change on FX swaps	3	15
Other current non-interest-bearing receivables	17,198	15,528
Total	**53,257**	**58,818**
Less assets held for sale	—	–2,196
Total reported other current non-interest-bearing receivables	**53,257**	**56,622**

Note 29

Other short-term investments

Other short-term investments relate to cash in restricted accounts. As a legal requirement, these restricted accounts are maintained in order to meet the liability arising from payroll taxes withheld in Norway and energy purchases in Sweden.

Note 30

Cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the cash flow statement can be reconciled to the related items in the balance sheet as follows:

	As of Dec.31	
TEUR	**2012**	**2011**
Bank accounts	6,932	7,862
Cash on hand	1,664	1,917
Total cash and cash equivalents	**8,596**	**9,779**

There are no restrictions in the use of the cash and cash equivalents recognised.

Note 31

Assets classified as held for sale

The assets, and the related liabilities, classified as held for sale at year-end 2012 all relate to the Nordics, Rezidor Hotel AB consisting of two leased hotels. The sale took place on January 1st, 2013. The purchase price was a symbolic amount of SEK 1. All assets were evaluated to net realisable value which was zero.

	As of Dec. 31	
TEUR	**2012**	**2011**
Tangible fixed assets	0	59
Financial assets	0	38
Inventories	0	172
Accounts receivables	0	631
Other current non-interest-bearing receivables	0	2,196
Total assets	**0**	**3,096**

	As of Dec. 31	
TEUR	**2012**	**2011**
Provisions	0	37
Accounts payables	0	1,003
Other current non-interest-bearing liabilities	0	5,769
Total liabilities	**0**	**6,809**

Note 32

Share capital

ISSUED CAPITAL

TEUR	**Share capital 2012**	**Other paid in capital 2012**	**Share capital 2011**	**Other paid in 2011**
Opening balance as of Jan. 1,	10,000	120,302	10,000	120,302
Dividend paid	—	—	—	—
Closing balance as of Dec. 31,	**10,000**	**120,302**	**10,000**	**120,302**

FULLY PAID ORDINARY SHARE	**Date of resolution**	**Change in number of shares**	**Change in share capital**	**Total number of shares**	**Total share capital**
The company is registered	Mar. 8, 2005	1,000	11,000	1,000	11,000
Share split of ordinary shares	Mar. 22, 2005	10,000	—	11,000	11,000
Share issue of ordinary shares	Mar. 22, 2005	89,000	89,000	100,000	100,000
Share issue of ordinary shares	Oct. 10, 2006	26,584	26,584	126,584	126,584
Share split of ordinary shares	Oct. 10, 2006	149,875,456	—	150,002,040	126,584
Bonus issue, without new share issue	May. 4, 2007	—	9,873,416	150,002,040	10,000,000

The total share capital at year end was EUR 10,000,000, corresponding to 150,002,040 shares, giving a quota value per share of EUR 0.067. All issued shares are fully paid. There are no differences in classes of shares. Each owner of shares in the company is entitled to vote for the full amount of such shares at a general meeting, without any voting limitations. Shares held by the company or any of its subsidiaries do not entitle the owner to any of the rights associated with ownership of shares.

SHARE BUY-BACK

Following the authorisation at the Annual General Meeting in May 2007, Rezidor bought back 1,025,000 shares in 2007 at an average price of SEK 45.00 and 945,200 shares in 2008 at an average price of SEK 33.51 per share. On 23rd April, 2008, the Annual General Meeting gave the Board of Directors a renewed authorisation to decide on the acquisition of the Company's own shares on the NASDAQ OMX Stockholm until the next Annual General Meeting. Following this new authorisation, the company bought back 1,724,300 shares in 2008 at an average price of SEK 27.36. The authorisations at the Annual General Meetings in 2007 and 2008 to buy back shares were given to secure delivery of shares to the participants in the share based incentive programmes and to cover social security costs pertaining to these programmes as well as to ensure that the group has a more efficient capital structure. In total, 3,694,500 shares were bought back for TEUR 13,292, representing 2.46% of the number of registered shares and a quota value of TEUR 246.3. On 16th April, 2010, the Annual General Meeting approved that all 3,694,500 shares are to be used for the share based incentive programmes. In 2011, 13,362 of these shares were transferred to the participants of the 2008 programme, leaving 3,681,138 shares held by the company as of December 31st, 2011, representing 2.45% of the number of registered shares. The weighted numbers of shares held by the company in 2012 and 2011 was 3,681,138 and 3,681,138 respectively. On April 25th, 2012 the Board of Directors was again authorised by the Annual General Meeting to decide on the acquisition and transfer of the Company's own shares. The purpose of the authorisation is to give the Board of Directors an increased capacity to act in respect of organising the capital structure of the company. At the end of 2012, the authorisation had not been used and no shares were consequently bought back in 2012.

	As of Dec. 31	
TEUR	**2012**	**2011**
Number of registered shares	150,002,040	150,002,040
Number of own shares held by the company	–3,681,138	–3,681,138
Number of shares outstanding	**146,320,902**	**146,320,902**

DIVIDEND PER SHARE

In accordance with the recommendation from the Board of Directors to the Annual General Meeting in 2012, the Annual General Meeting decided to not pay any dividend to the shareholders in 2012. The Board of Directors recommends the Annual General Meeting 2013 no dividend to be paid for the financial year 2012.

Note 33

Share-based payment

LONG-TERM EQUITY-SETTLED PERFORMANCE-BASED INCENTIVE PROGRAMMES

The purpose of the programmes is to ensure that remuneration within the group helps aligning executives with shareholders interests and that a suitable proportion of remuneration is linked to company performance. In order to implement the performance based share programme in a cost efficient and flexible manner, the Board of Directors has been authorised by the Annual General Meetings to decide on acquisitions of its own shares on the stock exchange.

THE 2010 PROGRAMME

On April 16th, 2010, the Annual General Meeting approved a long-term equity settled performance-based incentive programme to be offered to no more than 30 executives within the Rezidor Group. Grant date was set to July 23rd, 2010, and the vesting period ends in connection with the release of the first quarterly report in 2013.

Based on the outcome of certain performance criteria, the participants of the programme may at the end of the vesting period, at no cost, be awarded a certain number of so called performance shares in the Company. The total value of the performance shares was limited to 100 per cent of the 2010 base salary before taxes (base salary) for the CEO and the CFO, to 60% of the base salary for the COO, the Chief Development Officer, to 45% of the base salary for other participants within top management and to 30% of the base salary for the rest of the participants. As of December 31st, 2011, the maximum number of performance shares that may be awarded after the full vesting period was 880,884.

6 members of the Executive Committee participate in the programme entitling them to a maximum total of 649,566 shares, of which the CEO is entitled to a maximum of 319,829 shares. Above that, 19 other members of management participate in the programme, entitling them to 231,318 shares in total.

The award is dependent on certain performance criteria for the financial years 2010 to 2012, of which 25% is related to the development in earnings per share (EPS) and 75% to total shareholder return (TSR) of which 75% will vest subject to the Company's outperformance of a defined peer group of hotel companies and 25% will vest subject to the Company's outperformance of the constituents of the OMXS 30 Index. As for the EPS part, the participants are entitled to a 20% allotment if the three year cumulative EPS is equal to or above EUR 0.15 (equivalent to EUR 0.05 per year). The allotment increases proportionally based on the cumulative EPS with a 100% allotment if the three year cumulative EPS is EUR 0.35 or more (equivalent to approximately EUR 0.12 or more per year). As for the TSR part, the participants are entitled to a 20% allotment if the three year TSR is equal to or above 0% (i.e. Rezidor TSR compared to Index TSR for the peer group and to Index TSR for OMXS 30 respectively). The allotment increases proportionally based on outperformance of Index TSR with a 100% allotment if the three year TSR is 26% (equal to 8% per year) or above Index TSR.

Fair value at grant date for the incentive programme is recognised as an expense over the vesting period, adjusted for the number of participants that are expected to remain in service. An amount equal to the expense is credited to equity. The fair value at grant date of the EPS based awards was the share price at grant date, i.e. SEK 37.50 (EUR 3.96). The fair value at grant date of the TSR based awards was calculated to be approximately 47% of the share price at grant date, i.e. SEK 17.63 (EUR 1.86). This value was calculated in a Monte Carlo simulation, in which the following parameters were used: share price volatility of 33% (Rezidor's share price volatility since the IPO to grant date adjusted for the period with extreme financial turmoil), risk–free interest rate of 2.07% (Swedish 3 year government bond at grant date) and an average share price correlation of 36% compared to the peer group and of 51% compared to the OMXS 30 Index group. The participants will be entitled to a cash amount equivalent to any cash dividend attributable to the performance shares during the vesting period. Hence, the expected dividend has not been taken into account in the valuation of the performance shares.

THE 2011 PROGRAMME

On April 13th, 2011, the Annual General Meeting approved a long-term equity settled performance-based incentive programme to be offered to no more than 35 executives within the Rezidor Group. Grant date was set to August 1st, 2011, and the vesting period ends in connection with the release of the first quarterly report in 2014.

Based on the outcome of certain performance criteria, the participants of the programme may, at the end of the vesting period, at no cost to them, be awarded a certain number of so called performance shares in the Company. The total number of performance shares allotted at grant date amounted to 300,000 for the previous CEO, 150,000 for the CFO, 55,000 for each of the COOs and the Chief Development Officer, 45,000 for other participants within the top management and 13,000 for other participants in the programme. As of December 31st, 2011, the maximum number of performance shares that may be awarded after the full vesting period was 1,058,000.

9 members of the Executive Committee participate in the programme entitling them to a maximum total of 785,000 shares, of which the previous CEO is entitled to a maximum of 300,000 shares. In addition, 21 other members of management participate in the programme, entitling them to 273,000 shares in total.

The award is dependent on certain performance criteria for the financial years 2011 to 2013, of which 25% is related to the development in earnings per share (EPS) and 75% to total shareholder return (TSR) of which 75% will vest subject to the Company's outperformance of a defined peer group of hotel companies and 25% will vest subject to the Company's outperformance of the constituents of the OMXS 30 Index. As for the EPS part, the participants are entitled to a 30% allotment if the three year cumulative EPS is equal to or above EUR 0.50 (equivalent to approximately EUR 0.17 per year). The allotment increases proportionally based on the cumulative EPS with a 100% allotment if the three year cumulative EPS is 1.00 or more (equivalent to approximately 0.33 or more per year). As for the TSR part, the participants are entitled to a 30% allotment if the three year TSR is equal to or above 0% (i.e. Rezidor TSR compared to Index TSR for the peer group and to Index TSR for OMXS 30 respectively). The allotment increases proportionally based on outperformance of Index TSR with a 100% allotment if the three year TSR is 26% (equal to 8% per year) or above Index TSR.

Fair value at grant date for the incentive programme is recognised as an expense over the vesting period, adjusted for the number of participants that are expected to remain in service. An amount equal to the expense is credited to equity. The fair value at grant date of the EPS based awards was the share price at grant date, i.e. SEK 32.10 (EUR 3.56). The fair value at grant date of the TSR based awards was calculated to be approximately 49% of the share price at grant date, i.e. SEK 15.77 (EUR 1.75). This value was calculated in a Monte Carlo simulation, in which the following parameters were used: share price volatility of 33% (based on Rezidor's share price volatility since the IPO to grant date-adjusted for the period with extreme financial turmoil- and the historical long-term volatility for the peer group), risk-free interest rate of 2.05% (Swedish 3 year government bond as of January 1st, 2011) and an average share price correlation of 37% compared to the peer group and of 44% compared to the OMXS 30 Index group. The participants will be entitled to a cash amount equivalent to any cash dividend attributable to the performance shares during the vesting period. Hence, the expected dividend has not been taken into account in the valuation of the performance shares.

SUMMARY OF MAXIMUM NUMBER OF SHARES THAT CAN BE AWARDED

The table below shows the maximum number of shares that may be awarded.

Plan	At the end of 2011	Granted in 2012	Forfeited during 2012	Awarded during 2012	At the end of 2012
2009 plan	1,008,951	—	–1,008,951	—	—
2010 plan	880,884	—	–123,269	—	757,615
2011 plan	1,058,000	—	–146,000	—	912,000
Total	**2,947,835**	**—**	**–1,278,220**	**—**	**1,669,615**

Based on the TSR and EPS performance until December 31st, 2012, no shares related to the 2010 and 2011 programmes would have been awarded had the vesting period ended on that day. By December 31st, 2012, it was clear that the performance criteria of the 2010 programme would not be met, but as one of the vesting conditions is continued amployment until the end of the vesting period (release of Q1 2013), the shares were not formally forfeited.

TOTAL COSTS

The net costs recognised in the income statement during the period in accordance with IFRS 2 amounted to TEUR –862 (1,195). The reversal of accruals for social security charges attributable to the 2010 programme lead to a net income for social security charges related to the incentive programmes of TEUR 273 (TEUR 478 recognised as a cost in 2011).

Note 34

Provisions

TEUR	Provisions for employee benefits and payroll	Provisions for restructuring and termination	Provisions for legal case	Provisions for onerous contracts	Other provisions	Total
Balance as of Jan. 1, 2011	**354**	—	**293**	—	**358**	**1,004**
Additional provisions recognised	42	—	7	—	213	263
Reductions arising from payments	—	—	—	—	3	3
Reclassification	—	—	—	—	16	16
Balance as of Dec. 31, 2011	**395**	**—**	**300**	**—**	**591**	**1,286**
Less assets held for sale					–37	–37
Total reported as of Dec. 31, 2011					554	**1,249**
Reclassification	–332	—	–27	1,354	365	1,360
Additional provisions recognised	—	1,137	404	2,406	372	4,319
Reductions resulting from remeasurement	–4	—	–91	—	—	–95
Reductions arising from payments	—	—	–182	—	–423	–605
Balance as of Dec. 31, 2012	**59**	**1,137**	**404**	**3,760**	**868**	**6,228**

Out of TEUR 6,228, cash outflows in the amount of TEUR 3,980 are expected in 2013.

