

A man in a dark suit and light-colored shirt is standing with his back to the camera, leaning on a dark reception desk. He is holding a black rolling suitcase. Behind the desk, a hotel employee in a dark suit and light-colored shirt is looking at him. The background features three large, empty rectangular frames on the wall. The floor is dark and reflective, showing the man's legs and the suitcase. The entire image has a strong magenta/pink color cast.

**A substantial rebound**

**THE  
REZIDOR  
HOTEL  
GROUP  
2010**

**ANNUAL REPORT**

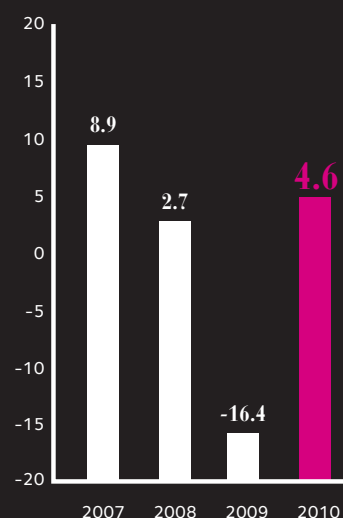
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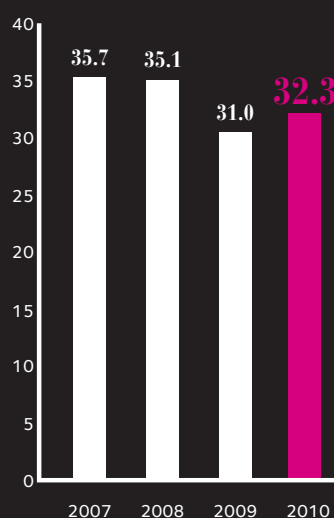
# The year in brief

- All customer segments noted an increase in volume compared to 2009. As a result, occupancy grew by 6.3%. Combined with a marginal Average House Rate (AHR) decline of 1.6% this resulted in a like-for-like RevPAR growth of 4.6%.
- Western Europe led the recovery throughout the year and significant RevPAR increases were noted in key markets such as Germany, France, the Benelux countries and Sweden.
- Revenue increased by 16.0% to MEUR 785.7 (677.2). On a Like-for-like basis Revenue increased by 3.2%.
- The EBITDAR margin improved by 130 bps to 32.3% (31.0) compared to last year as the margin benefitted from the cost savings programme in 2008/2009.
- The EBITDA margin grew by 330 bps to 4.0% (0.7) compared to 2009 due to the increased EBITDAR-margin, lower shortfall guarantees and the fixed lease structure in ROWE.
- Loss after tax amounted to MEUR –2.7 (–28.2).
- Basic and diluted Earnings Per Share amounted to EUR –0.02 (–0.19).
- Cash flow from operating activities was 49.0 (–6.1). Total available cash at the end of the year including unutilised credit facilities, amounted to MEUR 129.3 (97.0).
- The Board of Directors recommends the AGM no dividend for 2010 (EUR 0.00).
- 2010 was the third consecutive year for record number of room openings. 7,200 new rooms were added to operations.
- 8,100 new rooms were signed in 2010, all under managed or franchised contracts.

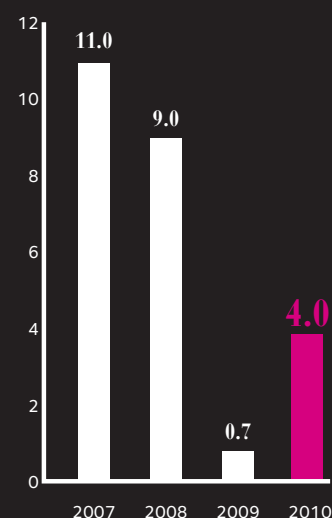
RevPAR like-for-like, %



EBITDAR Margin, %



EBITDA Margin, %





# CEO Statement

**Rezidor continues to grow: I am proud to report that 2010 was our third consecutive record year in terms of room openings. We have also seen strong recovery in most markets after the global downturn in 2009 and are now well equipped to take on the new opportunities that lie ahead.**



## **A significant but also relative rebound**

2010 has been a positive year for us with a faster and stronger recovery than we had expected. After a turbulent 2009, in which the whole industry witnessed an unprecedented RevPAR drop, the recession bottomed out towards the end of that year. When we entered 2010 we saw the first green shoots of recovery. This manifested itself as an improvement in occupancy followed by an increase in room rates in the third quarter, for the first time in two years.

Western Europe is the region that led the recovery throughout the year, and we saw significant RevPAR growth in key markets such as Germany, France, Benelux and Sweden, whereas other countries, especially in the emerging markets, have shown a more mixed development.

But despite the positive news, I should also mention the fact that absolute RevPAR is still at a very low base – and we are still well below the levels we enjoyed in 2007/2008. Several macroeconomic uncertainties also remain – government spending cuts, private and public debt, unemployment and inflation.

## **Strong revenue growth and improved margins**

Revenue started to pick up again in 2010, reflecting the market recovery. Margins also improved, primarily as a result of the positive market development, tight cost control and the fixed-lease structure in Rest of Western Europe (RoWE). The combination of strong revenue growth and improved margins resulted in a substantial increase in cash flow.

During 2009 and 2010 we focused on preserving cash by reducing costs, improving working capital and deferring some investments. We are now ready to increase the maintenance of leased hotels over the next two to three years to ensure that our portfolio keeps its competitive advantage.

### A record year of room opening

Rezidor has continued to pursue its growth strategy during the crisis. Despite still difficult conditions, 2010 was yet another record year of openings for us, which I think is a fantastic result. We added 7,200 new rooms to our system, including flagships such as the Radisson Blu Waterfront Hotel Stockholm; and 2,400 of those rooms relate to a portfolio deal to manage the largest hotel chain in the Baltics. 50% of the new rooms opened in 2010 were conversions of existing hotels, which are an increasingly important part of our business and generate immediate cash flow. We also signed 8,100 rooms during the year, all of which were

## "We have maintained our momentum and pace of growth throughout the downturn"

under high-margin fee-based contracts. Our pipeline of 20,000+ is ever-expanding and continue to be one of the largest in the industry. Radisson Blu and Park Inn by Radisson feature the largest European pipelines in their respective market segments.

Thanks to our strong business development team and fast decision-making process, front-line people can react quickly, and we have therefore maintained our momentum and pace of growth throughout the downturn. While many of our peers preferred to concentrate on consolidating their business, we continued to make ours grow, with an impressive 18,000 new rooms opened between Q2-2008 and Q3-2010. Another key to our fast expansion is building relations with strategic partners – this has always been one of our strengths and a growing number of multi-property owners are evidence of this success.

### Asset light growth in emerging markets

Since our public listing in November 2006 we have been walking the talk and have focused on profitable asset-light growth mainly in the emerging markets of Russia/CIS and Africa, which is also reflected in our impressive pipeline. These new and dynamic markets present highly attractive development opportunities because of their strong economic growth fuelled by undersupply or old inventory combined with high room demand and low operating costs. We are happy to see that our strategy is paying off, with a significant EBITDA contribution from these up-and-coming markets in 2010.

### Boosting brand awareness

We are strongly focused on the development of our two core brands, Radisson Blu and Park Inn by Radisson. In line with this strategy, and together with Carlson, we sold the Regent luxury brand in mid-2010 to the Taiwan-based operator Formosa.

A key priority is to improve awareness of our two main brands as a means to increase the RevPAR penetration. One initiative during 2010 was the announcement of the new name for Park Inn: Park Inn by Radisson. I am convinced that the link with Radisson's strength and reputation will allow Park Inn to grow even faster, and will further increase awareness of both brands. The name change will be supported by a major new marketing and sales campaign for Park Inn in 2011, mainly in the UK.

Another strategic step that will help enhance our brand awareness and brand values is Rezidor's and Carlson's closer co-operation and common aim to globally align its brands. Carlson announced an ambitious strategy for Radisson at the beginning of the year: The company, together with its hotel owners, launched an investment program of up to USD 1.5 billion, focused on establishing flagship hotels in key US destinations and on upgrading

the existing portfolio. This is good news for us at Rezidor as this will help drive more US travellers to our properties in EMEA.

Also our fashionable lifestyle brand Hotel Missoni will further increase its brand awareness: Q1 2011 saw the opening of Hotel Missoni Kuwait – a unique addition to our Middle East portfolio.

One of our remaining major challenges is to improve profitability in RoWE. This will be done through both top-line growth initiatives and cost-management programmes. The refurbishment of several Park Inn hotels in the UK in recent years and the creation of a dedicated Park Inn sales force in 2010 under a new experiences leadership are examples of activities aimed at boosting profitability in one of our key markets.

### Our strategy remains unchanged

Our long-term strategy of further profitable growth stands unchanged. We are a true people business with an industry-leading employee satisfaction score and are committed to expanding responsibly, living up to our recognition as one of the World's Most Ethical Companies in 2010. The financial targets also remain and we will continue to focus on tight cost control, cash and margin improvement. Moving forward, we should enjoy more synergies from the size of our business as we continue to grow: our current pipeline will add 2 to 2.5 pts to the EBITDA margin when the hotels under development actually open, supporting our 12% Group target.

I feel encouraged by the positive developments throughout 2010. Visibility, however, is still limited; it is difficult to forecast how the market in 2011 will develop and when the absolute RevPAR will reach the high levels we enjoyed in 2007/2008. Our well-defined brand strategies, profitable business model and focus on cost control put us in a very strong position to vigorously pursue our ambitious expansion plans for 2011.



Kurt Ritter  
President and CEO

# Rezidor in short

**The Rezidor Hotel Group is one of the fastest growing hotel operators in the world.**

The hotels in our portfolio are operated under three main brands, Radisson Blu, Park Inn by Radisson and Hotel Missoni. We develop Radisson Blu and Park Inn by Radisson in Europe, the Middle East and Africa (EMEA) under Master Franchise Agreements with Carlson, a global, privately held hospitality and travel company. Hotel Missoni, is

operated under a worldwide licensing agreement with the Italian fashion house Missoni. By the end of 2010, Rezidor had more than 310 hotels (ca 66,000 rooms) in operation and almost 100 hotels (ca 21,500 rooms) under development in over 60 countries across EMEA.

## Our core brands



## HOTEL MISSONI

### Hotels that love to say yes

Radisson Blu is our upper-upscale, full-service contemporary brand, mainly developed under management contracts and in special cases franchise- and lease contracts. It is our key to entering new markets such as the emerging countries of the African continent.

### It's all about you

Park Inn by Radisson is a fresh and energetic upcoming mid-market and full-service brand, mainly developed under management and franchise contracts. Our strategy is to go deep into some specific markets such as the UK, Germany and Russia – and in new markets Park Inn usually follows in the footsteps of Radisson Blu.

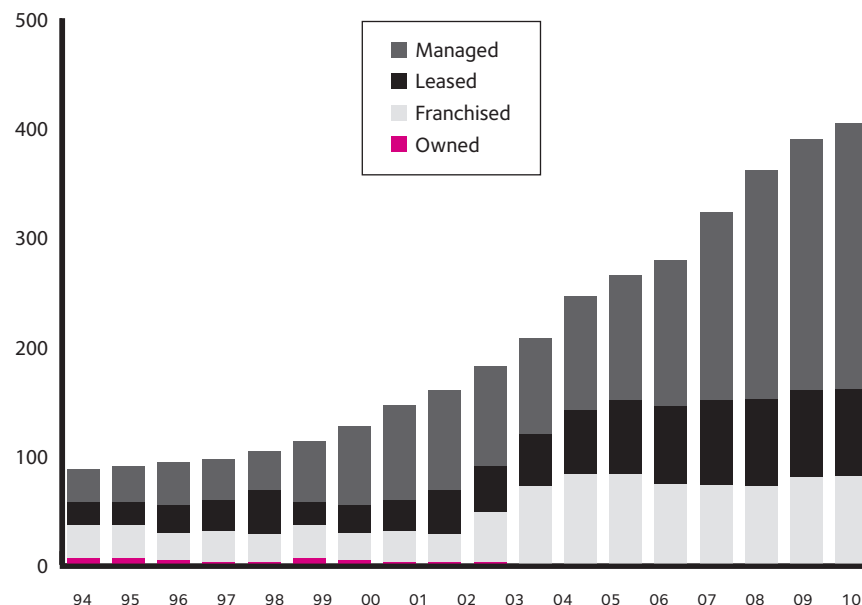
### Bold. Passionate. Fashionable.

Hotel Missoni is a new genre of lifestyle hotels developed in partnership with the iconic Italian fashion house of the same name and licensed to Rezidor on a global basis. Hotel Missoni is developed mainly under management contracts in fashionable cities as well as in up-and-coming resort areas.

## Our growth

Organic growth has been a key pillar of our strategy. We have a pipeline of ca 21,500 rooms due to open within the next three to four years. This is one of the strongest in the industry and represents 32% of the current number of rooms in operation, compared with an industry average of ca 20%. The European pipelines of Radisson Blu and Park Inn by Radisson are the largest in their respective categories. Over 95% of the pipeline consists of fee-based managed and franchised contracts generating a higher profit margin than the existing portfolio. Once the rooms in the pipeline have opened, this will improve the Group's EBITDA margin by 2–2.5% pts, supporting the 12% target over a business cycle.

### Hotels in operation and under development



## Our strategy

### Our strategy is to become increasingly asset-light by adding profitable management and franchise contracts to our portfolio.

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. The asset-light business model is attractive, as it is more profitable, has a lower risk level and requires no investments compared with lease contracts.

Our strategy is also to expand our presence in Russia/CIS and Africa. Both regions have enormous natural resources, increasingly

stable political and economic systems, considerably improved infrastructure, a high GDP growth. Last, but not least, they have an imbalance of supply and demand in terms of internationally branded hotel rooms. We use management contracts to expand in these markets, which allows us to keep complete control of the high quality of our brands.

We aim to maintain our leading position in the Nordic region where Radisson Blu enjoys an unrivalled brand awareness and a substantial RevPAR premium. In the Nordics, lease and franchise contracts are most common. In the

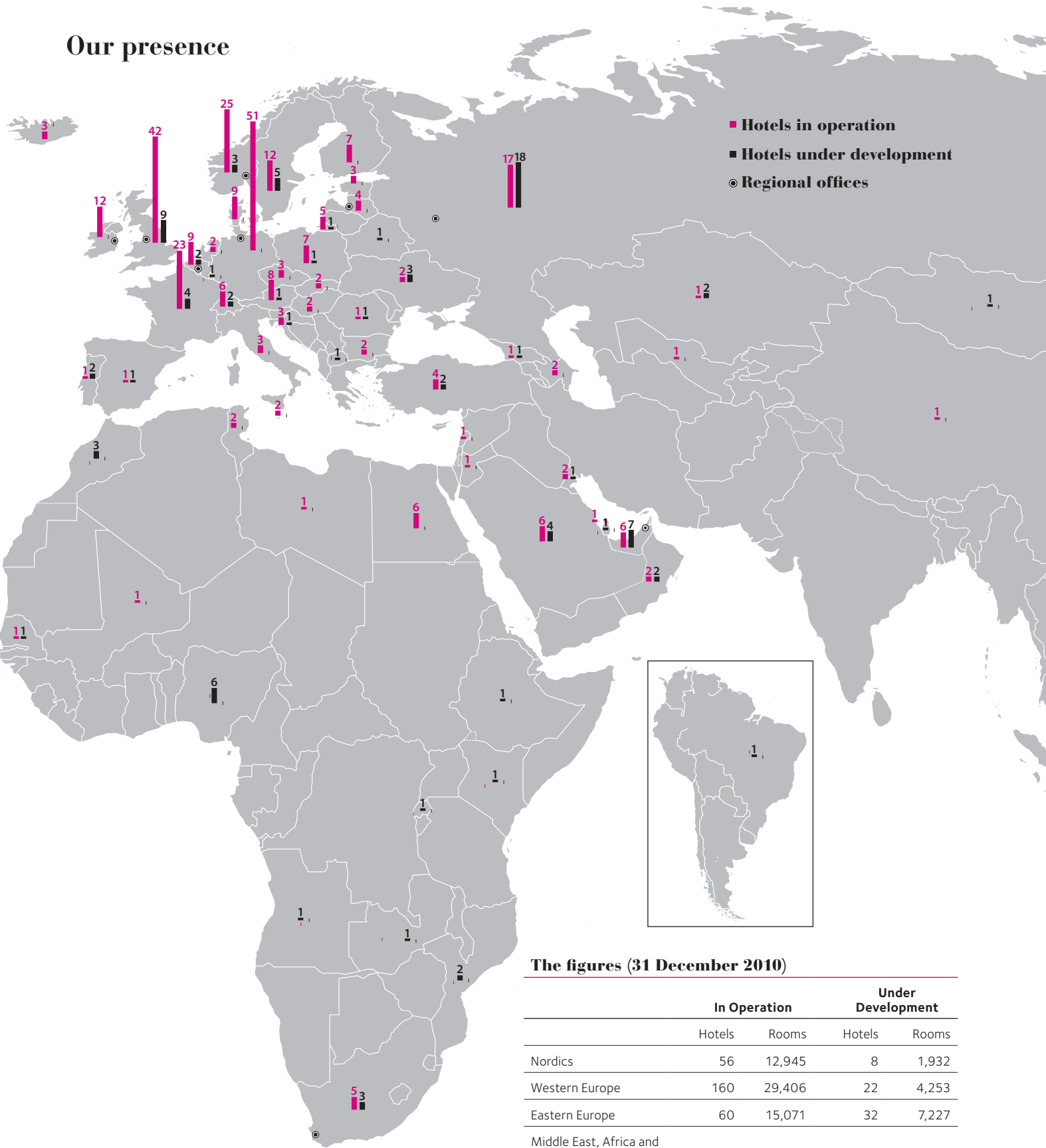
mature markets of Rest of Western Europe, we utilize all contract types, including managed, franchise and leased.

We mainly focus on the development of Radisson Blu and Park Inn by Radisson. For Park Inn by Radisson, our strategy is to go deep into some specific markets such as the UK, Germany and Russia, with growth mainly being driven by conversions of existing hotels. Radisson Blu is our key to entering new markets, such as the emerging countries of the African continent, and we will continue to expand the brand through new builds.

## Our contract types

	<b>Management contracts</b> Under a management contract, Rezidor provides management services for the hotel owner in exchange for a fee. The business belongs to the owner, who is responsible for all investments in and costs of the hotel.	<b>Franchise contracts</b> Under a franchise contract, Rezidor authorise a hotel owner to operate its hotel under one of our brands in exchange for a fee. The owner has access to our reservations system and is provided with marketing support and other know-how to operate the hotel. To maintain brand image and value, franchisees are required to meet specified brand standards.	<b>Lease contracts</b> Under a lease contract, Rezidor lease a hotel building from a property owner or other partner and are entitled to all the benefits of, and carry the risks associated with, operating the hotel.
Brand, marketing, distribution, reservation, purchasing	Rezidor	Rezidor	Rezidor
Employees	Hotel owner	Hotel owner	Rezidor
Financial commitment by Rezidor	In some cases, performance guarantees	None	Rent – fixed or variable
Maintenance investments by Rezidor	None	None	4–5% of leased revenue
Revenue for Rezidor	Base fee as % of total revenue Incentive fee as % of GOP Marketing fee based on total room revenue Reservation fee based on no. of reservations	Licensing fee as % of total room revenue Marketing fee based on total room revenue Reservation fee based on no. of reservations	All revenue (room sales and F&B sales)
EBITDA margin	70–80%	50%	8–15%

# Our presence



## The figures (31 December 2010)

	In Operation		Under Development	
	Hotels	Rooms	Hotels	Rooms
Nordics	56	12,945	8	1,932
Western Europe	160	29,406	22	4,253
Eastern Europe	60	15,071	32	7,227
Middle East, Africa and other	36	8,953	37	8,081
<b>Total</b>	<b>312</b>	<b>66,375</b>	<b>99</b>	<b>21,493</b>



Radisson Blu Waterfront Hotel in Stockholm opened in January 2011.