Note 35

Borrowings

	Current As of Dec. 31		Non-current As of Dec. 31	
TEUR	**2012**	**2011**	**2012**	**2011**
Unsecured – at amortised cost				
Bank overdrafts	26,052	7,878	—	—
Other loans	109	—	6,887	6,902
Total	**26,161**	**7,878**	**6,887**	**6,902**

TEUR 6,596 (6,819) of other non-current loans is related to the financing of renovation investments in a German hotel under a management contract. Rezidor has not received any cash in connection with this loan, but has assumed an obligation for the financing of a portion of the renovation works as part of the management agreement. An intangible asset corresponding to the rights granted through the management agreement has been recognised at the same time. Interest costs amounting to TEUR 406 (interest rate 5.8%), incurred during the renovation period, were capitalised in 2009. In 2011, accrued interest of TEUR 567 was waived and reported as a financial income (note 15). As from 2011, the loan runs with an interest rate of 4.5%. The repayment of the non-current part of the loan is linked to the amount of fees collected from this hotel.

No borrowing costs other than those described above have been capitalised.

These borrowings are not subject to any covenants and the Group has not pledged any assets as collateral to secure the borrowings.

The carrying amounts in EUR of the Group's borrowings are denominated in the following currencies:

	As of Dec. 31, 2012			
	TCHF	**TEUR**	**TSEK**	**Total**
Bank overdrafts	—	26,052	—	26,052
Other loans	53	6,902	41	6,996
Total	**53**	**32,954**	**41**	**33,048**

	As of Dec. 31, 2011			
	TCHF	**TEUR**	**TDKK**	**Total**
Bank overdrafts	—	7,878	—	7,878
Other loans	—	6,902	—	6,902
Total	**—**	**14,780**	**—**	**14,780**

The average annual interest rates paid were as follows:

	For the Year Ended Dec. 31	
	2012	**2011**
Bank overdrafts & credit lines	0.62%	1.21%
Other loans	4.50%	4.50%

All liabilities to financial institutions are repayable within one year.

SPLIT OF BANK OVERDRAFT

	As of Dec. 31	
TEUR	**2012**	**2011**
Bank overdraft facilities granted	106,800	106,800
Utilisation of bank overdraft: in guarantees	–2,276	–3,894
Utilisation of bank overdraft: in cash	–26,052	–7,878
Bank overdraft facilities unutilised	**78,472**	**95,028**

In 2008 Rezidor signed a long-term agreement with a leading European bank, securing combined overdraft and guarantee facilities of TEUR 105,000. In 2011 Rezidor renegotiated its long-term credit facilities, by extending the tenor of its committed credit lines to now range between one and four years combined with customary covenants. In addition, the Group has credit facilities of TEUR 1,800 granted by other banks.

Note 36

Other current non-interest-bearing liabilities

	As of Dec. 31	
TEUR	**2012**	**2011**
Prepayments from customers	9,724	9,075
Accrued expenses & prepaid income	89,818	98,262
Other short term non-interest-bearing liabilities	17,228	18,808
Total	**116,770**	**126,145**
Less assets held for sale	—	–5,769
Total reported other current non-interest-bearing liabilities	**116,770**	**120,376**

SPECIFICATION OF ACCRUED EXPENSES AND PREPAID INCOME

TEUR	Opening Balance as of Jan. 1, 2012	Utilisation	Additions	Release	Reclassification	Translation	Closing balance as of Dec. 31, 2012
Vacation pay including social costs	16,786	–8,708	10,253	–1,089	424	505	18,171
Accrual for overtime including social costs	800	—	—	—	–800	—	0
Accrual for bonus including social costs	8,645	–7,025	5,763	–1,416	21	68	6,056
Accrual for energy costs	4,446	–3,442	3,194	–350	24	92	3,964
Accrued rent	15,645	–9,924	6,458	–1,378	–45	557	11,313
Other accrued expenses	47,961	–36,900	42,145	–7,812	–982	605	45,017
Prepaid income	3,979	–837	2,150	—	4	1	5,297
Total	**98,262**	**–66,836**	**69,963**	**–12,045**	**–1,354**	**1,828**	**89,818**

Note 37

Related parties

Related parties with significant influence are: The Carlson Group (Carlson) owning 51.3% of shares outstanding, Key Management of Rezidor, joint ventures and associated companies.

The related party transactions with Carlson are split as follows:

	Revenue		Operating cost		Amounts owed by the related parties		Amounts owed to the related parties	
TEUR	2012	2011	2012	2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
Carlson Inc	—	—	15,039	11,387	—	—	1,040	722
Carlson Inc (Club Carlson)	1,788	1,317	5,760	4,697	—	—	—	—
Recharged third party costs	—	—	2,815	2,483	—	—	—	—
Carlson Travel Agencies	—	—	575	632	—	—	241	228

CARLSON

The business relationship with Carlson mainly consists of operating costs related to the use of the brands and for the use of the reservation system of Carlson. Rezidor is also paying commissions towards the travel agencies network of Carlson.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

The business relationship with Carlson mainly consists of operating costs related to the use of the brands and for the use of the reservation system of Carlson. Rezidor is also paying commissions to a network of travel agencies, partly owned by Carlson. In addition, Carlson operates a customer loyalty programme, Club Carlson, to provide customers with incentives to buy room nights. Loyalty points earned when guests have stayed at hotels are charged by Carlson to these hotels. Similarly, when points have been redeemed at hotels, these hotels are reimbursed by Carlson. Including all contract types (leased, managed and franchised), Carlson charged TEUR 17,374 (14,504) during the year for points earned and reimbursed TEUR 4,638 (4,155) for points redeemed. However, only transactions involving leased hotels (presented in the table above) have an impact on Rezidor's consolidated accounts. Carlson furthermore recharges costs that it has incurred from third parties, mainly internet-based reservation channels, to the hotels to which these costs are related. Including all contract types (leased, managed and franchised), Carlson recharged costs TEUR 6,116 (6,164) during the year. Only costs recharged to leased hotels (presented in the table above) have an impact on Rezidor's consolidated accounts. Carlson and Rezidor are also cooperating in various other areas, such as global sales, brand websites, revenue optimisation tools and purchasing. These other areas do not, however, always lead to direct transactions between the two companies. All transactions are done at an arms' length basis. Any new agreement or transaction with Carlson deemed material require the approval of the Board of Directors of Rezidor.

JOINT VENTURES AND ASSOCIATED COMPANIES

	As of Dec. 31	
TEUR	2012	2011
Loans due from joint ventures and associated companies	10,343	10,505
Revenue (Management Fees) from joint ventures and associated companies	562	364

More information about shares in joint ventures and associates and the loans to the entities is disclosed in Note 21, 22 and 25. None of the guarantees reported in note 38 were given to secure the special post employment compensation to the CEO that is further described in Note 10 (TEUR 3,136 in 2011). Compensation arrangements regarding Key management is described in Note 10.

Note 38

Assets pledged, contingent liabilities and committed investments

	As of Dec. 31	
TEUR	2012	2011
Assets pledged		
Securities on deposit	4,244	3,507
Total assets pledged	**4,224**	**3,507**
Contingent liabilities		
Guarantees provided for management contracts [1]	1,527	—
Miscellaneous guarantees provided	589	3,894
Total guarantees provided	**2,116**	**3,894**

1) Refer to Note 40 where these amounts are included in the total maximum future capped guarantee payment.

Under the lease agreements, Rezidor is responsible for maintaining the hotel building in good repair and condition over the term of the lease agreement. Under certain lease agreements, Rezidor is required to invest an agreed percentage of the hotel revenue in maintenance of the particular property. If renovation works for a period have been lower than what is required in the lease agreements, the renovation works will have to be carried out at a later stage or settled in alternative ways. The total investments carried out by Rezidor may therefore vary from year to year, but normally amount to 4–5% of leased hotel revenue.

The Company has a 20.0% equity stake in Afrinord Hotel Investment A/S ("Afrinord"), to develop/acquire projects in Africa. Afrinord, has a total investment commitment by its shareholders of TEUR 35,000 as of December 31, 2012, of which TEUR 50 has been contributed as share capital by the Company during 2006. Afrinord has partly financed a hotel in Addis Ababa, Ethiopia, through a loan agreement. Related to the said project , TEUR 7,243 was outstanding as of December 31, 2012 of which the Company´s contribution was TEUR 1,449. The remaining commitment of the Company is consequently TEUR 5,501.

LITIGATION

The Rezidor Hotel Group operates in a number of countries around the world and is always involved in several complex projects and business relationships where there can be professional disputes on various issues. Most often these situations find its solution through negotiations and discussions. In some rare situations these disputes can lead to major disagreements or claims of violation of law. Provisions for claims due to known disputes are recorded whenever there is a situation where it is more likely than not that the company will have an obligation to settle the dispute and where a reliable estimate can be made regarding the outcome of such dispute. Rezidor is not engaged in any legal or arbitration proceedings, including those which are pending and described below or known to be contemplated, which, in Rezidor's judgement, may have or have a material effect on the company's financial position or profitability during 2012. The members of the Board of Directors have no knowledge of any proceedings pending or threatened against Rezidor or any of the subsidiaries or any facts likely to give rise to any litigation, claims or proceedings which might materially affect the financial position or business of the Company as at December 31st, 2012.

Below is a description of pending material legal proceedings:

In May 2006, Stonehaven Trust Limited ("Stonehaven") submitted a claim against Rezidor's subsidiary Rezidor Hotels Aps Danmark (previously SAS Hotels A/S Danmark) before the Brussels Commercial Court. Stonhaven is claiming MEUR 34.5 as compensation for the alleged wrongful termination of negotiations in 2001 of a management agreement to be entered into upon finalisation of the acquisition as well as after the completion of the full renovation of a hotel

Cont. Note 38

in Bruges, Belgium. The claim is in respect of wasted time, costs and the profit Stonehaven would have obtained from the management agreement had it been entered into. On October 30th, 2009 the Commercial Court of Brussels dismissed all of Stonehaven's claims. On December 28th, 2009 Stonehaven appealed the decision. In its appeal it has restated its claim as already presented before the Commercial Court of Brussels. Rezidor believe, based on legal advice and opinions provided by the company's external legal counsel, that the claim is without merit. Accordingly Rezidor have not included any provision in the accounts to cover this claim, or for the costs of defence.

In April 2000 Rezidor Hotels ApS Danmark was awarded damages with approximately MUSD 5.35 in an arbitration concerning wrongful termination of a management agreement in respect of a resort in Sharm el Sheikh, Egypt. During the enforcement proceedings the hotel owner, an Egyptian partnership, was declared bankrupt. Also on Rezidor's applications the individual partners and the joint stock company to which the hotel assets were transferred were declared bankrupt. Rezidor have initiated debt collection cases against all parties which were partners or has/have had assets formerly owned by the bankrupt partnership. A criminal court in Egypt has sentenced the owners of the partnership to three years imprisonment for fraudulent bankruptcy and appeals are pending at the highest criminal court. In the course of asserting and locating assets Rezidor were informed during 2007 that the resort that was the subject of arbitration proceedings was offered for sale by an investment bank on behalf of some of the respondents in the debt collection cases. Rezidor's Egyptian external counsel served legal notice on the investment bank, on the bankruptcy trustee and the stock exchange authority that the hotel assets are subject to collection claims. This has lead to a counterclaim being filed against Rezidor Hotels ApS Danmark with MEGP 200 by the joint stock company and its individual shareholders for the damage to their investment/divestment opportunities. Rezidor's Egyptian external counsel has advised that Rezidor are within the company's legal rights in making the notifications and that they consider the claims to be without legal merits. Accordingly Rezidor have not included any provisions in the accounts to cover this claim, or for the costs of defence.

Note 39

Leasing commitments

Under Rezidor's lease agreements, Rezidor lease hotel buildings from property owners or other partners and are entitled to the benefits and carry the risks associated with operating the hotel. Typically, Rezidor's lease agreements include a variable rent clause under which Rezidor are obligated to pay a variable rent based on a percentage of the total revenue generated by a hotel ("variable rent"). The majority of Rezidor's lease agreements also include a minimum rent payment obligation which is independent of the revenue generated by the hotel ("fixed rent"). The fixed rent is typically adjusted annually to take into account changes in a defined consumer price index. Generally, under contracts containing variable and fixed rent clauses, Rezidor pay the higher of the two to the lessor. To limit Rezidor's financial exposure in the company's lease contracts, Rezidor typically limit the "shortfall" amount by which the fixed rent exceeds the variable rent to an amount corresponding to two to three years' aggregate fixed rent payment obligations ("cap"). If cumulative shortfall payments reach this cap, the fixed rent payment obligation ceases and the lessor receives only the variable rent. At year end 2012, Rezidor had 69 leasing contracts for hotels in operation and under development that had some financial commitments, compared to 76 such contracts in 2011. The following provides an overview of the expiry of those contracts – both in operation and under development. The leasing agreements expire in the following years:

Year	2012 Number of leasing agreements expiring	Year	2011 Number of leasing agreements expiring
2013	0	2011	0
2014	3	2012–2014	4
2015–2019	12	2015–2019	11
2020–2024	13	2020–2024	21
2025–2029	14	2025–2029	14
2030–2034	25	2030–2034	23
2035–2039	2	2035–2039	2
2040–2045	0	2040–2045	1

The future leasing expense would entail payment of at least the annual fixed rent under Rezidor's lease agreements. The future minimum leasing expenses for all lease agreements with a fixed rent effective on December 31, 2012 are shown in the following table. For further information regarding rent payments, please refer to Note 13.

FUTURE MINIMUM LEASE PAYMENTS

TEUR	2012	2011
Within 1 year	207,869	199,734
1–5 years	760,250	769,069
After 5 years	1,691,508	1,824,577
Total	**2,659,627**	**2,793,380**

FUTURE MINIMUM SUB LEASE INCOME

Revenue from sub leases recognised in 2012 amounted to TEUR 935 (2,611). The expected future sub lease payments to be received from all fixed rent agreements are shown in the table below:

TEUR	2012	2011
Within 1 year	1,253	6,721
1–5 years	21,824	28,435
After 5 years	341	1,492
Total	**23,418**	**36,648**

Note 40

Management contract commitments

Under Rezidor's management agreements, Rezidor provide management services to third-party hotel proprietors. Rezidor derive revenue primarily from base fees determined as a percentage of total hotel revenue and incentive management fees defined as percentage of the gross operating profit or adjusted gross operating profit of the hotel operations.

In certain circumstances, Rezidor guarantee the hotel proprietor a minimum result measured by adjusted gross operating profit or some other financial measure (a "guarantee"). Under such contracts, in the event that the actual result of a hotel is less than the guaranteed amount, Rezidor compensate the hotel proprietor for the shortfall. However, in most agreements with such clauses, Rezidor's obligation to compensate for such shortfall amount is typically limited to two to three times the annual guarantee (the "guarantee cap").