# 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 2010.**

## Operations

The Rezidor Hotel Group (Rezidor) is one of the fastest growing hotel companies in the world. The hotels in the portfolio are operated under the brands, Radisson Blu, Park Inn by Radisson and Country Inn. Rezidor develops and licenses these brands in Europe, the Middle East and Africa (EMEA) under Master Franchise Agreements with Carlson, a privately held hospitality and travel company. Rezidor benefits from Carlson's global brand infrastructure, reservation system and other business initiatives. The licenses from Carlson are in effect until 2052, including Rezidor's extension options. In addition, Rezidor has a worldwide license agreement with the fashion house Missoni for the development of hotels under the Hotel Missoni brand name. In line with the company's strategy to focus on its core brands, Rezidor, together with Carlson, sold the Regent luxury brand in mid-2010 to Formosa International Hotels Corporation. Rezidor had ca 66,000 rooms in operation, in 48 countries across EMEA at the end of the year.

Throughout the global downturn Rezidor has kept its growth pace and momentum. 2010 was the third consecutive year for record numbers of room openings. Rezidor added 7,200 rooms to operation out of which 2,400 rooms relate to a portfolio deal to manage 10 hotels (former Reval hotels) in the Baltics. The agreement will further strengthen Rezidor's leading position in Eastern Europe including Russia and other CIS countries. 1,200 rooms left the system during the year, resulting in a net opening of 6,000 rooms.

Rezidor is focusing on hotel management. Currently, all hotels in Rezidor's portfolio are either operated by Rezidor itself under a lease or a management agreement, or by a separate operator using one of the Rezidor brands under a franchise agreement. Of the 66,000 rooms in operation by the end of 2010, 74% were under management or franchise contracts.

## Pipeline

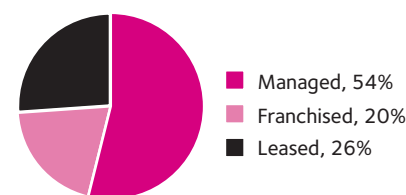
During 2010, Rezidor signed 40 hotel agreements which represent a total of 8,100 rooms. The contracted pipeline (hotel projects officially signed with no condition precedent) features ca 21,500 rooms which are scheduled to open within the next three to four years. More than 95% of the pipeline consists of fee-based managed and franchised contracts generating a higher profit margin than the existing portfolio. Over 70% of the pipeline is located in the emerging markets of Eastern Europe, the Middle East and Africa. These markets present attractive development opportunities that are fuelled by strong 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 completion of hotels.

## A strong rebound

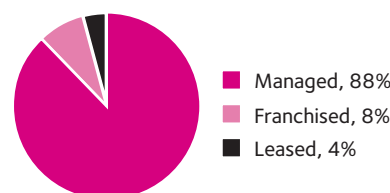
After a turbulent last year, in which the whole industry witnessed an unprecedented RevPAR drop, the recession bottomed out in late 2009 and when we entered into 2010, we saw the first green shoots of recovery. The fall in occupancy stopped in Q1 2010 and Rezidor, could in its first quarterly report, announce an increase in occupancy for the first time in seven quarters. It has, however, been a mixed

picture, with most countries in ROWE and the Nordics reporting a growth in RevPAR, in some cases even exceptional growth, whereas others, especially in the emerging markets, have shown a more mixed development. The growth in RevPAR has in most cases followed the economic recovery of the different countries in which Rezidor is present, but has in some cases also been helped by other factors, such as in Germany, where a lowered VAT helped to boost sales.

### Rooms in operation by contract



### Rooms under development by contract

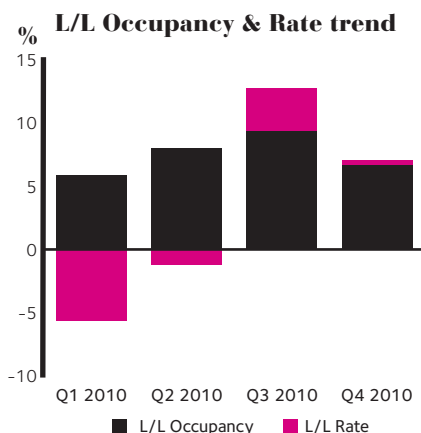


In operation as of Dec 31st, 2010	Rezidor total	Radisson Blu	Park Inn by Radisson	Hotel Missoni	Other
Number of hotels	312	200	103	1	8
Number of rooms	66,375	46,122	19,232	136	885
Countries	48	48	26	1	6
Occupancy, % <sup>1)</sup>	62.3	63.9	58.0	—	—
RevPar, EUR <sup>1)</sup>	62.0	70.5	37.5	—	—

1. Including leased and managed hotels in operation.

Under development as of Dec 31st, 2010	Rezidor total	Radisson Blu	Park Inn by Radisson	Hotel Missoni	Other
Number of hotels	99	52	40	4	3
Number of rooms	21,493	12,922	6,966	677	928
Countries	40	30	18	4	3

This business cycle has followed the same pattern as previous ones, with an initial fall in occupancy followed by a drop in average house rate (AHR). When the economy starts to pick up again, it is also occupancy that first starts to increase before AHR recovers. As the year progressed and occupancy started to increase again, the decline in RevPAR flattened out, thus, in Q2 Rezidor reported an increase in like-for-like RevPAR. Finally, AHR leveled out falling and in Q3 Rezidor saw an increase in like-for-like AHR for the first time since Q3 2008.



Sales started to increase again, reflecting the RevPAR growth, but also margins improved as a result of the measures initiated in 2008/2009 through the cost savings programme and the lower cost base established. EBITDA was also helped by the fixed rent structure in ROWE and by lower shortfall guarantees although the company faced some extra costs in the fourth quarter, that could not reduce the overall positive impact from the cost savings programme on the full year numbers.

Although rooms revenue has improved as both occupancy and later on AHR increased, F&B revenue noted a minor decline on a like-for-like basis as the business for meetings and events lags the improvement in the economic conditions. This follows the normal cyclical pattern, but also reflects the fact that the economic recovery is still fragile. It is a rebound rather than a recovery that we have seen in 2010. Yet, the Company has witnessed an impressive come-back in 2010, and the full year only resulted in a minor net loss.

The weakening of the EUR against many of the currencies of the countries in which Rezidor operates has had a substantial positive impact on revenue. Most of the growth in revenue in 2010 has, however, been attributable to the new hotels added to the portfolio.

Rezidor has pursued its growth strategy, and despite still difficult conditions, 2010 became another record year of openings.

### RevPAR

All customer segments noted an increase in volume compared to 2009. As a result, occupancy grew by 6.3%, combined with a marginal AHR decline of 1.6%. This resulted in like-for-like RevPAR growth of 4.6%. The strongest development was seen in ROWE.

The RevPAR development for the twelve month period, split into like-for-like growth, FX impact, and new openings is presented in the table below.

RevPAR	Jan-Dec 2010
L/L growth	4.6%
FX impact	4.8%
New openings	-2.2%
Reported growth	7.2%

The positive impact from FX was mainly due to the appreciation of the SEK (ca 11%), the NOK (ca 9%), the CHF (ca 9%), the GBP (ca 4%) and the USD (and USD linked currencies in the Middle East) by ca 5% versus the EUR during the year.

### Like-for-like RevPAR

In the Nordics, like-for-like RevPAR improved by 1.0%. Like-for-like occupancy increased by 2.9% during the year, with the strongest growth noted in the middle two quarters. The AHR declined for the full year (-1.9%), but witnessed an improvement during the first nine months. The fourth quarter was negatively impacted by the UN Climate Change Conference which took place in December last year in Denmark and by increased supply in certain key cities. In Sweden, the like-for-like RevPAR grew by 5.8%, whereas Norway noted a marginal decline of 0.6% and Denmark saw the like-for-like RevPAR drop by 13.7%.

Rest of Western Europe noted an improvement of 8.3% based on higher occupancy (+6.5%) and AHR (+1.8%). The like-for-like occupancy growth was relatively consistent throughout the year. However, the like-for-like AHR performance improved as the year progressed. The strongest performing regions were Benelux (+14.2%), Switzerland (+18.8%), Germany (+10.9%) and France (+10.7%). Only Ireland (-6.0%) came in below 2009.

Eastern Europe like-for-like RevPAR was only slightly below that of last year (-0.3%). The drop in the first quarter could not offset the steady growth in the remaining quarters of the year. Occupancy grew by 10.6% with the strongest improvement noted in the second and third quarters. The AHR (-9.8%) dropped each quarter, but the decline became smaller for each quarter. The strongest performing region was Russia (RevPAR +5.7%) driven by increased occupancy (+21.0%).

Like-for-like RevPAR in the Middle East, Africa and Others grew by 4.0%. AHR decreased by 1.4%, but this was compensated by the improvement in occupancy of 5.5%. South Africa (+39.3%) was the strongest performing market as a result of the Football World Cup. The UAE noted a drop (-5.5%) as the occupancy increase (+3.1%) could not offset the decrease in AHR (-8.3%).

### Income statement for the period

Total Revenue, increased by 16.0% or MEUR 108.5. The change in Revenue from operations, split into Like-for-like hotels, new hotels, and FX compared to the same period last year is presented below.

Like-for-like rooms revenue increased in line with the RevPAR growth, helped by stronger development in countries with many leased hotels. Like-for-like fee revenue on the other hand declined, reflecting the weaker RevPAR development in countries with only managed hotels. F&B revenue noted a weak performance and decreased on a like-for-like basis as the recovery has not yet reached the business for meetings and events. More than half of the

Revenue, MEUR	L/L	New	Out	FX	Chg
Rooms Revenue	20.1	29.9	-3.3	21.4	68.1
F&B Revenue	-0.4	13.8	-2.7	10.0	20.7
Other Hotel Revenue	0.7	0.7	-0.3	1.1	2.2
Total Leased Revenue	20.4	44.4	-6.3	32.5	91.0
Fee Revenue	-1.1	14.7	0.1	3.1	16.8
Other Revenue	0.5	0.0	0.0	0.2	0.7
Total Revenue	19.8	59.1	-6.2	35.8	108.5

revenue increase was attributable to new hotels and one third was coming from FX.

Margins benefitted from the lower cost base established through the cost savings programme in 2008/2009, despite pressure from the many new leased hotels in their ramp-up phase, a MEUR 0.9 increase in pre-opening expenses, increased costs for energy due to the harsh weather conditions and higher costs for travel agent commissions. Personnel costs as a per cent of revenue also went down, in spite of higher variable salaries due to improved operational performance and the negative effects from changed pension plans in Norway. As a result, the EBITDAR margin increased by 130 bps to 32.3%.

Rental expenses, including shortfall guarantees went up by MEUR 17.5 of which MEUR 9.8 was explained by FX. The newly opened leased hotels had a negative impact of MEUR 13.8 and variable rent, mainly in the Nordics, increased in line with the positive revenue trend. Shortfall guarantees for managed contracts with performance guarantees, on the other hand, decreased as the performance of these hotels improved and some hotels have reached their contractual cap.

EBITDA improved compared to last year by MEUR 26.6. FX had a positive effect of MEUR 3.8 on EBITDA. The margin improvement of 330 bps to 4.0% was due to the increased EBITDAR margin, lower shortfall guarantees and the fixed rent structure in ROWE.

Write-downs of fixed assets amounting to MEUR 2.7 were recognised during the period as a result of impairment tests. However, MEUR 2.2 of write-downs from prior years, of which MEUR 1.8 was related to Regent, was reversed during the period. The sale of Regent resulted in a capital gain of MEUR 3.9.

The net financial expenses were higher than last year due to exchange differences and commitment fees related to the renegotiated credit facilities.

The effective tax rate improved as a result of better performance in countries where tax

losses carry forward are not capitalised as deferred tax assets. In addition, deferred tax assets of MEUR 9.3 were capitalised and MEUR 5.2 written down, following a review of the likelihood to utilise tax losses carry forward within the group. This resulted in a net increase of MEUR 4.1.

### The Nordics

Leased hotel revenue benefitted from the RevPAR growth, the opening of new leased hotels and from FX due to the weakening of the EUR. F&B revenue did not improve in line with RevPAR and the revenue increase was consequently largely generated by increased rooms revenue. The fee income developed in line with RevPAR and management fees were also positively impacted by increased incentive fees from profit sharing.

The cost cutting program from 2008/2009 continued to have positive effects. However, the EBITDA margin for leased hotels declined as several new hotels still in their ramp-up phase and the associated pre-opening expenses put the margin under pressure. In addition, higher variable salaries, higher energy costs related to the harsh winter conditions, costs for additional pension obligations in Norway and increased costs for maintenance in certain hotels, also had a negative effect on the margins. EBITDA margin came in at 10.2%, compared to 11.7% last year.

EBITDA and EBITDA margins for managed and franchised hotels ended higher than last year, mainly due to the revenue improvement and increased incentive fees.

### Rest of Western Europe

The improvement in like-for-like RevPAR was reflected in increased rooms revenue from leased hotels. The opening of several newly leased hotels together with positive effects from the weaker EUR also contributed to the higher revenue. The strong contribution from rooms revenue was not accompanied by a similarly strong development for F&B revenue, as the business for meetings and events is lagging behind the improvement in the economic conditions. Fee income from managed and franchised hotels increased due to higher RevPAR, increased incentive fees due to better performance and new hotels added to the portfolio.

EBITDA margins are still negative but improved from -8.0% to -3.7%. The cost savings programme from 2008/2009 had a positive effect on the margins. The negative effect of higher variable salaries due to better operational performance, higher energy costs due to cold winters, higher travel agent commission

costs and the impact of new hotels in their ramp-up phase, did not offset the positive effects from the lower cost base established through the cost saving measures last years.

EBITDA and EBITDA margin for managed hotels improved, mainly as a direct result of reduced shortfall guarantees (MEUR 9.1) following the improved operational results and the fact that some hotels have reached their contractual cap on guarantees. EBITDA for franchise contracts noted a decrease, mainly coming from increased marketing expenses.

### Eastern Europe

New managed hotels boosted the growth in revenues, positively impacting EBITDA. The contribution from franchised hotels remained modest and was to some extent negatively impacted by hotels leaving the portfolio.

### The Middle East, Africa and Others

Fee income from managed hotels increased as a result of a several hotels added to the portfolio, continued ramping-up of hotels that opened during the course of 2009 and the high revenue levels during the Football World Cup in South Africa. EBITDA improved in line with the increased revenue.

### Balance sheet end of 2010

Compared to year-end 2009, Non-Current Assets noted a minor increase, mainly as a result of the increase in deferred tax assets. Net working capital, excluding Cash and Cash Equivalents but including current tax assets and liabilities, at the end of the period was MEUR -72.7 (-46.7 at year-end 2009).

Cash and Cash Equivalents went up from MEUR 5.2 at year-end 2009 to MEUR 26.7 and bank overdrafts decreased from MEUR 12.6 to 0. This was on account of a better performance by operations and a better working capital development compared to last year as well as the sale of the Regent business.

Compared to last year, equity, including non-controlling interests, went up by MEUR 8.5, mainly due to exchange differences from translation of foreign operations.

No assets were classified as held for sale at year end 2010. A majority of the assets classified as held for sale last year were attributable to the Regent business which was sold during the year.

### Cash flow from the period

Cash flow from operating activities amounted to MEUR 47.6 during 2010, which was MEUR 53.7 better than that of last year. The improvement to last year is coming from better performance by operations and an exceptionally favourable change in working capital.

MEUR	Jan-Dec 2010	Jan-Dec 2009
Revenue	785.7	677.2
EBITDAR	254.1	210.1
EBITDA	31.5	4.9
EBIT	3.9	-25.0
Profit/loss after Tax	-2.7	-28.2
EBITDAR Margin %	32.3%	31.0%
EBITDA Margin %	4.0%	0.7%
EBIT Margin %	0.5%	-3.7%



Cash flow from change in working capital came in at MEUR 21.8, which was MEUR 22.5 better than that of last year, most of which comes from a substantial increase in accruals for variable salaries and variable rent due to improved performance and in operating liabilities in the newly leased hotels opened during the year.

Cash flow from investing activities amounted to MEUR –12.4 (–23.5). The investments in leased hotels were in line with last year and were to a large extent related to hotels in Scandinavia and the UK. The cash flow from investing activities was positively impacted by the proceeds from the sale of Regent which amounted to MEUR 10.6.

The total credit facilities available for use by the end of the year amounted to MEUR 106.8. MEUR 4.2 was used for bank guarantees and MEUR 0.0 was used as overdrafts, leaving MEUR 102.6 available for use. At the end of December 2010, Rezidor had MEUR 26.7 in Cash and Cash Equivalents. In 2010, Rezidor renegotiated its long-term credit facilities, by extending the tenor of its committed credit lines to now range between one and three years combined with customary covenants.

Net interest bearing assets (including pension assets and retirement benefit obligations) amounted to MEUR 39.0 (9.6 at year-end 2009). 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 26.7 (–7.5 at year-end 2009).

## Other important developments

### *Sale of Regent*

In 2010, the Company together with Carlson sold the Regent business to the Taiwan based Formosa International Hotels Corporation. Rezidor's share of the proceeds amounted to MEUR 10.6, which resulted in a capital gain of MEUR 3.9. In addition, write-downs of fixed assets from prior years of MEUR 1.8 were reversed, leading to a combined positive effect from the sale of MEUR 5.7. The deal will free up resources to improve operations and accelerate the expansion of Rezidor's core brands. As part of certain transitional agreements, Rezidor has continued to provide management services to Regent hotels after the sale.

### *Portfolio agreement in the Baltics*

An agreement to re-brand 10 Reval Hotels (ca 2,400 rooms) in the Baltics to Radisson Blu and Park Inn was announced in the second quarter 2010. The portfolio agreement will considerably strengthen Rezidor's position in the key markets of Riga, Tallinn and Vilnius.

### *Park Inn by Radisson*

A new name for Park Inn was announced in the second quarter 2010: "Park Inn by Radisson". This new name is in line with Rezidor's decision to strongly focus on the development of its core brands. The link with Radisson will allow Park Inn to grow even faster and further increase the brand awareness.

### *Carlson's shareholding*

In May 2010, Rezidor's major shareholder, Carlson, announced that it had increased its shareholding to 51.29% of the number of shares outstanding and 50.03% of the registered shares.

## 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 local businesses, whereas financial risks arise because Rezidor has external financing needs and operates in a number of foreign currencies. To allow local businesses 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 ensuring there is an appropriate mix of leased, managed and franchised hotels;
- carefully evaluate investments in high-risk regions, matching this with premium returns on investments;
- 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, the current recession puts industry RevPAR under pressure. In order to balance the market-related risks Rezidor use three different business models:

- the company leases hotel properties and operate the hotels as its own operations

- the company manages a hotel on behalf of a hotel owner and receives a management fee
- the company franchises one of its brands to an independent owner and receives a franchise fee.

Out of the three contract types the management and franchise models are the most resilient whilst the leased model is more volatile and sensitive to market fluctuations. Rezidor operate leased hotels only in Northern or Western Europe. Rezidor's strategy is to grow by adding mainly managed and franchised hotel to the portfolio.

The client base is well distributed. Rezidor is not dependent on a small number of customers or any particular industry.

Rezidor operate a well defined multibrand portfolio of hotels covering different segments of the market.

### *Political Risks*

Rezidor is operating in Europe, the Middle East and Africa (EMEA). The company's growth focus includes emerging markets such as Russia/CIS, the Middle East and Africa with a higher political risk than the more mature markets of Northern and Western Europe.

In order to balance the political risks, Rezidor only operates under management contracts with no or limited financial exposure in the emerging 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 in their threat situation is detected.