As at the end of the year, Rezidor had granted a certain level of financial commitment in 23 management contracts in 2012, as compared to 29 in 2011. The management contracts containing such financial risk for the group will expire as presented in the table below:

Year	2012 Number of management agreements expiring	Year	2011 Number of management agreements expiring
2013	0	2011	0
2014	1	2012–2014	2
2015–2019	2	2015–2019	4
2020–2024	6	2020–2024	6
2025–2029	9	2025–2029	12
2030–2034	3	2030–2034	3
2035–2039	1	2035–2039	1
2040–2045	1	2040–2045	1

The following table presents the Company's capped contractual obligations under all management contracts with financial guarantees and shows the maximum capped financial exposure.

TOTAL MAXIMUM FUTURE CAPPED GUARANTEE PAYMENTS

TEUR	2012	2011
Total	**75,468**	**82,914**

The capped guarantee payment includes the contingent liabilities as disclosed in Note 38 (i.e. Guarantees provided for management contracts). For the full fiscal year 2012, Rezidor paid TEUR 10,470 (9,711 in 2011) as shortfalls under its management agreements with guarantees (see Note 13).

Note 41
Auditors' fees

Group	For the Year Ended Dec. 31	
TEUR	**2012**	**2011**
Deloitte		
Audit assignments	1,133	1,174
Other audit related assignments	345	220
Tax assignments	108	123
Other assignments	138	181
Total Deloitte	**1,724**	**1,698**
Other audit firms		
Audit assignments	—	—
Other audit assignments	—	—
Tax assignments	54	458
Other assignments	62	20
Total other audit firms	**116**	**478**
Grand Total	**1,840**	**2,176**

Fees paid to Deloitte for other assignments include fees related to support in Rezidor's internal audit work. These fees amounted to TEUR 6 (103).

Note 42
Post balance sheet events

On January 8, 2013, Rezidor announced the conversion of two lease agreements in Sweden, the Park Inn by Radisson Malmö and the Park Inn by Radisson Hammarby Sjöstad, to franchise agreements. Combined, the two hotels comprise more than 400 rooms and will remain under the Park Inn by Radisson brand. Ligula Hospitality Group AB purchased the shares of the company which holds the lease agreements, Rezidor Hotel AB, which will operate the hotels under franchise agreements beginning in Q1 2013. The shares were purchased for a symbolic SEK 1, while the net assets of the Company were MEUR 0.9 which has lead to an impairment of MEUR 0.9 being recognised during Q4 2012. The 2012 EBITDA losses for the two hotels were MEUR 0.8. The sale took place on February 4, 2013.

Mr Wolfgang M. Neumann has been appointed President & CEO for the group as from January 1, 2013.

Note 43
Group companies and legal structure

Rezidor Hotel Group AB has the following subsidiaries, joint-ventures, associated companies and other investments:

		As of Dec. 31, 2012		As of Dec. 31, 2011	
	Registered in	**Ownership %**	**Share capital**	**Ownership %**	**Share capital**
Belgium					
Rezidor Finance S.A.	Brussels	100	MEUR 0.1	100	MEUR 0.1
The Rezidor Hotel Group S.A.	Brussels	100	MEUR 0.1	100	MEUR 0.1
Rezidor Hotel Brussels EU SPRL	Brussels	100	MEUR 4.5	100	MEUR 4.5
GH Holding S.A. (dormant)	Brussels	100	MEUR 0.1	100	MEUR 0.1
Rezidor Hotel Brussels S.A.	Brussels	100	MEUR 85.2	100	MEUR 85.2
Rezidor Park Belgium S.A.	Brussels	100	MEUR 0.1	100	MEUR 0.1
Cyprus					
Doriscus Enterprises Limited	Limassol	13.41	MEUR 19.8	13.41	MEUR 19.8
China					
Rezidor Royal Hotel Beijing Co., Ltd	Beijing	50	MRMB 33.4	50	MRMB 33.4
Denmark					
Rezidor Hotels ApS Danmark	Copenhagen	100	MDKK 212.0	100	MDKK 212.0
Rezidor Falconer Center A/S	Frederiksberg	100	MDKK 1.2	100	MDKK 1.2
Rezidor International Hotels Management A/S	Copenhagen	100	MDKK 2.0	100	MDKK 2.0
SIHSKA A/S	Copenhagen	100	MDKK 3.0	100	MDKK 3.0
Rezidor Scandinavia Hotel Aarhus A/S	Aarhus	100	MDKK 0.5	100	MDKK 0.5
Rezidor Riga Hotel A/S	Copenhagen	100	MDKK 1.5	100	MDKK 1.5
Hotel Development S. Africa A/S	Copenhagen	100	MDKK 1.0	100	MDKK 1.0
Rezidor Hotel Kiev A/S	Copenhagen	100	MDKK 1.0	100	MDKK 1.0
Rezidor Hotel investment Egypt A/S	Copenhagen	100	MDKK 1.0	100	MDKK 1.0
Rezidor Hotel investment France ApS	Copenhagen	100	MDKK 2.5	100	MDKK 2.5
Hotel Investment Turkey A/S	Copenhagen	51	MDKK 1.0	51	MDKK 1.0
Nordrus Joint Venture ApS	Copenhagen	100	MDKK 0.6	100	MDKK 0.6
Rezidor Russia A/S	Copenhagen	100	MEUR 0.7	100	MEUR 0.7
Rezidor Loyalty Management A/S	Copenhagen	100	MEUR 0.1	100	MEUR 0.1
Rezidor Cornerstone A/S	Copenhagen	100	MDKK 2.4	100	MDKK 2.4
Rezidor Hotel Management & Development A/S	Copenhagen	100	MDKK 2.5	100	MDKK 2.5
Rezidor Hospitality A/S	Copenhagen	100	MEUR 83.0	100	MEUR 83.0
Casino Denmark A/S	Copenhagen	50	MDKK 1.0	50	MDKK 1.0
Casino Copenhagen K/S	Copenhagen	50	MDKK 1.0	50	MDKK 1.0
Nordrus Hotels Holdings A/S	Copenhagen	26.08	MDKK 5.7	26.08	MDKK 5.7
Africa Joint Venture Holding A/S	Copenhagen	100	MDKK 0.5	100	MDKK 0.5
Afrinord Hotel Investments A/S	Copenhagen	20	MEUR 0.3	20	MEUR 0.3
Egypt					
Al Quesir Hotel Company S.A.E	Al Quesir City	20	MEGP 68	20	MEGP 68
France					
Rezidor Resort France S.A.S.	Nice	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hospitality France S.A.S.	Nice	100	MEUR 2.4	100	MEUR 2.4
Rezidor Hotels France S.A.S.	Nice	100	MEUR 2.5	100	MEUR 2.5
Royal Scandinavia Hotel Nice S.A.S.	Nice	100	MEUR 2.4	100	MEUR 2.4
Royal Scandinavia Hotel Marseille S.A.S.	Marseille	100	MEUR 0.0	100	MEUR 0.0
Rezidor Park France S.A.S.	Nice	100	MEUR 0.0	100	MEUR 0.0
Rezidor Lyon S.A.S.	Lyon	100	MEUR 0.0	100	MEUR 0.0
Rezidor Aix Les Bains S.A.S.	Aix Les Bains	100	MEUR 0.0	100	MEUR 0.0
Rezidor Park Nancy S.A.S.	Nancy	100	MEUR 0.0	100	MEUR 0.0
Rezidor Park Mâcon S.A.S.	Mâcon	100	MEUR 0.0	100	MEUR 0.0

Cont. Note 43

		As of Dec. 31, 2012		As of Dec. 31, 2011	
	Registered in	**Ownership %**	**Share capital**	**Ownership %**	**Share capital**
Rezidor Park Lyon-Ouest S.A.S.	La Tour de Salvagny	100	MEUR 0.0	100	MEUR 0.0
Rezidor Park Arcachon S.A.S.	Arcachon	100	MEUR 0.0	100	MEUR 0.0
Rezidor Park Orange S.A.S.	Orange	100	MEUR 0.0	100	MEUR 0.0
Rezidor Les Loges S.A.S.	Aix Les Bains	100	MEUR 0.0	100	MEUR 0.0
SARL Régence Plage	Nice	100	MEUR 0.0	100	MEUR 0.0
Germany					
Rezidor Hotels Deutschland GmbH	Hamburg	100	MEUR 0.2	100	MEUR 0.2
Rezidor Hotel Dresden GmbH	Hamburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Rügen GmbH	Hamburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Hannover GmbH	Hamburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Hamburg Airport GmbH	Hamburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Köln GmbH	Hamburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Wiesbaden GmbH	Hamburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Berlin GmbH	Hamburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Karlsruhe GmbH	Hamburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Frankfurt am Main GmbH	Hamburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Frankfurt Airport GmbH	Frankfurt am Main	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Stuttgart GmbH	Stuttgart	100	MEUR 0.0	100	MEUR 0.0
Rezidor Shared Services Centre Deutschland GmbH	Duisburg	100	MEUR 0.8	100	MEUR 0.8
Park Inn München Frankfurter Ring GmbH	Munich	100	MEUR 0.0	100	MEUR 0.0
Park Inn München Ost GmbH	Munich	100	MEUR 0.0	100	MEUR 0.0
Rezidor Düsseldorf Media Harbour Hotel GmbH	Hamburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Park Deutschland GmbH	Duisburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Park Nürnberg GmbH	Nürnberg	100	MEUR 0.0	100	MEUR 0.0
Timmendorf mbH & Co Beteiligungs KG	Timmendorfer Strand	—	—	18.67	MEUR 0.3
Mongolia Nord GmbH	Frankfurt	14.28	MEUR 0.0	14.28	MEUR 0.0
Italy					
Rezidor Hotel Milan S.r.l.	Milan	100	MEUR 0.0	100	MEUR 0.0
Kuwait					
First Hotels Company KSCC	Safat	1.82	MKWD 40.0	1.82	MKWD 40.0
Latvia					
Rezidor Baltics SIA	Riga	100	MLVL 0.0	100	MLVL 0.0
Netherlands					
Rezidor Hotel Amsterdam B.V.	Amsterdam	100	MEUR 0.0	100	MEUR 0.0
Norway					
Rezidor Hospitality Norway AS	Oslo	100	MNOK 102.0	100	MNOK 102.0
Rezidor Hotels Norway AS	Oslo	100	MNOK 11.0	100	MNOK 11.0
Rezidor Shared Service Center AS	Oslo	100	MNOK 0.1	100	MNOK 0.1
Rezidor Park Norway AS	Oslo	100	MNOK 0.1	100	MNOK 0.1
South Africa					
Rezidor Hotel Group Southern Africa Ltd	Cape Town	74	MZAR 0.0	74	MZAR 0.0
RHW Management Southern Africa (Pty) Ltd	Cape Town	74	MZAR 0.0	74	MZAR 0.0
Spain					
Rezidor Hotel Madrid S.L.U	Madrid	100	MEUR 0.0	100	MEUR 0.0
Sweden					
Rezidor Hotel Holdings AB	Stockhom	100	MEUR 0.1	100	MEUR 0.1
Rezidor Hotel AB	Stockhom	100	MSEK 5.2	100	MSEK 5.2
Rezidor Sweden AB	Stockholm	—	—	—	—
Rezidor Hospitality Sweden AB	Stockhom	100	MSEK18.0	100	MSEK18.0
Rezidor Hotel & Congress AB	Stockhom	100	MSEK 0.1	100	MSEK 0.1
AB Strand Hotel	Stockholm	100	MSEK 0.3	100	MSEK 0.3
Royal Viking Hotel AB	Stockholm	100	MSEK 8.0	100	MSEK 8.0
Hotel AB Bastionen	Gothenburg	100	MSEK 1.0	100	MSEK 1.0
Rezidor Arlandia Hotel AB	Stockholm	100	MSEK 1.0	100	MSEK 1.0
Rezidor SkyCity Hotel AB	Stockholm	100	MSEK 1.0	100	MSEK 1.0
Rezidor Royal Hotel AB	Malmö	100	MSEK 1.0	100	MSEK 1.0
Rezidor Park AB	Stockhom	100	MSEK 0.1	100	MSEK 0.1
Switzerland					
Rezidor Park Switzerland AG	Rümlang	100	MCHF 0.1	100	MCHF 0.1
Rezidor Hotels Switzerland AG	Basel	99.7	MCHF 0.1	99.7	MCHF 0.1
Turkey					
Maçka Otelcilik Anonim Sirketi (dormant)	Istanbul	56.33	MTL 0.1	56.33	MTL 0.1
United Kingdom					
Rezidor Hotels UK Ltd.	Manchester	100	MGBP 32.2	100	MGBP 32.2
Rezidor Hotel Manchester Ltd.	Manchester	100	MGBP 0.0	100	MGBP 0.0
Rezidor Hotel Leeds Ltd.	Manchester	100	MGBP 0.0	100	MGBP 0.0
Rezidor Hotel Edinburgh Ltd.	Manchester	100	MGBP 0.0	100	MGBP 0.0
Rezidor Hotel Stansted Airport Ltd.	Manchester	100	MGBP 0.0	100	MGBP 0.0
Rezidor Lifestyle Glasgow Ltd. (dormant)	Manchester	100	MGBP 0.0	100	MGBP 0.0
Rezidor Hotel Management Ltd.	Manchester	—	—	—	—
Rezidor Park UK Ltd.	Manchester	100	MGBP 0.0	100	MGBP 0.0
Park Hotel Heathrow Ltd.	Manchester	100	MGBP 0.0	100	MGBP 0.0
Park Hotels Management Ltd.	Manchester	100	MGBP 0.0	100	MGBP 0.0
Rezidor Lifestyle Edinburgh Ltd.	Manchester	100	MGBP 0.0	100	MGBP 0.0

PARENT COMPANY, STATEMENT OF OPERATIONS

TEUR	Notes	For the Year Ended December 31 2012	2011
Revenue	2	3,432	2,996
Personnel cost	3	–2,624	–1,820
Other operating expenses	4,5	–11,711	–14,509
Operating loss before depreciation and amortisation		**–10,903**	**–13,333**
Depreciation and amortisation expense	8, 9	–94	–119
Operating loss		**–10,997**	**–13,452**
Financial income	6	13,950	40,658
Financial expense	6	–328	–900
Profit/loss before tax		**2,625**	**26,306**
Income tax	7	–1,635	1,067
Profit/loss for the period		**990**	**27,373**

PARENT COMPANY, STATEMENT OF COMPREHENSIVE INCOME

		2012	2011
Profit/loss for the period		**990**	**27,373**
Other comprehensive income		**990**	**27,373**
Total comprehensive income for the period		**990**	**27,373**

PARENT COMPANY, BALANCE SHEET STATEMENTS

TEUR	Notes	As of December 31 2012	2011
ASSETS			
Fixed assets			
Other intangible assets	8, 10	138	173
Machinery and equipment	9	101	128
Investments in progress	10	—	—
Shares in subsidiaries	11	233,571	234,433
Deferred tax asset	7	6,794	8,429
		240,604	**243,163**
Current assets			
Accounts receivable		13	16
Receivables group companies	12	14,111	11,052
Income tax receivable		55	37
Other receivables		16	10
Prepaid expenses and accrued income	13	241	249
		14,436	**11,364**
Total assets		**255,040**	**254,527**
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		10,000	10,000
		10,000	10,000
Non-restricted equity			
Share premium reserve		197,297	197,297
Retained earnings		–1,393	–27,904
Net profit/loss for the year		990	27,373
		196,894	196,766
Total equity		**206,894**	**206,766**
Liabilities			
Current liabilities			
Accounts payable		80	79
Liabilities group companies	14	46,648	46,399
Accrued expenses and prepaid income	16	1,257	1,150
Other liabilities		161	133
		48,146	**47,761**
Total liabilities		**48,146**	**47,761**
Total equity and liabilities		**255,040**	**254,527**
Contingent liabilities		None	None
Pledged assets		None	None

PARENT COMPANY, STATEMENT OF CHANGES IN EQUITY

TEUR	Share capital	Share premium reserve	Retained earnings	Net loss for the year	Total Equity
Equity as of Dec. 31, 2010	**10,000**	**197,297**	**–19,365**	**–9,734**	**178,198**
Allocation of last year's result	—	—	–9,734	9,734	—
Long term incentive plan	—	—	1,195	—	1,195
Net loss for the period	—	—	—	27,373	27,373
Equity as of Dec. 31, 2011	**10,000**	**197,297**	**–27,904**	**27,373**	**206,766**
Allocation of last year's result	—	—	27,373	–27,373	—
Long term incentive plan	—	—	–862	—	–862
Net loss for the period	—	—	—	990	990
Equity as of Dec. 31, 2012	**10,000**	**197,297**	**–1,393**	**990**	**206,894**

For information on share capital, please see Note 32 of the consolidated financial statements.

PARENT COMPANY, STATEMENT OF CASH FLOW

		For the Year Ended December 31	
TEUR	**Notes**	**2012**	**2011**
OPERATIONS			
Loss Before Interest and Taxes		–10,997	–13,452
Adjustments for non cash items:			
Depreciation and amortisation	8, 9	94	119
Dividend received	6	—	29,667
Interest paid/ received	6	–276	–567
Other financial items	6	–52	–333
Tax received		–18	142
Cash flows from operations before change in working capital		**–11,249**	**15,576**
Change in:			
Inventories		—	1
Current receivables		10,896	4,452
Current liabilities		–4,146	2,457
Change in working capital		**6,750**	**6,910**
Cash flow from operating activities		**–4,499**	**22,486**
INVESTMENTS			
Purchase of machinery and equipment	9	–32	–233
Cash flow from investing activities		**–32**	**–233**
FINANCING			
Change in interest bearing liabilities and cash pool accounts		4,531	–22,254
Cash flow from financing activities		**4,531**	**–22,254**
Cash flow for the year		**0**	**–1**
Cash and cash equivalents, January 1		**0**	**1**
Cash and cash equivalents, December 31		**0**	**0**

Notes to the Parent Company

Note 1 General information

The Parent Company has prepared its Annual Report in accordance with the Swedish Annual Accounts Act, RFR 2.3 (Accounting for legal entities) of the Swedish Financial Accounting Standards Council and applicable statements from its emerging issues Committee. Pursuant to RFR 2.3, in preparing the Annual Accounts for the legal entity, the Parent Company shall apply all international Financial Reporting Standards (IFRS) and statements, as approved by the European union, as far as this is possible within the framework of the Swedish Annual Accounts Act and the Act on Safeguarding of pension obligations (Tryggandelagen) taking into account the relationship between reporting and taxation. The Parent Company has Euro as presentation currency.

The Parent Company mainly applies the principles explained in the present Note 3 to the Group accounts as in the consolidated accounts with the exception of shares in subsidiaries that are recognised at cost.

Note 2 Revenue distribution

	For the Year Ended Dec. 31	
TEUR	**2012**	**2011**
External revenue	31	76
Revenue from group companies	3,401	2,920
Total Revenue	**3,432**	**2,996**

Note 3 Personnel

Payroll cost	For the Year Ended Dec. 31	
TEUR	**2012**	**2011**
Salaries	1,649	1,392
Social security	689	128
Pension costs	220	175
Other personnel costs (other benefits in kind)	66	125
Total	**2,624**	**1,820**

These costs are included in the line personnel cost in the income statement and are related to compensation to persons with employment in the company, including remuneration to the CEO of The Rezidor Hotel Group, Mr Ritter, of TEUR 111 (TEUR 107) (excluding social costs). The remainder of its remuneration is paid by the 'Rezidor Hotel Group S.A.' in Belgium. Also refer to Note 10 of the Group Accounts for complete information regarding his employment agreement.

In addition, total remuneration to the Board of Directors amounted to TEUR 373 (TEUR 359). See also Note 10 of the Group accounts for further information regarding remuneration to the Board of Directors and senior management. The average number of employees in Rezidor Hotel Group AB 2012 was 21 (21).

Average number of employees	As of Dec. 31			
	2012		**2011**	
	Men	**Women**	**Men**	**Women**
Sweden	6	15	7	14

The number of Board members is also disclosed in Note 10 of the Group accounts.

Note 4 Other operating expenses

	For the Year Ended Dec. 31	
TEUR	**2012**	**2011**
External service fees	996	1,163
Other external expenses	1,599	2,158
Expenses from group companies	8,774	10,850
Rent	342	338
Total	**11,711**	**14,509**

Note 5 Auditor's fees

	For the Year Ended Dec. 31	
TEUR	**2012**	**2011**
Deloitte		
Audit assignments	402	352
Other audit assignments	—	18
Other assignments	25	9
Total Deloitte	**427**	**379**
Other audit firms		
Tax assignments	33	268
Other assignments	20	—
Total other audit firms	**53**	**268**
Grand total	**480**	**647**

Note 6 Financial income and expenses

	For the Year Ended Dec. 31	
TEUR	**2012**	**2011**
Group contribution	13,950	10,991
Dividend received	—	29,667
Financial income	**13,950**	**40,658**
Interest expenses to group companies	–276	–567
Foregin currency exchange losses	–50	–331
Other financial expenses	–2	–2
Financial expense	**–328**	**–900**
Financial income and expenses, net	**13,622**	**39,758**

Note 7 Tax

	For the Year Ended Dec. 31	
TEUR	**2012**	**2011**
Deferred tax income/expense	–1,635	1,067
Recorded tax	**–1,635**	**1,067**

Reconciliation of effective tax

TEUR	**2012**	**%**	**2011**	**%**
Profit/loss before tax	2,625		26,306	
Tax at the domestic income tax rate of 26.3%	–690	26.3	–6,918	26.3
Exchange difference on tax losses denominated in SEK	348		69	
Tax effect of revenue that is exempt from taxation	47		7,916	
Tax effect of expenses that are not deductible in determining taxable income	–11		—	
Recorded tax	**–1,635**	**62.3**	**1,067**	**4.1**

Deferred tax in the balance sheet

Attributable to tax losses carried forward	6,794	8,429

Note 8 Intangible assets

TEUR	As of Dec. 31 2012	2011
Balance as of Jan. 1	**176**	**—**
Investments	—	143
Reclassification	—	33
Balance as of Dec. 31	**176**	**176**
Accumulated depreciations and impairment		
Balance as of Jan. 1	**–3**	**—**
Depreciations expense	–35	–3
Closing accumulated depreciation	**–38**	**–3**
Balance as of Dec. 31	**138**	**173**

Note 9 Tangible fixed assets

TEUR	As of Dec. 31 2012	2011
Balance as of Jan. 1	**562**	**527**
Investments	32	90
Disposals	–18	–55
Balance as of Dec. 31	**576**	**562**
Accumulated depreciations and impairment		
Balance as of Jan. 1	**–434**	**–372**
Depreciations expense	–59	–116
Disposals	18	54
Closing accumulated depreciation	**–475**	**–434**
Balance as of Dec. 31	**101**	**128**

Note 10 Investment in progress

TEUR	As of Dec. 31 2012	2011
Acquisition value as of Jan. 1	**0**	**33**
Investments	—	—
Reclassification	—	–33
Balance as of Dec. 31	**0**	**0**

Note 11 Shares in subsidiaries

TEUR	As of Dec. 31 2012	2011
Opening book value	**234,433**	**233,238**
Investments in subsidiaries (Rezidor Hotel Holdings AB)	–862	1,195
Closing book value	**233,571**	**234,433**

The change in the book value in 2012 and 2011 is attributable to cost of the long-term incentive programme, further described in Note 33 to the consolidated financial statements.

Rezidor Hotel Group AB (publ) has the following subsidiaries:

Sweden	Registered in	Identity no.	No . of shares	Owned share in %	Book value
Rezidor Hotel Holdings AB	Stockholm	556674–0972	106,667	100	233,571

See Note 43 in the Group Accounts for the List of Subsidiaries.

Note 12 Receivables group companies

TEUR	As of Dec. 31 2012	2011
Receivables group companies, cash pool	—	—
Other	14,111	11,052
Total	**14,111**	**11,052**

Note 13 Prepaid expenses and accrued income

TEUR	As of Dec. 31 2012	2011
Prepaid rent	76	72
Other	165	177
Total	**241**	**249**

Note 14 Liabilities group companies

TEUR	As of Dec. 31 2012	2011
Liabilities group companies, cash pool	46,205	41,501
Interest-bearing liabilities to group companies	—	—
Other	443	4,898
Total	**46,648**	**46,399**

Note 15 Credit facilities

In December 2011, the Group renewed its long-term agreement with a leading European bank as part of Rezidor's efforts to streamline its banking structure and secure appropriate overdraft and credit facilities. The banking structure provides a cross-border cash pool, which the Parent Company is part of. The total credit facilities in this new credit structure are described in Note 4 to the consolidated financial statements.

Note 16 Accrued expenses

TEUR	As of Dec. 31 2012	2011
Vacation pay including social costs	253	263
Salaries and remuneration	504	257
Other accrued expenses	500	630
Total	**1,257**	**1,150**

Signatures of the Board

The consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU and give a true and fair view of the Group's financial position and results of operations. The financial statements of the Parent Company have been prepared in accordance with generally accepted accounting principles in Sweden and give a true and fair view of the Parent Company's financial position and results of operations.

The Board of Directors' report of the Group and the Parent Company provides a fair review of the development of the Group's and the Parent Company's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent Company and companies included in the Group.

Stockholm 15 March 2013

Trudy Rautio
Chairman of the Board

Göte Dahlin
Board Member

Barry W. Wilson
Board Member

Staffan Bohman
Vice Chairman of the Board

Anders Moberg
Board Member

Emil Bäckström
Employee Representative

Elizabeth Bastoni
Board Member

Wendy Nelson
Board Member

Göran Larsson
Employee Representative

Wolfgang M. Neumann
President and CEO

Our audit report was submitted on
15 March 2013
Deloitte AB

Thomas Strömberg
Authorised public accountant

Auditor's Report

To the annual meeting of the shareholders of Rezidor Hotel Group AB (publ)
Corporate identity number 556674-0964

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Rezidor Hotel Group AB (publ) for the financial year 1 January–31 December 2012. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 31–78.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director 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.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2012 and of its financial performance and its cash flows 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 2012 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Rezidor Hotel Group AB (publ) for the financial year 1 January–31 December 2012.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined that the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions

We recommend to the annual meeting of shareholders that the profit be dealt with in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm, March 15, 2013
Deloitte AB

Thomas Strömberg
Authorized Public Accountant

Chairman's Statement

Winston Churchill said, "A pessimist sees the difficulty in every opportunity; an optimist sees the opportunity in every difficulty."

For Rezidor, and the hotel industry in general, the external environment continues to be a great challenge. In my first statement as Chairman, I see the economic difficulty and uncertainty of 2013 as an opportunity to enhance our business performance. The board and the management team have continued to focus on improving the company's profitability as its top priority.

These efforts are yielding positive results including an EBITDA margin improvement of 1.4 percentage points in 2012. Not only is this in line with the Route 2015 strategy aimed at improving the EBITDA margin by 6-8 percentage points by 2015, but good progress has been made in implementing all key elements of the plan during the year.

The most important initiative within Route 2015 is revenue generation which entails a closer and more focused partnership with Carlson. The utilization of the new tools enabled by Carlson has resulted in significant progress as noted by RevPAR improvements greater than the overall market. The Board of the Company ensures that this strategic partnership is beneficial to Rezidor and is carried out on an arm's length basis.

Although transitioning a CEO, especially a long-tenured and respected one like Kurt Ritter, can be difficult, Rezidor was very pleased to welcome its new CEO, Wolfgang M. Neumann, in January, 2013. The transition had been well planned, and Wolfgang had been highly engaged in the execution of the Route 2015 strategy. He was the driving force behind the group's recent organisational optimization in order to decentralise the company's structure and to enable its regional offices to better support the hotels. Wolfgang has strong experience and leadership skills and is therefore an excellent choice to take the Group forward. Rezidor is extremely grateful for the role Kurt has played in guiding its growth for more than two decades to be one of the fastest growing hotel companies.

It is important to recognize and thank the 35,000+ employees across the Group for their hard work and dedication in delivering strong operating results despite the challenging environment. The commitment of the entire organization to the Yes I Can! service philosophy was one of the reasons that the Company was honoured in 2012 as the Hotel Group of the Year at the prestigious Worldwide Hospitality Awards and named as one of the World's Most Ethical Companies by Ethisphere for the fourth consecutive year.

The company is also continuing its focus on asset-light growth. Rezidor signed 30 hotels with 7,100 rooms in 2012, all under management and franchise contracts and the pipeline consist of 100 hotels with 22,000 rooms, 100% asset-light.

During 2012, Rezidor benefited from increased demand and market share, particularly in the first half of the year. RevPAR improved by 5% and the growth resulted in a revenue increase of 7% and improved profit margins. The earnings after tax, however, were MEUR –17, due primarily to the exit of some unprofitable leases during the year. While Rezidor still has a solid financial platform with no debt and a small net cash position, in keeping with its policy, the Board of Directors has proposed that no dividend for the 2012 financial year be paid, as earnings after tax were negative.