### *Partner Risks*

The company doesn't own the brands under which the hotels are operated. Rezidor develops and operates the brands Radisson Blu, Park Inn by Radisson and Country Inn in EMEA under a master franchise agreement with Carlson and the agreement runs until 2052. Carlson is the largest shareholder in Rezidor.

Hotel Missoni is Rezidor's fourth brand, and the company has the worldwide rights to the brand until 2020. The brand is owned by the Italian fashion house Missoni.

Rezidor doesn't 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 focussing on managing its partner's assets under lease, management or franchise contracts, 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 scores increased from 85.7 in 2009 to 86.7 in 2010.

### **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.

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*

Virtually all financial liabilities and receivables bear floating interest rates. It is the policy of the Company that borrowings and investments should have short interest duration. 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.

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.

### *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) and Pound Sterling (GBP). The exposure from the DKK is, however, limited as the currency is virtually pegged to the EUR.

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.

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.

### *Credit Risks*

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. 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.

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/depos-

its with short-term maturity, and, as regards deposits, only in financial institutions with a rating of A-1/P1.

### **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 MEUR 105. In addition, the Group has credit facilities of MEUR 1.8 granted by other banks. In 2010, the credit facilities were renegotiated and the tenor of the committed credit lines now range between one and three years and are combined with customary covenants. The Group has not pledged any assets or given any guarantees to secure these facilities. 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.

### **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 directly in equity. However, as there is no active market for these shares and the value consequently not subject to changes in quoted market prices. 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.

## **Sensitivity Analysis**

### **– Room Rate and Occupancy Levels**

Any deterioration in the general market conditions normally has a negative impact on the RevPAR of Rezidor's hotels. As RevPAR is a function of AHR 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 5–6 change in EBITDA.

### **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 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) has published a draft of a new accounting standard for lease contracts. This new standard proposes that all future lease obligations, irrespective of whether the contracts are financial leases or operational leases, are to be capitalised in the balance sheet as an interest bearing liability with a corresponding

right of use asset. This will be applicable to both fixed and variable leases. This proposed new accounting standard will have major implications on the balance sheet and income statement of Rezidor due to the size of the lease business. EBITDA will improve as there are no lease expenses, but depreciations and interest expenses will increase as the capitalised asset is depreciated and interest is calculated on the liability. Since the asset will be depreciated on a linear basis but the interest expense will decrease in line with the amortisation of the loan, the introduction of this new standard will have a negative effect on the net profit compared to traditional accounting during the first half of the lease term but a positive effect during the second half of the lease term. Most key ratios related to the balance sheet and income statement will be affected. The new accounting standard will have no effect on the cash flow, but the cash outflow from lease payments will be reclassified from operating activities to financing activities in the cash flow statement.

The draft was presented in August 2010 and the final standard is expected in the second quarter 2011. Before an IFRS can become effective in the European Union, it has to be endorsed by EU. If the standard is published as planned and endorsed by the EU, it is expected to become effective for Rezidor as from 2013 at the earliest.

### **Share Capital**

The share capital amounts to TEUR 10,000, corresponding to 150,002,040 registered shares, of which 3,694,500 were held by the Company, leaving 146,307,540 shares outstanding as of December 31st 2010. 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 in 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.

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. As of December 31st 2010, 3,694,500 own shares with an aggregated quota value of EUR 246,296, corresponding to 2.46% of total registered shares, were held by the Company. Total amount paid for these shares was TEUR 13.292.

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 that the Group has a more efficient capital structure. On 16th April, 2010, the Annual General Meeting decided that all shares currently held by the company are designated to secure delivery of shares in the existing incentive programmes and to cover the related social security costs. That same Annual General Meeting also gave the Board of Directors a new authorisation 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. Shares may be acquired to the extent that the Company's holding of its own shares following the acquisition does not reach more than one tenth of all shares in the Company. No shares have been bought back during 2010.

### 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 agreements entered into by members of the Group 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

There are no post balance sheet events to report.

### Dividend

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

Share premium reserve	197,297
Loss brought forward	-16,345
Net loss for the year	-12,754
Total	168,198

The Board of Directors recommends the Annual General Meeting 2011 no dividend to be paid for the financial year 2010.

### Responsible Business

Rezidor's Responsible Business programme builds on the principles of sustainable development and the triple bottom-line, where all hotels shall strive to take economic, social, ethical and environmental issues into consideration when making decisions in their everyday work. The programme encompasses 3 key pillars: Taking responsibility for the health and safety of employees and guests; Respecting social and ethical issues in the company, as well as in the community; Reducing our negative impact on the environment.

Each hotel has a Responsible Business Coordinator to guide and advise employees on how to achieve the programme objectives and all new employees are offered Responsible Business training since 2002. In 2010 Rezidor was named one of the World's Most Ethical Companies by the Ethisphere Institute.

The hotels in Rezidor's portfolio continue to focus on resource efficiency with regard to energy, water and waste and widespread eco-labelling of hotels has allowed us to maintain our strong environmental performance in 2010. Hotel operations are not covered by any environmental permits, however Rezidor's hotels are provided with an overview of applicable environmental and health and safety legislation through an internet-based legal database. 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 and has no known major environmental related debts. The Responsibility Report includes a more complete description of Rezidor's Responsible Business programme.

### Compensation to key management approved by the AGM 2010

At the Annual General Meeting on April 16th 2010, the presented proposal from the Board of Directors for determining the principles for compensation to the company key management was approved. In summary, the proposal suggested that compensation shall be made in accordance with market terms. Key management is defined as the company's Executive Committee, which at the time of the Annual General Meeting 2010 included 7 persons, of which one is the CEO. The compensation should consist of a balanced mix of base salary, variable salary, pensions, a share-based incentive programme for the employees and conditions for termination and termination payments. Issues regarding the terms of employment for the CEO will be prepared by the Board of Directors' Compensation Committee and will be resolved by the Board of Directors. The CEO decides upon the terms of employment for the other company management after consent from the Compensation Committee. The Board of Directors is authorised to deviate from the principles if certain circumstances are at hand in a specific case. The details of the compensation principles approved at the last general meeting can be studied in Note 10 to the financial statements.

Note 10 also includes any agreements between the company and employees regulating compensation in case of resignation, termination of employment contract on wrongful grounds or if employment contracts are terminated due to a public takeover. As for the Board of Directors, no such agreements exist. The members of the Board of Directors are elected at the AGM for a period until the end of the next AGM and the articles of association do not include any additional conditions compared to those of the Swedish companies act regarding appointment or dismissal of members of the Board of Directors.

### Proposal to AGM 2011 for compensation to key management

The Board of Director's proposal for principles for compensation and other employment terms of the Company's key management is, in essence that the compensation shall be individual and based on international market conditions and is set at a level required to recruit and retain management with appropriate competence, international experience and capacity to meet the Company's financial and strategic

objectives. Rezidor's corporate office is located in Brussels, Belgium, and key management consists of a diverse group of international executives. Key management means the Company's Executive Committee which includes eight persons, including the CEO.

The compensation shall consist of a balanced mix of base salary, variable salary, pension, a share-based incentive programme and conditions for termination and termination payments. The total compensation considers inter alia competence, experience, responsibility and performance.

Matters regarding the terms of employment for the CEO will be prepared by the Board of Directors' compensation committee and will be resolved by the Board of Directors. The CEO resolves upon the terms of employment for the other Company key management after consent from the Board's compensation committee. It is proposed that the Board of Directors shall be authorised to deviate from the principles for compensation of the Company key management if certain circumstances are at hand in a specific case.

#### **Base Salary**

The base salary is an appropriate portion of the total remuneration package and is reviewed each year and may be adjusted based on personal performance, changes in roles and responsibility, the Company's expected development and local directives in terms of cost of living.

#### **Pension & Retirement**

The Company's retirement age depends on local legislation. Three of the members of the Executive Committee are paid, in addition to the base salary, 10% in lieu of participation in a group pension plan, except for the CEO (see Note 10). The other Executive Committee members participate in a group pension plan (defined contribution plans or defined benefit plans).

#### **Variable Salary**

The basis for the annual variable salary scheme for 2011 for the Executive Committee is based on components such as group consolidated profitability, group consolidated cash flow, group consolidated cash flow return on investment, divisional profitability, the company growth target in terms of opened and contracted rooms and strategic objectives.

The combination and weighting of these components depends on the executive's role. The maximum variable salary for the Executive Committee (other than for the CEO, see Note 10) varies depending on target achievement and may for 2011 amount to between 45 and 75% of annual base salary depending on the executive's role.

#### **Share-based Incentive Programmes**

The Annual General Meetings in 2007, 2008, 2009 and 2010 have approved share-based incentive programmes to be offered the Executive Committee and other key employees. The details of these programmes are described in Note 33. The Board of Directors will propose to the Annual General meeting to be held on April 13th, 2011 the adoption of a share based long term incentive program (the "LTIP 2011") that is broadly consistent with the LTIP 2009 and 2010. The programme shall comprise of no more than 35 participants. Same as previous plans, the allotments of Performance Shares are conditional upon the Company achieving certain financial targets, linked to relative Total Shareholder Return ("TSR") and Earnings per Share ("EPS") during the three year qualification period. The number of shares that the participant can potentially receive at the end of the three year period is based on a fixed number of shares dependent on an executive's role as follows:

- CEO: 300,000 shares
- CFO: 150,000 shares
- COO & CDO: 55,000 shares
- Other Executive Committee members: 45,000 shares each
- Other participants: 13,000 shares each

The proposed (fixed) numbers reflect a similar dilution compared to the 2010 LTIP and will not fluctuate as a result from a change in share price of the Company.

#### **Conditions for Termination and Termination Payments**

For members of the Executive Committee the notice period for termination of their agreements is between three and six months. If their agreements are terminated by the Company, the severance pay would amount to between one and three years annual remuneration. Regarding termination of CEO, see Note 10.

#### **Other Benefits**

Other benefits consist mainly of car and housing benefits, according to the prevailing policy as is revised the Board's compensation committee from time to time.

#### **Remuneration to the CEO**

The full details of this agreement and the remuneration of the CEO are presented in Note 10.

#### **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 Directors' 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 2010 is presented on page 56–62 and is available on the Company's website [www.rezidor.com](http://www.rezidor.com).

# Financial Reports

## FIVE YEAR SUMMARY

MEUR (except stated otherwise)	2010	2009	2008	2007	2006
<b>Income statement</b>					
Revenue	785.7	677.2	784.8	785.2	707.3
EBITDA	31.5	4.9	70.9	86.5	61.0 <sup>1)</sup>
EBIT	3.9	-25.0	42.9	63.2	34.7
Financial income & expense, net	-3.7	-0.7	0.7	0.7	-2.2
Profit/loss for the year	-2.7	-28.2	26.1	45.7	29.0
<b>Balance sheet</b>					
Balance sheet total	377.8	352.9	384.0	412.6	402.6
Total equity attributable to equity holders of the parent	175.1	166.5	184.1	201.3	176.2
<b>Cash flow</b>					
Cash flow from operating activities	47.6	-6.1	61.9	75.7	41.1
Cash flow from investing activities	-12.4	-23.5	-36.4	-28.9	-18.4
Cash flow from financing activities	-13.4	7.9	-46.2	-46.3	4.9
<b>Financial key figures</b>					
EBITDAR	254.1	210.1	275.7	280.5	238.8
EBITDAR Margin, %	32.3	31.0	35.1	35.7	33.8
EBITDA	31.5	4.9	70.9	86.5	61.0 <sup>1)</sup>
EBITDA Margin, %	4.0	0.7	9.0	11.0	8.6 <sup>1)</sup>
Total investments (tangible and intangible investments)	24.3	31.3	37.3	45.8	32.6
<b>Operational key figures</b>					
Number of hotels <sup>2)</sup>	312	286	260	237	225
Occupancy % <sup>3)</sup>	62	60	65	70	69
RevPAR EUR <sup>3)</sup>	62	58	74	77	72
Return on capital employed, %	Neg	Neg	20.8	27.1	18.1
Return on equity, %	Neg	Neg	13.5	27.2	18.5
<b>Share related key figures<sup>4)</sup></b>					
Basic average number of shares	146,307,540	146,307,540	147,502,253	149,836,224	149,979,887
Diluted average number of shares	147,448,368	146,307,540	147,502,253	149,836,224	149,979,887
Basic earnings per share, EUR	-0.02	-0.19	0.18	0.31	0.19
Diluted earnings per share, EUR	-0.02	-0.19	0.18	0.31	0.19
Proposed dividend per share, EUR	—	—	—	0.10	0.06

1) Before IPO related costs.

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

3) Including managed and leased hotels in operation.

4) Share-related data has been calculated using 150,002,040 shares for 2006 when Rezidor Hotel Group AB (publ) has been Rezidor's Parent Company.

5) Definition of key figures are found on page 77.



## CONSOLIDATED STATEMENT OF OPERATIONS

TEUR (except for share related data)	Notes	For the Year Ended December 31	
		2010	2009
Revenue	7, 8, 37	785,715	677,236
Costs of goods sold for Food & Beverage and other related expenses	9	–58,907	–52,255
Personnel cost and contract labour	10	–278,947	–246,414
Other operating expenses	11	–180,692	–156,026
Insurance of properties and property tax	12	–13,116	–12,430
<b>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)</b>		<b>254,053</b>	<b>210,111</b>
Rental expense	13	–224,861	–207,344
Share of income in associates and joint ventures	21, 22	2,266	2,087
<b>Operating profit before depreciation and amortisation and gain on sale of shares and tangible assets (EBITDA)</b>		<b>31,458</b>	<b>4,854</b>
Depreciation, amortisation, write-downs and reversals of write-downs	19, 20	–31,508	–29,879
Gain on sale of shares and intangible and tangible assets	14	3,961	0
<b>Operating profit/loss (EBIT)</b>	7	<b>3,911</b>	<b>–25,025</b>
Financial income	15	831	1,188
Financial expense	15	–4,531	–1,861
<b>Profit/loss before tax</b>		<b>211</b>	<b>–25,698</b>
Income tax expense	16	–2,865	–2,469
<b>Profit/loss for the year</b>		<b>–2,654</b>	<b>–28,167</b>
Attributable to:			
Owners of the Company		–2,481	–28,167
Non-controlling interests		–173	—
		<b>–2,654</b>	<b>–28,167</b>
Basic average number of shares outstanding	18	146,307,540	146,307,540
Diluted average number of shares outstanding	18	147,448,368	146,307,540
Earnings per share after allocation to (EUR)			
Basic	18	–0.02	–0.19
Diluted <sup>1)</sup>	18	–0.02	–0.19

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Profit/loss for the year		–2,654	–28,167
<b>Other comprehensive income:</b>			
Exchange differences on translation of foreign operations		11,627	8,134
Change in fair value of available-for-sale financial assets	15	–1,704	—
Tax on exchange differences recognised directly in equity		268	1,628
<b>Other comprehensive income for the year, net of tax</b>		<b>10,191</b>	<b>9,762</b>
<b>Total comprehensive income for the year</b>		<b>7,537</b>	<b>–18,405</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		7,710	–18,405
Non-controlling interests		–173	—

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

## CONSOLIDATED BALANCE SHEET STATEMENT

TEUR	Notes	As of December 31	
		2010	2009
ASSETS			
Non-current assets			
Intangible assets			
Licenses and related rights	19	48,666	49,820
Other intangible assets	19	29,994	32,853
		78,660	82,673
Tangible assets			
Fixed installations in leased properties	20	36,263	38,413
Machinery and equipment	20	64,990	66,619
Investments in progress	20	7,462	3,439
		108,715	108,471
Financial assets			
Investments in associated companies	21	3,421	3,148
Investments in joint ventures	22	1,145	966
Other shares and participations	23	6,681	8,398
Pension funds, net	24	9,811	10,861
Other long-term interest-bearing receivables	25	11,848	11,603
Other long-term non-interest-bearing receivables	25	450	548
		33,356	35,524
Deferred tax asset	16	27,378	21,065
		248,109	247,733
Current assets			
Inventories		4,824	4,365
Accounts receivable	26	39,324	37,887
Current tax assets	16	3,950	3,534
Other current interest-bearing receivables	27	1,161	500
Other current non-interest-bearing receivables	28	50,395	42,925
Other short term investments	29	3,308	3,344
		102,962	92,555
Cash and cash equivalents	30	26,708	5,238
		26,708	5,238
Assets classified as held for sale	31	—	7,396
		—	7,396
Total current assets		129,670	105,189
Total assets		377,779	352,922

		As of December 31	
	Notes	2010	2009
EQUITY AND LIABILITIES			
<b>Capital and reserves</b>			
Share capital	32	10,000	10,000
Other paid in capital		120,302	120,302
Reserves		16,223	6,074
Retained earnings including profit for the year		28,580	30,142
<b>Equity attributable to owners of the Company</b>		<b>175,105</b>	<b>166,518</b>
Non controlling interests		55	215
<b>Total equity</b>		<b>175,160</b>	<b>166,733</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	16	17,679	23,365
Retirement benefit obligations	24	2,592	1,656
Provisions	34	1,004	823
Other long-term interest-bearing liabilities	35	7,656	7,638
Other long-term non-interest-bearing liabilities		3,547	2,285
		<b>32,478</b>	<b>35,767</b>
<b>Current liabilities</b>			
Accounts payable		33,652	32,732
Current tax liabilities	16	11,993	8,134
Bank overdraft	35	—	12,660
Other current interest bearing liabilities	35	—	1,330
Other current non-interest-bearing liabilities	36	124,496	94,924
		<b>170,141</b>	<b>149,780</b>
Liabilities directly associated with assets held for sale	31	—	642
		<b>—</b>	<b>642</b>
<b>Total liabilities</b>		<b>202,619</b>	<b>186,189</b>
<b>Total equity and liabilities</b>		<b>377,779</b>	<b>352,922</b>
Contingent liabilities	38		
Leasing commitments	39		
Management contract commitments	40		

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Other paid in capital	Reserves		Retained earnings	Equity attributable to equity owners of the parent	Non-controlling interests	Total Equity
			Foreign currency translation reserve	Fair value reserve -available for sale financial assets				
<b>Equity as of Dec. 31, 2008</b>	<b>10,000</b>	<b>120,302</b>	<b>-6,682</b>	<b>2,994</b>	<b>57,508</b>	<b>184,122</b>	<b>215</b>	<b>184,337</b>
Long-term incentive plan	—	—	—	—	801	801	—	801
Total comprehensive income for the period	—	—	9,762	—	-28,167	-18,405	—	-18,405
<b>Equity as of Dec. 31, 2009</b>	<b>10,000</b>	<b>120,302</b>	<b>3,080</b>	<b>2,994</b>	<b>30,142</b>	<b>166,518</b>	<b>215</b>	<b>166,733</b>
Long-term incentive plan	—	—	—	—	877	877	—	877
Non-controlling interests arising from business combination	—	—	—	—	—	—	654	654
Payments of dividends to non-controlling interests	—	—	—	—	—	—	-641	-641
Total comprehensive income for the period	—	—	11,853	-1,704	-2,439	7,710	-173	7,537
<b>Equity as of Dec. 31, 2010</b>	<b>10,000</b>	<b>120,302</b>	<b>14,933</b>	<b>1,290</b>	<b>28,580</b>	<b>175,105</b>	<b>55</b>	<b>175,160</b>

The accumulated costs related to the equity-settled share-based incentive programmes amount to TEUR 2,138 (1,261) and are recognised in retained earnings.