Overall, the Board's focus on profit improvement through revenue generation efforts and cost reduction programs, as well as the exit of unprofitable leases and asset-light growth will serve the long-term interests of its shareholders. Shareholder support during these challenging times is important, and I look forward to meeting many of our institutional and private shareholders to seek ideas and input.

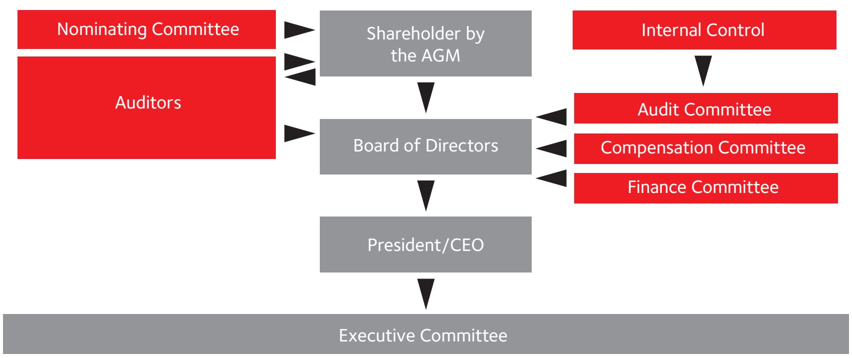
Looking ahead, we're entering 2013 with measured optimism and a watchful eye on global economic conditions. The goals of Rezidor to build a sustainable and profitable business remain unchanged, and the Board remains focused on improved company performance.

Trudy Rautio,
Chairman of the Board

Corporate Governance Report

Corporate governance practices refer to the decision-making systems through which owners, directly or indirectly, control a company. Good corporate governance rests on three pillars – active owners, an involved and well constructed Board and efficient operating processes. This requires an organisation that has a clear division of responsibility, effective internal controls and an expressed risk management process. Good corporate governance creates value by ensuring an effective decision making process that is in line with the company's strategy and steers the company toward established business goals. Rezidor is incorporated under the laws of Sweden with a public listing at NASDAQ OMX Stockholm since November 28, 2006. Reflecting this, the corporate governance of Rezidor Hotel Group AB ("Rezidor") is based on Swedish legislation and regulations, primarily the Swedish Companies Act and the Swedish Annual Accounts Act, but also the Listing Agreement with the Stockholm Stock Exchange, the Swedish Code of Corporate Governance, the Articles of Association and other relevant rules. This Corporate Governance Report for the 2012 fiscal year has been subject to audit procedures as outlined in the auditor's report on page 89.

Corporate Governance at Rezidor



Corporate Governance at Rezidor

The shareholder's meeting is a limited company's highest decision-making body and serves as a forum for shareholders to exercise influence. At the Annual General Meeting of Shareholders ("AGM") the shareholders appoint the members of the Board of Directors, the Chairman of the Board, the auditors and decide on a number of central issues. The Nominating Committee nominates the persons to be elected by the AGM as members of Rezidor's Board. On behalf of Rezidor's shareholders, the Board oversees the organisation and the management of the Company. To increase the efficiency and depth of the Board's work on certain issues, the Board has established three committees: the Audit Committee, the Compensation Committee and the Finance Committee. Internal audit is an important resource for the Board's committees to verify the effectiveness of internal controls. The Board appoints the CEO, who is charged with carrying out the day-to-day management of the Company in accordance with the directions of the Board. The CEO is responsible for leading the work conducted by the Executive Committee. The CEO's administration of the Company, as well as the annual report, is audited by Rezidor's auditor. The picture to the left illustrates how governance is organised at Rezidor.

Read more on our website

More information about Rezidor's corporate governance is available at www.rezidor.com. The site includes the following information:

- Corporate governance reports since 2006
- The Articles of Association
- Nominating Committees since 2007
- AGM's since 2007 and related documentation
- The Board, Committees and their work
- The Company's management
- Compensation to management

Ownership Structure

At year-end 2012, Rezidor had 3,365 shareholders according to the register of shareholders maintained by Euroclear Sweden AB. Institutional owners dominate the ownership structure. The ten largest shareholders owned shares corresponding to 87.9% of the votes and capital.

Carlson, a privately held hospitality and travel company, represents the largest single shareholder and hold 50.03% of the registered shares and 51.3% of the outstandig shares. Rezidor's share capital amounted to EUR 10,000,000, distributed among 150,002,040 shares. The number of shares outstanding after deducting the number of shares owned by Rezidor was 146,320,902 at year end 2012. Each share entitles the holder to one vote and all shares carry equal rights to participate in the company's profits and assets.

Annual General Meeting

Rezidor shall have one AGM to be held in Stockholm before the end of the month of June each year. The notice convening the AGM is required to be published not earlier than six weeks, but not later than four weeks, before the date of the AGM. All shareholders registered in the shareholder's register who have given timely notification to the Company of their intention to attend and who have followed prescribed procedures described in the notice convening the AGM, may attend the AGM and vote for their total share holdings. Shareholders who cannot participate in person may be represented by proxy. The AGM is held in Swedish. Due to Rezidor's international ownership and in order to allow non-Swedish speaking shareholders to participate, the meeting is simultaneously interpreted in English and all of the information materials for the meeting are also available in English. Decisions at the AGM usually require a simple majority vote. However, for certain items of business taken up at the AGM, the Swedish Companies Act requires that a proposal is approved by a higher percentage of the shares and votes represented at the AGM. The AGM is informed about Rezidor's development over the past fiscal year and decides on a number of central issues, such as changes to Rezidor's Articles of Association, the election of auditor, discharging the members of the Board of Directors from liability for the fiscal year, remuneration of the Board of Directors, fees to the auditors, decisions on the number of Board members, election of the members of the Board of Directors and Chairman of the Board for the period up to the close of the next AGM and decision on dividends.

Annual General Meeting 2012

Rezidor's AGM in 2012 was held at the Radisson Blu Strand Hotel in Stockholm on April 25, 2012. The AGM was attended by 111 shareholders personally or by proxy, representing 73.87% of the total number of shares and votes of the Company. The persons proposed for re-election to the Board attended the AGM, as well as the two employee Board representatives. Also present were the CEO, key executives, Rezidor's auditor as well as the members of the Nominating Committee. All documents required for the 2012 AGM and the minutes from the meeting have been made available on Rezidor's website in both Swedish and English. The resolutions passed during the meeting included the following:

- It was decided that no dividend will be paid for the year 2011 and that the distributable funds are brought forward.
- The following members were re-elected: Hubert Joly (also elected as Chairman), Elizabeth Bastoni, Staffan Bohman, Göte Dahlin, Anders Moberg, Wendy Nelson, Trudy Rautio and Barry W. Wilson.
- It was decided that the total remuneration to the Board of Directors elected at the AGM would amount to maximum 385,000 EUR, to be allocated as shown in the table on page 85.
- The Board of Directors received authorization until the AGM 2013 to decide on acquisitions of a certain portion of the Company's shares.

Annual General Meeting 2013

The 2013 AGM will take place on April 24, 2013 at the Stockholm Waterfront Congress Centre, Nils Ericsons Plan 4. Shareholders who wish to participate must be recorded in the shareholders' register maintained by Euroclear Sweden AB, on April 18, 2013 and also notify Rezidor of their intention to attend no later than by 16.00 p.m. CEST on April 18, 2013.

Nominating Committee

The Nominating Committee makes recommendations for the election of members to the Board of Directors and recommendations regarding the allocation of remuneration to the Chairman and other members of our Board of Directors and the allocation of remuneration in respect of committee work, if any. Such recommendations are presented at the AGM. The Nominating Committee also prepares a proposal for the AGM regarding the election of auditors of Rezidor, when applicable, and makes recommendations for remuneration of the auditors. The Nominating Committee shall also make a recommendation regarding the procedure to be used in appointing members of the Nominating Committee for the next AGM.

The 2013 Nominating Committee

Member	Representing	Number of shares August 31, 2012	Share of votes August 31, 2012 (based on number of registered shares)
William Van Brunt, Chairman	Carlson	75,044,733	50.03%
Peter van Berlekom	Nordea Investment Funds	19,474,855	12.98%
Björn Franzon	Swedbank Robur Fonder AB	8,231,855	5.49%

Members

In accordance with the decision made by the 2012 AGM, the Nominating Committee for the AGM on April 24, 2013 has been established. Based on the list of shareholders per August 31, 2012 the three largest shareholders, each of which was offered the possibility to appoint one representative of the Nominating Committee. The names of the committee members and the shareholders they represent were made public on October 23, 2012. The Nominating Committee had two meetings in 2012, attended by all members, and during which minutes were taken. The Nominating Committee's proposals will be presented in the notice of the AGM and on Rezidor's website. The members of the Nominating Committee did not receive any compensation for their work in the committee.

The Board of Directors

Under the Swedish Companies Act, the Board of Directors shall be elected by the shareholders and is ultimately responsible for the organisation and the management of the Company. The Articles of Association provide that the Board of Directors shall consist of not less than three – and not more than fifteen – members. Further, under the Swedish Companies Act, the CEO and at least half of the members of the Board of Directors of a company must be residents of a country within the European Economic Area, unless the Swedish Companies Registration Office grants an exemption from this requirement. In order to fulfill the residency requirements Rezidor was granted an exemption on March 13, 2012 for Barry W. Wilson to be re-elected as a member of the Board. Each year, the Board of Directors specifies its way of working in written Rules of Procedure clarifying the Board's responsibilities. The Rules of Procedure regulate the internal division of duties between the Board and its committees, including the role of the Chairman and the Vice Chairman, the Board's decision-making procedures, its meeting schedule, procedures governing the convening, agenda and minutes of meetings, as well as the Board's evaluation on accounting, auditing matters and financial reporting. In addition, the Board of Directors has established separate written work plans for the Audit Committee, the Compensation Committee and the Finance Committee. The Rules of Procedure also governs how the Board will receive information and documentation of importance for its work to facilitate the making of well-founded decisions. The Board has also issued instructions for the CEO, as well as for the financial reporting to the Board. Moreover, it has adopted other special steering documents, including a Finance Policy, a Communication and Investor Relations Policy and a Code of Business Ethics. The responsibilities of the Board include monitoring the work of the CEO through ongoing reviews throughout the year. The Board is further responsible for ensuring that Rezidor's organisation, management and guidelines for the administration of Rezidor's interests are structured appropriately and that there is satisfactory internal control. The responsibilities of the Board also include setting strategies and targets, establishing special control instruments, deciding on larger acquisitions through business combinations and divestments of operations, deciding on other large investments, deciding on deposits and loans in accordance with the Finance Policy and issuing financial reports, as well as evaluating the management of operations and planning managerial succession. Apart from the activities of the Audit, Compensation and Finance Committees, there has been no allocation of work among the directors. The Board shall be assisted by a Secretary, who is not a member of the Board. The General Counsel of Rezidor, Marianne Ruhngård, was the Secretary at all Board meetings and all committee meetings during 2012 with the exception of two meetings of the Compensation Committee where minutes were taken by Michael Farrell, Rezidor's Head of Human Resources.

The Chairman of the Board

At the 2012 AGM Hubert Joly was elected as the Chairman of the Board of Directors and at the statutory Board meeting the same day following the AGM, Staffan Bohman was appointed Vice Chairman. On September 13, 2012 Hubert Joly resigned from his position as Chairman and Trudy Rautio was elected by the Board as new Chairman on September 27, 2012 to serve for the period until the end of the 2013 AGM. It is the responsibility of the Chairman to follow operations, in consultation with the CEO, and ensure that the other Board members receive the information necessary to maintain a high level of quality in discussions and decisions. The Chairman shall make sure that the Board's work, including the work in the Board committees and the efforts of individual members, with regard to working procedures, competences and the working climate are evaluated. This occurs annually in accordance with an established process and this evaluation is then shared with the Nominating Committee. The Board's Compensation Committee participates in evaluation and development questions regarding compensation for the Executive Committee.

Members of the Board of Directors

Pursuant to the Articles of Association, the Board of Directors shall be elected at the AGM and serve for a term expiring at the next AGM. The members of the Board of Directors may be removed from office through a resolution of shareholders, and vacancies on the Board may likewise only be filled by a resolution of shareholders. Following the 2012 AGM, the Board of Directors was composed of eight directors elected by the shareholders at the AGM, including the Chairman, and two employee representatives elected by the Swedish labour organisation "Hotell- och restaurangfacket". Hubert Joly's resignation on September 13, 2012 reduced the number of directors elected by the shareholders to seven directors. The Directors' biographies can be found on page 90 in the Annual Report.

Work of the Board in 2012

According to current Rules of Procedure adopted by the Board, the Board must convene at least four times a year, in addition to the statutory Board meeting, and otherwise as necessary. In 2012, the Board held twelve meetings, including the statutory Board meeting. Four of the Board meetings were coordinated with the dates of the presentation of the external financial reports. Moreover the Board members attended in July a two-day meeting on strategic issues. In November, there was a meeting concerning the 2013 budget. Audit related matters have been addressed as a special item during a Board meeting at least once per year and in conjunction therewith; the Board meets with Rezidor's auditor without the CEO or any other member of management being present. During 2012, the Board has been working in accordance with the adopted Rules of Procedure. The main activities during 2012 were as follows:

- adopting a budget for 2013 and a business plan for 2013–2015
- reviewing and monitoring the implementation of Route 2015 and Project Fit
- evaluating profit targets and profit improvement opportunities
- discussing and approving of certain hotel projects and investments meeting defined criteria
- assessing the development strategy for the brands and approving of the strategic alliance agreement for the Regent brand
- keeping informed about the financial position of the Company and the group, evaluating bank facilities and capital requirements
- keeping informed about the Company's activities in the area of asset management and approving of certain transactions
- planning and implementing the succession of the President & CEO, Kurt Ritter
- evaluating internal controls
- evaluating activities in relation to defined focus hotels.

The Board liaises with the auditors regarding plans for the audit procedure and reviews what measures to take based on the auditors' reporting. Major business areas on functional groups are given an opportunity to give an in-depth presentation of their operations at a Board meeting at least once a year.

Independence of Board members

None of the members of the Board of Directors elected by the shareholders at the AGM are employed by Rezidor or any other company within the Group. Based on the Nominating Committee's assessment published on 23 March 2012 relating to the AGM 2012 and the Swedish Code of Corporate Governance, the following assessment is made regarding the independency of the members of the Board.