## CONSOLIDATED STATEMENT OF CASH FLOWS

TEUR	Notes	For the Year Ended December 31	
		2010	2009
<b>OPERATIONS</b>			
Operating profit/loss (EBIT)		3,911	-25,025
<i>Adjustments for non cash items:</i>			
Depreciations, amortisations and write-downs	19, 20	31,508	29,880
Gain/loss on sale of shares and tangible assets and disposals	14	-3,961	—
Change in pension assets/liabilities		1,986	-424
Share of income in associated companies and joint ventures	21,22	-2,266	-2,087
Exchange differences and other adjustments for non cash items		6,842	205
Interest received	15	722	649
Interest paid	15	-757	-961
Dividend from associated companies	21, 22	2,014	3,710
Other financial items	15	-3,540	-715
Tax paid		-10,665	-10,614
<b>Cash flows from operations before change in working capital</b>		<b>25,794</b>	<b>-5,382</b>
<i>Change in:</i>			
Inventories		-450	760
Current receivables		-9,341	11,182
Current liabilities		31,620	-12,626
<b>Change in working capital</b>		<b>21,829</b>	<b>-684</b>
<b>Cash flow from operating activities</b>		<b>47,623</b>	<b>-6,066</b>
<b>INVESTMENTS</b>			
Purchase of intangible assets	19	-377	-1,770
Purchase related to investments in progress	20	-8,807	-724
Purchase of machinery and equipment	20	-12,934	-19,083
Purchase fixed installations	20	-1,943	-1,507
Purchase of shares and participations	17	—	-2,865
Loans to associated companies	27	-660	—
Repayment of loans to joint ventures		1,163	—
Effect of reclassification from joint venture to subsidiary	22, 25	1,326	—
Other investments and divestments of financial fixed assets		-273	-90
<b>Total investments</b>		<b>-22,505</b>	<b>-26,039</b>
<b>Disposals of shares</b>			
Net proceeds from sale of shares in subsidiaries	17	10,093	—
Proceeds from sale of other shares and participations	14, 22, 23	—	2,500
<b>Cash flow from investing activities</b>		<b>-12,412</b>	<b>-23,539</b>
<b>FINANCING</b>			
Overdraft facilities		-12,660	4,462
Lease incentives and other long term liabilities		545	3,471
Loan repayment		- 1,330	-1
<b>Total external financing</b>		<b>-13,445</b>	<b>7,932</b>
<b>Transactions with non-controlling interests</b>			
Dividends/share buy back to non-controlling interests		-641	—
<b>Cash flow from financing activities</b>		<b>-14,086</b>	<b>7,932</b>
<b>Cash flow for the year</b>		<b>21,125</b>	<b>-21,673</b>
<b>Translation difference in cash and cash equivalents</b>		<b>345</b>	<b>532</b>
<b>Cash and cash equivalents, January 1</b>		<b>5,238</b>	<b>26,379</b>
<b>Cash and cash equivalents, December 31</b>		<b>26,708</b>	<b>5,238</b>

# Notes to the Group accounts

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## 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: Hemvärnsgatan 15, p.o. Box 6061, 171 06 Solna, Sweden. The corporate head office is based in Brussels, Belgium.

Rezidor is an international hospitality company which currently has 411 hotels in operation or under development in 62 countries. Rezidor operates under the brands Radisson Blu Hotels & Resorts, Park Inn by Radisson and Country Inn. Further information of the activities of the Company is described in Note 7.

The Annual Report as of December 31, 2010 was approved by the Board of Directors of Rezidor Hotel Group AB (publ) on March 9, 2011. The Annual Report is subject to approval by the Annual General Meeting on April 13, 2011.

## 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 the International Financial Reporting Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on January 1st 2010 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:

### IFRS Standards and IFRIC Interpretations effective for 2010

Amendment to IFRS 1 First-time Adoption of IFRS (revisions and additional exemptions for first time adopters)

Amendments to IFRS 2 Share-based Payments (group Cash settled Share based payments)

Revisions to IFRS 3 Business combinations (2008) and IAS 27 Consolidated and Separate Financial Statements (2008)

Amendments to IAS 39 Financial Instruments: Recognition and measurement - Eligible Hedged Items Various improvements to IFRSs, (April 2009)

IFRIC 17 - Distributions of Non-cash Assets to Owners (new interpretation)

IFRIC 18 - Transfers of Assets from Customers (new interpretation)

As from January 1st, 2010 the Group has adopted the revised IAS 27 and IFRS 3, which replaces the old standards (2004). The most significant changes from adopting those two new standards are summarized below:

- Costs incurred to effect a business combination (e.g. finder's fees, advisory, legal, accounting, valuation, and other professional or consulting fees) are expensed in the period incurred. Costs incurred to issue debt or equity securities continue to be recognised in accordance with IAS 32 and IAS 39.
- A pre-existing equity interest held by the acquirer in the entity acquired is remeasured to fair value at the date control is obtained. Any resulting gain or loss is recognised in profit or loss.
- The term 'non-controlling interest' (NCI) replaces minority interest. An entity elects, on a transaction-by-transaction basis, whether to measure NCI at fair value or at the NCI's proportionate share of the net identifiable assets of the entity acquired.
- Goodwill is measured at the acquisition date as the difference between:
  - the aggregate of (a) the acquisition-date fair value of the consideration transferred; (b) the amount of any NCI in the entity acquired; and (c) the acquisition-date fair value of any previously-held equity interest in the entity acquired; and
  - the net of the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed.
- Once control is obtained, all subsequent changes in ownership interests that do not involve the loss of that control are treated as transactions with owners. Accordingly, goodwill is not subsequently remeasured and no gain or loss is recognised on such changes in ownership interests. Any difference between the change in the NCI and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent.
- Consideration for an acquisition, including any contingent consideration, is measured at fair value at the acquisition date. Where contingent consideration meets the definition of a liability, changes resulting from events after the acquisition date (e.g., the acquiree meeting an earnings target or reaching a specified share price) are recognised in profit or loss.
- The NCI's proportionate share of profit or loss is attributed to the NCI even if this results in the NCI having a deficit balance.
- Upon the loss of control of a subsidiary, an entity is required to derecognise all assets, liabilities and related NCI. Any interest retained in the former subsidiary is recognised at its fair value at the date control is lost. Any gain or loss arising on loss of control is recognised in profit or loss.

All other new, amended or revised standards or Interpretations have been adopted but has not had any significant impact on the amounts presented in these financial statements, but may affect the accounting for future transactions or arrangements.



**Standards and Interpretations in issue not yet adopted**

The IASB and the IFRIC has issued the following new, revised or amended Standards and Interpretations which are not yet adopted by the Group:

STANDARD/INTERPRETATION	EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER:
Amendments to IFRS 7 Enhanced Derecognition Disclosure Requirements	1 July 2011 or later
IFRS 9 Classification and Measurement (new standard)*	1 January 2013 or later
Amendments to IAS 24 Related Party Disclosures:	
Simplified definition and exemptions for state controlled entities	1 January 2011 or later
IAS 32 Financial instruments: Classification of Rights Issues	1 January 2011 or later
IAS 12 Income taxes (Deferred tax: Recovery of Underlying Assets)*	1 January 2012 or later
Various – Improvements to IFRS 2010	Varies, at the earliest 1 July 2010 or later
IFRIC 19 Extinguishing financial liabilities with equity instruments	1 July 2010 or later
Amendments to IFRIC 13 Customer Loyalty Programmes:	
Customer Loyalty Programmes as part of AIP	1 January 2011 or later
Amendments to IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction:	
Prepayments of a Minimum Funding Requirement	1 January 2011 or later

\* Not yet endorsed by the EU.

The company is currently analysing the impact from the above new or amended standards or interpretations.

## 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 loses 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 Discontinued 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 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:

Country	Currency	Year-end rate Dec. 31		Average rate Jan. 1 — Dec. 31	
		2010	2009	2010	2009
Denmark	DKK	7.45	7.44	7.45	7.45
Sweden	SEK	8.98	10.25	9.54	10.62
Norway	NOK	7.81	8.31	8.01	8.74
United Kingdom	GBP	0.86	0.89	0.86	0.89

**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 (named as goldpoints plus<sup>SM</sup>) 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<sup>SM</sup> 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 utilise 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. Since Rezidor is not managing these programs, only Rezidor's portion of the fair value of the program is recognised as revenue. The historical effect of not accounting for the cost of participating in the program as a reduction of revenue is not significant.

**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 and maintenance contracts.

**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, 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 acquiree'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 assets' 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 lower of recoverable amount if the recoverable 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, estimated 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.

**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 directly in equity, 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. In 2005, these investments were accounted for in accordance with the fair value option. After that, no revaluation has been made, as the fair value cannot be reliably measured.

**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 comprise 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, instalments 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 implemented 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 documented 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

Virtually all financial liabilities and receivables bear floating interest rates. It is the policy of the Company that borrowings and investments should have short interest duration. The effect on financial net in the income statement of a change in market interest rates with 100 basis points would be less than MEUR 0.6, based on the loans and receivables outstanding on December 31, 2010.

#### 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.

### 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) and Pound Sterling (GBP). The exposure from the DKK is, however, limited as the currency is virtually 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 do 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 4.2, based on the equity at year-end 2010. If the EUR would fluctuate by 5% against all other currencies in the Group, also excluding DKK, the effect would be MEUR 28.4 on total revenue, MEUR 2.0 on EBITDA and MEUR 0.4 on net income, based on the income statement in 2010.

### 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 note 25 and 27.

Some entities within the Group have deposited money in restricted accounts to meet liabilities arising from example 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, only in financial institutions with a rating of A–1/P1.

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

EUR	As of Dec.31	
	2010	2009
<b>Carrying amount</b>		
Other long-term interest-bearing receivables	11,848	11,603
Other long-term non-interest-bearing receivables	450	548
Accounts receivables	39,324	37,887
Other current non-interest bearing receivables	7	119
Other current interest-bearing receivables	1,161	500
Other short-term investments	3,308	3,344
Cash and cash equivalents	26,708	5,238
<b>Maximum credit exposure</b>	<b>82,806</b>	<b>59,239</b>

### 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 MEUR 105. In addition, the Group has credit facilities of MEUR 1.8 granted by other banks. The tenor of the committed credit facilities range between one and three 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, nothing was used as overdraft (MEUR 12.6 at year-end 2009) and MEUR 4.2 (2.4) for bank guarantees. Cash and cash equivalents amounted to MEUR 26.7 (5.2), of which 25.4 (4.0) was coming from bank deposits and MEUR 1.3 (1.2) 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, 2010, the Company had a MNOK 32 to EUR swap and a MSEK 35 to EUR swap outstanding, both with a maturity shorter than a week.