Board Committees' work 2012

	Audit Committee	Compensation Committee	Finance Committee
Members	Staffan Bohman, Chairman Trudy Rautio Göte Dahlin	Trudy Rautio, Chairman (from 27 September 2012) Staffan Bohman Elizabeth Bastoni Anders Moberg *1) Hubert Joly was Committee Chairman until 13 September 2012*	Trudy Rautio, Chairman Barry W. Wilson Wendy Nelson
Number of meetings	9	7	5
Work in 2012	• reviewing of financial reports • reviewing of auditor's observations from audit work and audit guidelines • reviewing of the Company's risk situation • review of irregularities and whistle blowing cases • reviewing of internal control results and approval of internal audit plan for 2013 • evaluating adequacy of safety & security function and internal control • evaluating of auditor's work and decision about thresholds to be applied for non-audit work by auditors	• developing an executive remuneration philosophy • benchmarking of executive compensation • designing an exceptional short term incentive plan for 2012 • designing variable compensation plans in form of short term (MIC) and long term (LTIP) incentive schemes • evaluating the achievement of strategic objectives for the executive committee during 2011 • assessing the capabilities of the executive committee members • reviewing and approving 2012 compensation for executive committee members and recommending CEO compensation for Board approval • reviewing and approving strategic objectives for 2012 for the executive committee members	• reviewing new hotel projects against defined criteria and evaluating post implementation reports of approved hotel projects • monitoring of the Company's liquidity situation and credit facilities • evaluating and review of Finance Policy, including project policy • keeping informed about Company's asset managment activities • reviewing of the Company's tax situation • reviewing and assessment of financial targets • evaluating insurance coverages and risk management issues

Göte Dahlin, Barry W. Wilson, Staffan Bohman and Anders Moberg are independent Directors in relation to the Company and the Management as well as in relation to major shareholders. Hubert Joly was and Trudy Rautio, Elizabeth Bastoni and Wendy Nelson are independent Directors in relation to the Company and the Management but are not independent in relation to major shareholders, as they are related to Carlson.

Employee Board representatives

In accordance with the law (1987:1245) on board representation for employees, the Swedish labour organisation "Hotell- och restaurangfacket" have appointed two employee representatives to the Board, Emil Bäckström and Göran Larsson. The employee Board representatives joined the Board in the 2009 fiscal year. The term of their appointments will expire at the AGM in 2014.

Evaluation of the Board

Pursuant to the rules of procedure, and in accordance with the requirements of the Swedish Code of Corporate Governance, the Chairman of the Board initiates an annual evaluation of the performance of the Board. The 2012 Board evaluation consisted of an anonymous questionnaire that was answered by each Board member. The questionnaire was divided into a number of sections covering topics such as the atmosphere of cooperation within the Board, its range of expertise and the methods the Board utilised to carry out its tasks as well as a section which addresses the role of the Chairman. The results of the 2012 evaluation have also been compared with the results from previous Board evaluations so as to identify if any area deviates from results from previous years. The objective of the evaluation is to provide insight into the Board members' opinions about the performance of the Board and the role of the Chairman and identify measures that could make the work of the Board more effective. A secondary objective is to form an overview of the areas the Board believes should be afforded greater scope and where additional expertise might be needed within the Board. The Chairman of the Board has presented the results of the evaluation to the Board as well as to the Nominating Committee.

Board Committees

In order to increase the efficiency of its work and enable a more detailed analysis of certain issues, the Board has formed three committees: the Audit Committee, the Compensation Committee and the Finance Committee. The members of the committees are appointed for a maximum of one year at the statutory Board meeting and perform their duties as assigned by the instructions adopted for each commit-

Attendance record and Board remuneration in 2012

	Attendance record				Fees (EUR)				
	Board	Audit Committee	Compensation Committee	Finance Committee	Board	Audit Committee	Compensation Committee	Finance Committee	Total
Trudy Rautio[2)]	100%	100%	100%	100%	52,844	6,500	3,485	6,000	68,829
Hubert Joly[1)]	100%		100%[5)]		25,110		2,318		27,427
Staffan Bohman	92%	100%	100%[4)]		50,000	9,000	4,000		63,000
Elizabeth Bastoni	100%		100%[6)]		36,000		4,000		40,000
Göte Dahlin	100%	100%			36,000	6,500			42,500
Anders Moberg	92%		100%		36,000		4,000		40,000
Wendy Nelson	100%			100%	36,000			4,000	40,000
Barry W. Wilson	92%		100%[3)]	100%	36,000			4,000	40,000
Göran Larsson	100%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Emil Bäckström	100%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total					**307,953**	**22,000**	**17,803**	**14,000**	**361,756**[7)]

1) Hubert Joly resigned from the Board on September 13, 2012.
2) Trudy Rautio was by the Board appointed Chairman of the Board and of the Compensation Committee on September 27, 2012.
3) Barry Wilson was a member of Compensation Committee until 25 April 2012.
4) Staffan Bohman was appointed Vice Chairman of the Board and became a member of the Compensation Committee on 25 April 2012.
5) Hubert Joly was Chairman of the Compensation Committee from 25 April 2012 until 13 September 2012.
6) Elizabeth Bastoni was the Chairman of the Compensation Committee until 25 April 2012.
7) Due to Hubert Joly's resignation from the Board the total compensation to the Board was lower than the maximum amount of EUR 385,000.

tee annually. The primary objective of the committees is to provide preparatory and administrative support to the Board. However, they are also empowered to make decisions on matters that the Board, pursuant to the committee instructions, delegates to them and on other issues in their respective areas of responsibility that are not considered essential in nature or fall within the overall decision making powers of the Board. The committees are required to inform the Board of any such decisions. The issues considered and the decisions taken at committee meetings are recorded in the minutes and reported at the next Board meeting. Representatives from the Company's specialist functions participate in committee meetings.

Remuneration of the Board

The amount of remuneration granted to the Board of Directors, including the Chairman, is determined by a resolution at the AGM. Compensation for the work of the members of the Board of Directors elected by the shareholders was taken by a resolution by the shareholders at the 2012 AGM. The members of the Board are not entitled to any benefits upon ceasing to serve as a member of the Board. The Board members' attendance and also the annual fees to the Chairman and the other Board members for the Board and Committee work are shown in the table on page 85.

Executive Committee

The CEO is responsible for producing necessary information and basic documentation, on the basis of which, the Board can make well founded decisions. He presents matters and proposes decisions, as well as reporting to the Board on the development of the Company. The CEO is responsible for leading the work conducted by the Executive Committee and renders decisions in consultation with the other members of the Executive Committee, which in 2012 consisted of nine persons (including the CEO).

Remuneration of the members of the Executive Committee

The remuneration granted to the CEO and the other members of the Executive Committee consists of a mix of a fixed remuneration, an annual variable remuneration based on the outcome of financial and individual performance objectives, a long term share-based incentive programme, a pension and other benefits. The general components and more details can be found in the guidelines for remuneration of key executives which were approved by the 2012 AGM. Details on the compensation of the CEO and the other members of the Executive Committee can be found in Note 10, but a summary is presented below.

Share-related Incentive Programmes

The Annual General Meetings in 2010 and 2011 approved proposals for a long-term share related performance- based incentive programme ("performance based share programmes") to be offered to executives within Rezidor. The two programmes run for a three year period. The objectives of the performance-based share programmes are to offer a competitive remuneration package that helps align executives with shareholder interests; the proportion of remuneration linked to company performance increases and that it encourages executive share ownership. In order to implement the performance based share programmes in a cost efficient and flexible manner, the Board of Directors was authorized by the AGMs to decide on acquisitions or sale of its own shares on the NASDAQ OMX Stockholm exchange. More detailed descriptions of the two performance based share programmes can be found in Note 33.

Financial reporting

The Board monitors the quality of financial reporting through instructions to the CEO and reporting instructions regarding the reporting via the Audit Committee. The Audit Committee reviews in advance all financial reports prior to their publication by Rezidor. The Board as a whole reviews and approves Rezidor's financial reports prepared by the management prior to publication. The Board is also responsible for Rezidor's financial statements being prepared in compliance with legislation, applicable accounting standards and other requirements for listed companies. The CEO and the CFO review and assure the quality of all financial reporting including interim reports and the annual financial statements, press releases with financial content and presentation material issued to the media, owners and financial institutions. With respect to the communication with the auditors, the auditors are present at the Board meeting where Rezidor's year-end Financial Report is approved.

Auditors

Auditors in Swedish limited Companies are elected by the AGM and tasked with auditing the Company's financial reporting and administration of the company by the Board and the CEO. At the 2009

Remuneration of the Executive Committee[1)]

TEUR	Base salaries	Variable salaries	Post employment compenstion	Pension	Housing and company car	Total
Kurt Ritter (CEO)	1,950	315	52	395	156	2,868
The Executive Committee (incl. CEO)	5,348	459	52	642	544	7,045

1) The remuneration numbers, which are reported gross before the deduction of tax, exclude social security costs.

AGM Deloitte AB was reelected as auditor for Rezidor for a period until the end of the 2013 AGM with Thomas Strömberg as the responsible auditor. Thomas Strömberg (born 1966) is a member of Far, the Swedish professional institute for authorised public accountants and approved public accountants. He has been an authorised public accountant since 1998. In addition to Rezidor, Thomas Strömberg is responsible for the audits of Karolinska Development, Mekonomen and Tele2. The auditors follow an audit plan that incorporates the comments and concerns of the audit committee, and report their observations to the audit committee during the course of the audit and to the Board in conjunction with the establishment of the 2012 Annual Report. The auditor attended five out of eight meetings of the Audit Committee during the year. On one occasion the Board met with Rezidor's auditor without the CEO or anyone else from the Management present. Deloitte submits an audit report covering Rezidor Hotel Group AB, the Group and a majority of subsidiaries. During 2012, the auditors have had consulting assignments outside the audit, mainly concerning issues related to the interpretation of IFRS, questions regarding internal control and IT-related areas; none of which impact the auditors independence. The auditors receive a fee based on approved invoiced amounts for their work in accordance with a decision of the AGM. For information about the auditors' fee in 2012, see Note 41.

Internal Control over Financial Reporting

The purpose of this report is to give shareholders and other stakeholders a better view and understanding of how internal control over financial reporting at Rezidor Hotel Group AB ("Rezidor") is organised. Internal control over financial reporting is a process that involves the Board and in particular the Audit Committee appointed by the Board, Company management and personnel. It is designed to provide assurance of reliability in external reporting. This report has been prepared in accordance with the Swedish Code of Corporate Governance and the guidelines compiled by FAR and the Confederation of Swedish Enterprise. It is therefore limited to internal control over financial reporting. In accordance with the statement from the Council for Swedish Corporate Governance in September 2006, this internal control report is restricted to a description of how the internal control is organised and makes no statement on how well it functioned during the fiscal year 2012. Rezidor applies the COSO framework as a base for the internal control structure. The Board annually evaluates the need for and organisation of an internal audit process. The structure of the process for 2012 has been approved by the Board. The process is managed from the Rezidor corporate office in Brussels. The process includes internal audit training as well as preparation and distribution of accounting and control policies and procedures. This report supplements the Annual Report. It has been audited by the Rezidor's auditors. The Internal control over financial reporting is described below in five components that jointly form the basis for Rezidor's control structure.

Control Environment

The control environment forms the basis of internal control. The control environment includes the culture that the Company communicates and operates from in a number of areas. Rezidor's values include reliability and transparency. It is important that all actions, internal as well as external, reflect these basic values. Rezidor's Code of Business Ethics has been made available to employees and describes the required behaviour in various situations. Compliance with the Code of Business Ethics is followed up by regular visits to the hotels by Area Vice Presidents, Regional and District Directors, Regional Human Resources Managers and Head Office Human Resources Managers. In addition the General Manager must certify that he/she is not engaged in any conflict of interest. The whistleblower procedure, which was implemented in 2008, gives the employees the possibility to report on issues related to the Code of Business Ethics.

Rezidor's Board of Directors has appointed an Audit Committee with the objective of supervising the quality of the Company's financial and operational reporting. In addition the Audit Committee evaluates the procedures for internal control and the management of financial and operational risks. The Board has also issued specific instructions for the CEO. Rezidor has created a framework that describes the compulsory internal control policies applicable to all brands, all legal entities and all managed hotels within the Group. This document is the core of the Group's financial management system, and it outlines the procedures for the planning, delegation and followup of internal control. The document is also a tool for information and education.

One of the principal requirements of internal control is the necessity of written documentation to evidence compliance with the compulsory policies. Another principal purpose is to establish responsibilities and authority within the hotels and across all levels of the Group. This is achieved through job descriptions for the hotel General Managers and Financial Controllers and regional and corporate reviews and analyses of the individual hotels' performance on a monthly basis. The policy document and other guidelines are accessible on the intranet and regularly updated to comply with accounting and audit regulations. Rezidor is also committed to building competencies and ensures that employees, including those in finance and accounting functions, receive the appropriate training. Other control measures in effect are specific accounting procedures, human resources manual, quality performance checks, mystery shoppers (cash integrity checks) and hotel reviews performed regularly by regional operational and financial management. For new hotel contract partners, a system is in place to make background checks.

Risk Assessment
Company management performs an annual risk assessment with regard to financial reporting. The external auditors provide feedback and may suggest additional considerations for the assessment of risks. The risk assessment process has a number of critical processes such as revenue, purchasing, payroll, financial reporting, IT, related party transactions, cash handling procedures, inventories and equipment, receivables, bank relations and processes, legal requirements regarding operational licensing and insurance. The internal audit of these processes includes, as applicable, segregation of duties, authorisation for payment, contract handling, cost control, registration of revenues and follow-up routines. The annual plan for internal audit is developed based on assessment of risks.

The risk assessment process can be adjusted during the year to ensure that changes are managed in the process.

The Audit Committee and the Board of Directors analyse and approve the previous year's result from the internal audit and the proposed internal audit plan for the following year.

Control activities
Controls have been implemented in the organisation to ensure that risks are managed as intended by the Board, including financial reporting risk, IT risks and fraud risks.

Managers and financial department employees in the hotels perform controls as part of their daily business to comply with central as well as local policies and guidelines. Regular internal audits are performed to evaluate whether controls operate as intended. These audits are scheduled and performed based on the Rezidor's formal risk assessment. Action plans are implemented and followed-up to improve control activities that are lacking or found to be ineffective. Rezidor has established specific fraud mitigation programmes and controls and these procedures are known throughout the Company.

The specific internal audits of hotels, regional offices and the corporate office are primarily aimed at internal control within operation and administration with a focus on processes that impact financial reporting and risk of irregularities, improper favouritism of another party at the Company's expense, and the risk of losses. The teams for the internal audits consist of persons independent of the audited units, supported by external auditors and by risk management consultants.

Separate IT audits are carried out, primarily in high risk hotels, by management consultants who are specialised in IT processes and security. In addition a self-assessment process related to internal control have been developed and completed by the hotels. The self-assessment for each hotel is subject to certain internal audits on a three year rotating basis in order to verify the information. A number of hotels are also visited on a surprise basis in order to follow-up on the implementation of the recommendations from the internal audit teams. In depth audits in target areas such as Treasury, Financial Reporting, Purchasing, Process for payment of Travel Agent Commissions and Contracts and Contract Management for Outsourced Services are also carried out in selected hotels.

Information and communication
Employees' individual responsibilities for maintaining internal control have been clearly communicated throughout the Group. Every manager is responsible for ensuring that employees have received and understood the relevant information needed to perform their tasks.

Persons responsible for operational and financial reporting have access to accounting principles and procedures and updates are communicated regularly. General Managers, Regional Directors and Area Vice Presidents report operational and financial information on a monthly basis to the Executive Committee. Management receives the operational and financial information they require, and the Company has procedures for adapting to changing information needs as the competitive and/or regulatory environment evolves. The information systems are regularly evaluated, and the Company has established strategic plans related to future upgrades and information system needs.

The results from the internal audits are communicated throughout the organisation in order to benchmark and improve internal control procedures. The yearly audit plans and results of the audits are submitted periodically to the Executive Committee of the Group and to the Audit Committee.

Rezidor's goal is that internal control policies are known and followed in the Group. Policies and guidelines regarding the financial process are communicated to all affected parties in the Group through direct distribution via electronic mail and via the Group's intranet, where all policies and guidelines are available.

Regulations related to a public company's external information to investors and stakeholders are known by those responsible for applying them. To ensure that the submission of external information is correct and complete, there is an information policy regarding disclosures to the stock exchange – as well as an investor relations policy – that have been adopted by the Board of Directors of the Group. These policies state the format, the content and the process for dealing with external information.

A system, with the support of an external company, that allows employees to anonymously (turn whistleblower) alert corporate management and the Audit Committee on ethical, financial and other issues in the organization has been in place for the last three years.

Monitoring
Regular internal meetings are used on different levels in the organisation for management and employees. A group including Executive Committee members, Area Vice Presidents and the Internal Audit Team meets on a regular basis to review and follow up on the results from the various internal audits carried out. These reviews include the results from specific internal audits of the financial reporting from corporate and regional offices as well as from leased hotels. The Executive Committee and the Board monitor Rezidor's operations and financial reporting on a regular basis. The Audit Committee and the Board review reports from external auditors, internal audits and other internal control activities. The Company, as well as the individual hotels, regional offices and corporate office, follow up in relation to such recommendations and/or action plans.

Auditor's Report on the Corporate Governance Statement

To the Annual General Meeting of the shareholders of Rezidor Hotel Group AB (publ), corporate identity number 556674-0964

It is the Board of Directors who is responsible for the corporate governance statement for the year 2012 included in the printed version of this document on pages 81–89, and that it has been prepared in accordance with the Annual Accounts Act. We have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory 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. In our opinion, the corporate governance statement has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Stockholm, March 15, 2013

Deloitte AB

Thomas Strömberg
Authorised Public Accountant

Board of Directors

1. TRUDY RAUTIO
Chairman of the Board and Board member since 2005
Nationality: American
Born: 1952
Education: Masters in Business Administration degree from University of St. Thomas
Shares: 0

Trudy Rautio is the president and chief executive officer of Carlson since August 2012. Rautio has been a senior executive with Carlson for 15 years and, for the past eight years, has served as executive vice president and chief financial and administrative officer of Carlson, where she has been responsible for directing all financial and information technology operations of the company. She is the chairman of the Carlson Wagonlit Travel board of directors and also serves on the board of directors for Securian Holding Company and Imation.

2. STAFFAN BOHMAN
Vice Chairman and Board member since 2011
Nationality: Swedish
Born: 1949
Education: M.Sc. in Economics and Business Administration, Stockholm School of Economics and Stanford Graduate School of Business, USA.
Shares: 50,000

Staffan Bohman was previously the President & CEO of Gränges AB and Sapa AB during 1999 to 2004. Between 1991 and 1999 he was President & CEO of DeLaval AB and has since 1982 been employed in various positions in the Alfa Laval group. Staffan Bohman is the Chairman of the Board of Cibes Lift Group AB and a member of the Board of Directors of among others Atlas Copco AB, Boliden AB, Inter IKEA Holding NV and Ratos AB. He is also a member of the Swedish Corporate Governance Board.

3. ELIZABETH BASTONI
Board member since 2011
Nationality: American
Born: 1965
Education: Bachelor of Arts degree from Providence College in Rhode Island and French Civilization Studies at the Sorbonne University in Paris.
Shares: 0

Elizabeth Bastoni was Executive Vice President, Chief Human Resources and Communications Officer of Carlson Inc from February 2011 until October 2012. She served as a member of the Board of Directors and chaired the Compensation Committee for Carlson Wagonlit Travel through October 2012. Prior to this, Bastoni served as Head of Global Compensation, Benefits and Mobility for The Coca-Cola Company in Atlanta, GA, USA from 2005 to 2010. Before this, she lived in Paris, France for 18 years and held various leadership role in different global companies including Thales, Lyonnaise des Eaux and KPMG.

4. GÖTE DAHLIN
Board member since 2007
Nationality: Swedish
Born: 1941
Education: B.S. in mathematics and physics from the University of Stockholm, Sweden
Shares: 10,000 (own indirectly through an endowment assurance)

Göte Dahlin is the Chairman of the Board of Svensk Inredning Fastighets AB and Vice Chaiman of the Board of RBS Nordisk Renting AB. He is also a member of the Board of Directors of Manor House AB. His previous experience has seen him act as a board member for Veidekke ASA, Fabege AB, AP Fastigheter AB, Merita Fastigheter Oy, Avantor ASA and Oslo Areal ASA. Up until his retirement in 2001, he was CEO of the real estate holding company, Nordisk Renting AB that owned a property portfolio valued at approximately SEK 20 billion and which included, amongst others, 12 Radisson Blu Hotels.

5. ANDERS MOBERG
Board member since 2011
Nationality: Swedish
Born: 1950
Shares: 30,000 (owned indirectly through an endowment assurance)

Anders Moberg was previously President & CEO of the retail company Majid Al Futtaim Group in Dubai during 2007 and 2008. From 2003 to 2007 he was President & CEO of Royal Ahold in The Netherlands and from 1999 to 2002 he was Group President International at the Home Depot based in Atlanta, USA. He previously worked in various positions for many years within the IKEA group, and from 1986 to 1999 he was President & CEO of IKEA. Anders Moberg is the Chairman of the Board of Clas Ohlson AB and also a member of the Board of Directors of Husqvarna AB, Byggmax AB and ITAB AB, among others.

6. WENDY NELSON
Board member since 2010
Nationality: American
Born: 1968
Education: MBA Northwestern's Kellogg Graduate School of Management and Bachelor of Arts in Philosophy from Northwestern University
Shares: 0

Wendy Nelson serves on the boards of Northwestern University, the Bush Foundation, the Carlson Family Foundation, Carlson Holdings, Inc. and Carlson Real Estate Company. Since 2002, she has held various positions with Carlson including Executive Vice President Radisson Brand Strategy at Carlson Hotels Worldwide, Executive Vice President & Managing Director Carlson Hotels Real Estate Company and Vice President of Development for Carlson Restaurants Worldwide.

7. BARRY W. WILSON
Board member since 2007
Nationality: British
Born: 1944
Education: B.A. (Hons), M.A. from Cambridge University,England and an M.B.A. from the Wharton School of Business, University of Pennsylvania.
Shares: 60,000

Barry W. Wilson has served as President of Medtronic International, President of Lederle International, prior to its merger with Wyeth, and President of Bristol Myers Squibb Europe. He had nine international assignments with Pfizer. He serves on the Board of Directors of Anecova and Welch Allyn. He is a member of the Advisory Board of the Lombard Odier Bank Thematic Funds. Barry Wilson also advises Private Equity and Venture Capital organisations.

8. EMIL BÄCKSTRÖM
Employee representative since 2009
Nationality: Swedish
Born: 1977
Shares: 0

Emil Bäckström is employed by the Swedish labour organisation "Hotell och Restaurang Facket". Previously he was employed by Radisson Blu Arlandia Hotel, Stockholm.

9. GÖRAN LARSSON
Employee representative since 2009
Nationality: Swedish
Born: 1960
Shares: 0

Göran Larsson is employed by Radisson Blu Royal Viking Hotel, Stockholm.

Directors who left the Board in 2012:

Hubert Joly (born 1959) was elected Chairman of the Board at the 2012 AGM and resigned from the Board on September 13, 2012.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Executive Committee

1. WOLFGANG M. NEUMANN
President and Chief Executive Officer
Nationality: Austrian
Born: 1962
Year of Appointment: 2013
Year of Employment: 2011
Education: Institute for Hotel & Tourism Management Klessheim (Austria). Executive Management Courses at Insead Management School (Fontainebleau, France) and Cornell University (Ithaka/N.Y., USA).
Shares: 22,000

Wolfgang M. Neumann joined Rezidor in 2011 as the Executive Vice President & Chief Operating Officer and was appointed President & CEO in January 2013. Before joining Rezidor, Wolfgang served as the CEO for Arabella Hospitality Group in Munich, Germany and he spent more than 20 years with Hilton International – building his career from Executive Assistant Manager and General Manager positions at Hilton hotels in Brussels, London, Paris and Frankfurt to Vice President Western & Northern Europe, Senior Vice President Scandic/Nordic Region, President UK & Ireland, and President, Hilton Europe & Africa.

2. KNUT KLEIVEN
Deputy President and Chief Financial Officer
Nationality: Norwegian
Born: 1954
Year of Appointment: 1994
Year of Employment: 1986
Education: Degree in Philosophy, Psychology and Law from University of Oslo, Norway.
Shares: 145,000

Knut Kleiven joined Rezidor in 1986 as the Group Accounting Manager and soon became the Group's Operational and Corporate Controller. In 1994, he was appointed Senior Vice President and Chief Financial Officer and in 2005 promoted to Deputy President and Chief Financial Officer. Prior to joining Rezidor, he held the position of Internal Auditor for the SAS (Scandinavian Airlines) Group.

3. OLIVIER HARNISCH
Executive Vice President and Chief Operating Officer
Nationality: German and French
Born: 1967
Year of Appointment & Employment: 2013
Education: Master of Science in Organisational Behaviour of University of London; a Master of Business Administration of Heriot-Watt University, Edinburgh; and a Degree in Hospitality Management of Berlin School of Hotel Administration.
Shares: 0

Olivier Harnisch joined Rezidor in January 2013 as the Executive Vice President & Chief Operating Officer. Prior to joining Rezidor, Olivier worked for over 14 years with Hilton, where his last position was the Vice President, Northern and Central Europe at Hilton Worldwide.

4. ERIC DE NEEF
Senior Vice President, Marketing, CRM & Global Branding Park Inn by Radisson
Nationality: Belgian
Born: 1964
Year of Appointment & Employment: 2011
Education: Graduate in Hotel Management from CERIA-IPIAT in Brussels
Shares: 0

Eric De Neef joined Rezidor in 2011 as Senior Vice President Park Inn by Radisson and was appointed Senior Vice President, Marketing, CRM & Global Branding in January 2013. Prior to joining Rezidor, Eric served as the Managing Director for Accor's All Seasons, Mercure and M Gallery Hotels brands in France.

5. MICHAEL FARRELL
Senior Vice President Human Resources
Nationality: Irish
Born: 1956
Year of Appointment & Employment: 2011
Education: University College Dublin and is also a graduate in Business Administration from the VWA Johann Wolfgang Goethe University in Frankfurt.
Shares: 5,000

Michael Farrell joined Rezidor in 2011 as the Senior Vice President of Human Resources. Prior to joining Rezidor, Michael served as Group Human Resources Director at the Europcar Groupe S.A. Global Headquarters in Guyancourt, France and at Carlson Wagonlit Travel's European Headquarters in Paris.

6. MARIANNE RUHNGÅRD
Senior Vice President and General Counsel and Secretary to the Board
Nationality: Swedish
Born: 1960
Year of Appointment: 2006
Year of Employment: 2000
Education: LL.M. from University of Uppsala. Diplomas in English, Russian and Natural Sciences from University of Uppsala, in European Community Law from University of Lund and a post-graduate diploma in EC Competition Law from King's College in London.
Shares: 0

Marianne Ruhngård joined Rezidor in 2000 as the Vice President and General Counsel and in 2006 she was promoted to Senior Vice President & General Counsel. Prior to joining Rezidor, she served as Associate General Counsel at PLM AB (publ.) in Sweden and practiced as a court clerk at the Uppsala County Administrative Court and as a Junior Judge at the Administrative Court of Appeal in Stockholm.

7. EUGÈNE STAAL
Senior Vice President Technical Development
Nationality: Dutch
Born: 1964
Year of Appointment: 2007
Year of Employment: 2006
Education: Bachelor Degree in Hotel Administration from University of Hospitality Management in Maastricht, The Netherlands
Shares: 4,914

Eugène Staal joined Rezidor in 2006 as the Vice President Technical Development and was promoted to a Senior Vice President's position in 2009. Before joining Rezidor, Eugène worked for Hyatt International for 18 years in a variety of managerial posts throughout the US, Asia and Europe. His latest position at Hyatt was Director of Technical Services for EMEA & CIS.

8. ELIE YOUNES
Senior Vice President, Head of Group Development
Nationality: Lebanese
Born: 1977
Year of Appointment: 2013
Year of Employment: 2010
Education: Studies at universities of Notre Dame, IMHI/Essec, Insead, Cornell, Johnson Graduate Business School and City University.
Shares: 0

Elie Younes joined Rezidor in April 2010 as the Vice President of Business Development for the Middle East. He was appointed Vice President of Business Development for the whole group in 2012 and promoted to Senior Vice President in 2013. Prior to joining Rezidor, Elie served as the Vice President Development for the Middle East at Hilton Hotels Worldwide and Senior Director of Acquisitions and Development at Starwood Hotels.

Members who left Executive Committee in 2012:

Kurt Ritter (born 1947) was Rezidor's President & CEO from 1989 up until his retirement at the end of 2012.

Puneet Chhatwal (born 1964) was Rezidor's Executive Vice President and Chief Development Officer up until September 2012.

Olivier Jacquin (born 1966) was Rezidor's Senior Vice President of Sales, Marketing, CRM and Distribution until the end of 2012 when he was appointed Senior Vice President Head of Global Sales for Carlson Rezidor Hotel Group.


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The Share

Rezidor Hotel Group AB has been listed on NASDAQ OMX Stockholm since November 2006.

Share Performance
The closing price at the end of 2012 was SEK 23.2, which was 5.0% higher than the closing price the previous year. During the same period the OMX Nordic Mid Cap index improved by 13.7%. The highest listed transaction price was SEK 28.0 on May 3 and the lowest was SEK 20.6 on July 12. The market value at the end of 2012 was SEK 3,480 million (3,315).

Turnover
During 2012, 29.8 million (41.8) shares were traded, corresponding to 19.9% (27.9) of the total number of registered shares, at a value of EUR 82.3 (146.7) million. The average number of shares traded per day was 119,126 (165,310).

Share Capital
At the end of the year the share capital amounted to EUR 10 million, distributed among 150.0 million shares. The number of shares outstanding (excluding shares held by the company) is 146.3. Each share entitles the holder to one vote and all shares carry equal rights to participate in the group's profits and assets.

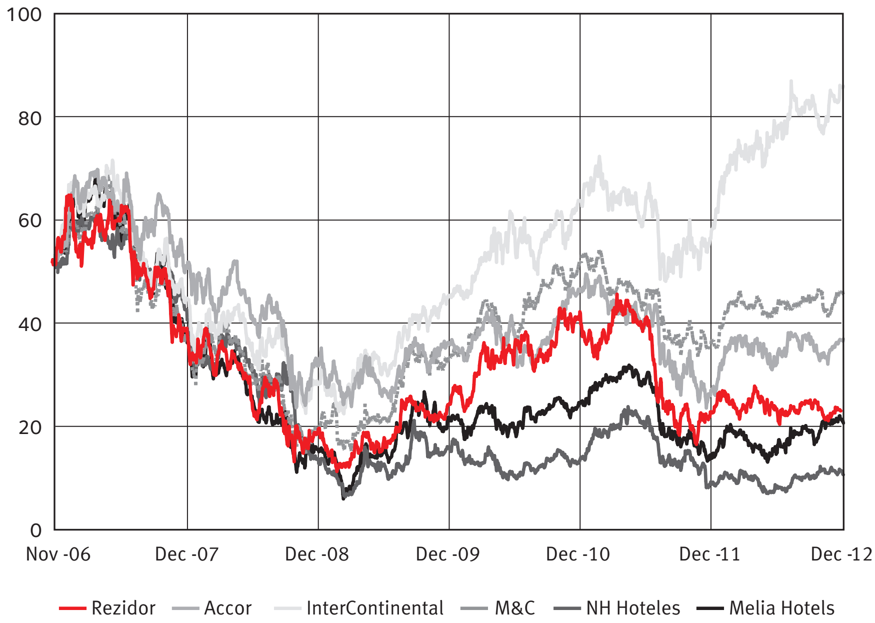
Share Buy-Back
Rezidor did not buy back any shares during 2012. The group currently holds 3.7 million shares or 2.5% of total number of shares outstanding.

Dividend
The long-term policy is to distribute approximately one third of the annual net income. The Board of Directors recommends the Annual General Meeting no dividend for the financial year 2012.

Ownership structure
At the end of 2012 the number of shareholders was 3,365. The proportion of Swedish ownership decreased to 32.3% from 33.3% in 2011. The nine largest shareholders owned shares corresponding to 87.1% (83.6) of the votes and capital.

Share Price Performance

Price of the Rezidor share vs. peer GROUP



Share information

Ticker	**REZT**
ISIN code	SE0001857533
Market	OMX STO Equities
Segment	Mid Cap
Industry	Travel & Leisure
Sector	Consumer Services

Analysts	
DNB Bank ASA	Ole-Andreas Krohn
Exane BNP Paribas	Matthias Desmarais
	Pierre-Emmanuel Causse
Natixis	André Juillard
Nordea	Catrin Jansson
Oddo Securities	Guillaume Rascoussier
SEB Enskilda	Stefan Andersson
UBS	David Halldén

Key figures

	2012	2011	2010	2009	2008
Market price at year-end, SEK	23.2	22.1	40.9	24.4	18.8
Highest market price during the year, SEK	28.0	45.8	43.9	26.8	39.8
Lowest market price during the year, SEK	20.6	16.3	22.7	11.3	13.3
No. of shares at year-end, million	150	150	150	150	150
Market capitalisation at year-end, SEK million	3,480	3,315	6,135	3,660	2,820
Earnings per share, EUR	−0.1	−0.1	−0.0	−0.2	0.2
Proposed dividend per share, EUR	–	–	–	–	–
Dividend percent of earnings after tax, %	–	–	–	–	–
Equity per share[1], EUR	1.0	1.1	1.2	1.1	1.3
Cash flow from the year's operations per share, EUR	0.1	0.1	0.3	0.0	0.4

1) Based on number of ordinary shares at the end of the period, excluding own shares held by the Company.

Shareholder categories

	Votes/capital %
Foreign owners	67.7%
Swedish owners	32.3%
of which:	
Institutions	29.4%
Private individuals	2.9%

Shareholder structure

	No. of shareholders	No. of shares	Votes/capital %
1–500	2,036	364,171	0.2%
501–1,000	554	480,262	0.3%
1,001–10,000	560	1,955,350	1.3%
10,001–50,000	119	2,730,389	1.8%
50,001–100,000	22	1,697,499	1.1%
100,001–	74	142,774,369	95.2%
Total	**3,365**	**150,002,040**	**100.0%**

Source: Euroclear Sweden AB - 31 December 2012

Largest shareholders

	No. of shares	Votes/capital %
Carlson	75,044,733	51.3%
Nordea	17,950,667	12.3%
JP Morgan	9,683,703	6.6%
Robur	8,695,386	5.9%
Handelsbanken	6,721,532	4.6%
Ciceron S.P.R.L	3,320,000	2.3%
Fjärde AP Fonden	2,287,837	1.6%
SEB	1,972,648	1.3%
Didner & Gerge	1,715,255	1.2%
Others	18,929,141	12.9%
Number of outstanding shares	**146,320,902**	**100.0%**
Rezidor Hotel Group	3,681,138	–
Number of registered shares	**150,002,040**	

Annual General Meeting and Financial Information

ANNUAL GENERAL MEETING
The Annual General Meeting of shareholders will be held at 15.00 a.m. CET on Wednesday, 24 April 2013 at the Stockholm Waterfront Congress Centre, Nils Ericsons Plan 4 in Stockholm.

PARTICIPATION
Shareholders who wish to participate must be recorder in the shareholders' register maintained by Euroclear Sweden AB, on Thursday, 18 April 2013.

Shareholders whose shares are registered in the name of a nominee through the trust department of a bank or a similar institution must, in order to be entitled to participate in the Meeting, request that their shares are temporarily re-registered in their own names in the register of shareholders maintained by Euroclear Sweden AB. Shareholders who wish to register their shares in this way must inform their nominees accordingly in sufficient time before Thursday, 18 April 2013.

NOTIFICATION
Shareholders who wish to participate in the AGM must notify the company of their intention of attending no later than 16.00 p.m. CET on Thursday, 18 April 2013. The notification must be sent in writing to Rezidor Hotel Group AB, AGM, PO Box 7832, SE-103 98 Stockholm, Sweden, by telephone to +46 8 402 90 65 (Mondays to Fridays 9am to 4pm CET) or by e-mail to agm@rezidor.com.

FINANCIAL INFORMATION
Rezidor Hotel Group AB (publ) is a Swedish public limited liability company. Corporate identity number: 556674-0964. The Group's registered office (Klarabergsviadukten 70 C7, 111 64 Stockholm) is in Stockholm, Sweden, with the corporate office based in Brussels.

Reporting currency is Euro. Unless otherwise stated, figures in parentheses relate to the 2011 fiscal year. Data on markets and competitive positions represent Rezidor's own assessments unless a specific source is indicated. These assessments are based on the most recent and reliable information from published sources in the travel, tourism and hotel sectors.

The Annual Report, Interim Reports and other financial materials can be ordered from:

The Rezidor Hotel Group
Investor Relations
Avenue du Bourget 44
B-1130 Brussels
Belgium
Tel: + 32 2 702 9200
Fax: + 32 2 702 9300
Email: investorrelations@rezidor.com

CONTACT
Knut Kleiven – Deputy President and CFO

Ebba Vassallo – Director Investor Relations

2013 CALENDAR
Annual General Meeting: April 24, 2013
Interim Report, January–March: April 24, 2013
Interim Report, January–June: July 17, 2013
Interim Report, January–September: October 22, 2013

CORPORATE WEBSITE
www.rezidor.com

Definitions

AHR
Average-House Rate – Rooms revenue in relation with the number of rooms sold. Also referred to as ARR (Average Room Rate) or ADR (Average Daily Rate) in the hotel industry.

CENTRAL COSTS
Central Costs represent costs for corporate and regional functions, such as Executive Management, Finance, Business Development, Legal, Communication & Investor Relations, Technical Development, Human Resources, Operations, IT, Brand Management & Development, and Purchasing. These costs are incurred to the benefit of all hotels within the Rezidor group, i.e. leased, managed and franchised.

CAPITAL EMPLOYED
Total assets less interest-bearing financial assets and cash and cash equivalents and non-interest bearing operating liabilities, including pension liabilities, and excluding tax assets and tax liabilities.

DEVELOPMENT BRAND
Brand that still is under development, and that currently does not have many hotels in operation.

DEBT/EQUITY RATIO
Net debt divided by total equity.

EARNINGS PER SHARE
Profit for the period, before allocation to minority interest divided by the weighted average number of shares outstanding.

EBIT
Operating profit before net financial items and tax.

EBITDA
Operating profit before depreciation and amortisation and gain on sale of shares and fixed assets and net financial items and tax.

EBITDA MARGIN
EBITDA as a percentage of Revenue.

EBITDAR
Operating profit before rental expense and share of income in associates and before depreciation and amortisation and gain on sale of shares and of fixed assets and net financial items and tax.

EQUITY/ASSETS RATIO
Total equity divided by total assets.

FF&E
Furniture, Fittings and Equipment.

FREE CASH FLOW
Cash flow from operating activities, investments, financial items and tax and the effect of restructuring measures on cash flow.

FREE CASH FLOW PER SHARE
Free cash flow divided by the weighted average number of shares outstanding.

GENERAL MANAGER
This title refers to the position as hotel manager.

LIKE-FOR-LIKE HOTELS
Comparable hotels in operation during the same previous period compared.

NET WORKING CAPITAL
Current non-interest bearing receivables minus current non-interest bearing liabilities.

OCCUPANCY (%)
Number of rooms sold in relation to the numbers of rooms available for sale.

OPERATING CASH FLOW
EBITDA excluding share of income in associated companies, cash flow effect of restructuring measures and net investments and including changes in working capital and dividend from associated companies.

OPERATING CASH FLOW PER SHARE
Operating cash flow divided by average number of shares outstanding.

RETURN ON CAPITAL EMPLOYED
(ROA – Return on Assets)
Operating profit, excluding restructuring costs and impairment losses divided by average capital employed.

RETURN ON SHAREHOLDERS' EQUITY (ROE)
Profit for the period, attributable to equity holders of the parent as a percentage of average shareholders' equity, excluding minority interests.

REVENUE
All related business revenue (including rooms revenue, food & beverage revenue, other hotel revenue, fee revenue and other non-hotel reenue from administration units).

REVPAR
Revenue Per Available Room – Rooms revenue in relation to rooms available.

REVPAR LIKE -FOR-LIKE
RevPAR for like-for-like hotels at constant exchange rates.

SYSTEM-WIDE REVENUE
Hotel revenue (including rooms revenue, food & beverage, conference & banqueting revenue and other hotel revenue) from leased, managed and franchised hotels, where revenue from franchised hotels is an estimate. It also includes other non hotel revenue from administration units, such as revenue from Rezidor's print shop that prepares marketing materials for Rezidor hotels and revenue generated under Rezidor's loyalty programs.

YIELD
Dividend as a percentage of the market price.

REGIONS
NORDIC REGION (NO)
Denmark, Finland, Iceland, Norway and Sweden.

REST OF WESTERN EUROPE (ROWE)
Austria, Belgium, France, Germany, Greece, Ireland, Italy, Luxemburg, Malta, the Netherlands, Portugal, Spain, Switzerland and the United Kingdom.

EASTERN EUROPE (INCL. CIS COUNTRIES) (EE)
Azerbaijan, Bulgaria, Croatia, the Czech Republic, Estonia, Georgia, Hungary, Kazakhstan, Latvia, Lithuania, Macedonia, Moldova, Mongolia, Poland, Romania, Russia, Serbia, Slovakia, Turkey, Ukraine and Uzbekistan.

MIDDLE EAST, AFRICA AND OTHER (MEAO)
Angola, Bahrain, Benin, Brazil, China, Egypt, Ethiopia, Gabon, Ghana, Guinea, Ivory Coast, Jordan, Kenya, Kuwait, Lebanon, Libya, Mali, Mauritius, Morocco, Mozambique, Nigeria, Oman, Qatar, Rwanda, Saudi Arabia, Senegal, Sierra Leone, South Africa, Tunisia, the United Arab Emirates and Zambia.

Solberg

Rezidor Hotel Group is one of the most dynamic and fastest growing hotel companies in the world. The group currently features a portfolio of 438 hotels with 96,000 rooms in operation and under development in 76 countries across Europe, the Middle East and Africa.

Rezidor operates the core brands Radisson Blu (upper upscale) and Park Inn by Radisson (midscale) – as well as Hotel Missoni (lifestyle) and Regent Hotels & Resorts (luxury).

Rezidor is a member of the Carlson Rezidor Hotel Group.

For more information, visit www.rezidor.com

THE REZIDOR HOTEL GROUP

The Rezidor Hotel Group Corporate Office • Avenue du Bourget 44 • B-1130 Brussels Belgium
Tel: +32 2 702 9200 • Fax: +32 2 702 93 00 • Email: Info@rezidor.com

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