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

Cont. Note 4

TEUR	As of Dec.31	
	2010	2009
<b>Mature within 1 year</b>		
Accounts payables	33,652	32,732
Other current interest-bearing liabilities	—	1,330
Bank overdraft	—	12,660
	<b>33,652</b>	<b>45,392</b>
<b>Mature after 1 year</b>		
Other long-term interest-bearing liabilities	89	101
Other long-term non-interest-bearing liabilities	3,547	2,285
	<b>3,636</b>	<b>2,386</b>
<b>Undefined maturity</b>		
Other long-term interest bearing liabilities	7,567	7,537
	<b>7,567</b>	<b>7,537</b>

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 directly in equity. However, there is no active market for these shares and the value is consequently not subject to changes in quoted market prices. 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, 2010, was MEUR 0.1. 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 directly in equity, were, with one exception, measured at cost in accordance with IAS 39 as at December 31st, 2010 because their fair value cannot be reliably measured. The fair value could not be reliably measured as there is no active market, there are no reliable transaction data for similar objects available and the nature of these investments could make future cash flows projections difficult, for example when the hotels owned by these entities are in their ramp-up phase. However, one shareholding classified as available-for-sale has been remeasured at fair value, based on a discounted cash flow analysis. This valuation has been reviewed and accepted by the other shareholder for the purpose of establishing a market value of the shares for certain contractual buy-out clauses in the shareholder agreement.

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).

As of Dec. 31 2010	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss (held for trading)	—	7	—	7
Available-for-sale financial assets	—	—	6,681	6,681
<b>Total</b>	<b>—</b>	<b>7</b>	<b>6,681</b>	<b>6,688</b>
<b>Assets measured at fair value based on Level 3</b>				
		<b>Available-for-sale financial assets</b>	<b>Total</b>	
<b>Opening balance as of Jan. 1 2010</b>		<b>8,398</b>	<b>8,398</b>	
In other comprehensive income (exchange differences)		—13	—13	
Loss reported in other comprehensive income		—1,704	—1,704	
<b>Closing balance as of Dec. 31 2010</b>		<b>6,681</b>	<b>6,681</b>	

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)	2010	2009
Other current non-interest bearing receivables	7	119
	<b>7</b>	<b>119</b>
<b>Loans and receivables</b>		
Other long-term interest-bearing receivables	11,848	11,603
Other long-term non-interest-bearing receivables	450	548
Accounts receivables	39,324	37,887
Other current interest-bearing receivables	1,161	500
Other short-term investments	3,308	3,344
Cash and cash equivalents	26,708	5,238
	<b>82,799</b>	<b>59,120</b>

## Available-for-sale financial assets

Other shares and participations	6,681	8,398
	<b>6,681</b>	<b>8,398</b>

## Financial liabilities measured at amortised cost

Other long-term interest-bearing liabilities	7,656	7,638
Other long-term non-interest-bearing liabilities	3,547	2,285
Accounts payables	39,324	32,732
Bank overdrafts	—	12,660
Other current interest-bearing liabilities	—	1,330
	<b>50,527</b>	<b>56,645</b>

## 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 however 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. A discount rate of approximately 8–9% has been used when discounting future cash flows. 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. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management 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 2011–2013, as prepared by Rezidor as part of its overall annual budget process, which are also the base for the long-range projections. 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 already carried out, revenue turnaround and cost restructuring programmes, and impact of re-branding of one or more properties.

When required, write-downs have been performed. During the year, write-downs of TEUR 2,713 (2,270) of fixed assets in leased hotels were recognised as a result of impairment tests. TEUR 2,181 (0) of write-downs from prior years were reversed. TEUR 1,829 of that was attributable to assets related to the Regent business, which was sold during the year with a profit, and TEUR 352 was attributable to revised assumptions for one hotel.

An increased focus on portfolio management 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

The same 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 2,739 (0) was recognised as provisions for onerous contracts, of which TEUR 865 was related to lease contracts and TEUR 1,874 to management contracts with shortfall guarantees. Provision for management contracts with shortfall guarantees are recognised as guarantee payments under rental expenses in the income statement. An increased focus on portfolio management 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 the same as those used in the impairment tests. During the year, an additional TEUR 9,310 was capitalised and TEUR 5,157 written down following a review of the likelihood to utilise tax losses carry forward. An increased focus on portfolio management 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.

### 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 decision-maker.

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, Ireland, Italy, Luxembourg, Malta, the Netherlands, Portugal, Spain, Switzerland and the United Kingdom;
- Eastern Europe including Azerbaijan, Belarus, Bulgaria, Croatia, the Czech Republic, Estonia, Georgia, Hungary, Kazakhstan, Latvia, Lithuania, Macedonia, Poland, Romania, Russia, Slovakia, Turkey, Ukraine, and Uzbekistan; and
- Middle East, Africa and Other including Angola, Bahrain, Brazil, China, Egypt, Ethiopia, Jordan, Kenya, Kuwait, Lebanon, Libya, Mali, Mongolia, Morocco, Mozambique, Nigeria, Oman, Rwanda, Qatar, Saudi Arabia, Senegal, 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.

Cont. Note 7

**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.

**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			
	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	%	Dec. 31, 2009	%
<b>For the year ended</b>												
Leased	318,123	275,840	364,796	316,045	—	—	—	—	682,921	86.9%	591,885	87.4%
Managed	4,709	3,973	25,782	22,736	23,711	18,468	21,098	14,584	75,300	9.6%	59,762	8.9%
Franchised	4,586	4,375	7,616	6,598	807	735	—	—	13,009	1.7%	11,708	1.7%
Other	11,145	11,035	3,111	2,846	—	—	230	—	14,486	1.8%	13,881	2.0%
<b>Total</b>	<b>338,563</b>	<b>295,222</b>	<b>401,307</b>	<b>348,226</b>	<b>24,518</b>	<b>19,203</b>	<b>21,327</b>	<b>14,584</b>	<b>785,715</b>	<b>100.0%</b>	<b>677,236</b>	<b>100.0%</b>
<b>Group's total revenue</b>									<b>785,715</b>		<b>677,236</b>	

## SEGMENTATION – EBITDA

TEUR	Nordics		Rest of Western Europe		Eastern Europe		Middle East, Africa and Other		Central costs		Total	
	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009
<b>For the year ended</b>												
Leased	32,394	32,264	-13,646	-25,378	—	—	—	—	—	—	18,748	6,886
Managed	3,102	2,544	5,398	-882	17,247	12,000	15,452	10,446	—	—	41,199	24,108
Franchised	2,419	2,190	3,535	3,935	377	405	—	—	—	—	6,331	6,530
Other <sup>1)</sup>	4,216	4,808	114	-249	4	-33	915	657	—	—	5,249	5,183
Central costs	—	—	—	—	—	—	—	—	-40,069	-37,853	-40,069	-37,853
<b>Total</b>	<b>42,131</b>	<b>41,806</b>	<b>-4,599</b>	<b>-22,574</b>	<b>17,628</b>	<b>12,372</b>	<b>16,367</b>	<b>11,103</b>	<b>-40,069</b>	<b>-37,853</b>	<b>31,458</b>	<b>4,854</b>

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	
	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009
<b>For the year ended</b>												
Leased	20,171	20,841	-24,825	-40,056	—	—	—	—	—	—	-4,654	-19,215
Managed	3,029	2,482	5,112	-1,094	17,364	11,997	15,235	10,306	—	—	40,740	23,691
Franchised	2,320	2,101	3,363	3,836	359	393	—	—	—	—	6,042	6,330
Other <sup>1)</sup>	1,849	2,846	-916	-1,449	4	-33	915	657	—	—	1,852	2,021
Central costs	—	—	—	—	—	—	—	—	-40,069	-37,853	-40,069	-37,853
<b>Total</b>	<b>27,369</b>	<b>28,270</b>	<b>-17,266</b>	<b>-38,763</b>	<b>17,727</b>	<b>12,357</b>	<b>16,150</b>	<b>10,963</b>	<b>-40,069</b>	<b>-37,853</b>	<b>3,911</b>	<b>-25,025</b>

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

## RECONCILIATION OF PROFIT/LOSS FOR THE PERIOD

TEUR	Dec. 31, 2010	Dec. 31, 2009
<b>For the year ended</b>		
Total operating profit/loss (EBIT) for report able segments	3,911	-25,025
Financial income	831	1,188
Financial expense	-4,531	-1,861
<b>Group's total profit/loss before tax</b>	<b>211</b>	<b>-25,698</b>

## 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	
	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009
<b>For the year ended</b>										
Share of income in associates	1,347	1,463	—	—	4	-33	916	657	2,267	2,087
Gain/loss on sale of shares and tangible assets	—	—	3,631	—	330	—	—	—	3,961	—
<b>Total</b>	<b>1,347</b>	<b>1,463</b>	<b>3,631</b>	<b>—</b>	<b>334</b>	<b>-33</b>	<b>916</b>	<b>657</b>	<b>6,228</b>	<b>2,087</b>

## SEGMENTATION – BALANCE SHEET

TEUR	Nordics		Rest of Western Europe		Eastern Europe		Middle East, Africa and Other		Total	
	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009
<b>For the year ended</b>										
ASSETS	136,674	131,808	182,007	161,380	20,998	24,308	38,101	35,426	377,779	352,922
Leased	130,748	123,282	168,736	147,689	7,385	9,499	18,587	16,464	325,456	296,934
Managed	1,971	2,641	8,072	9,251	13,129	14,270	19,212	18,961	42,384	45,124
Franchised	2,666	3,498	5,180	4,441	476	539	—	—	8,321	8,477
Other	1,289	2,387	19	—	8	—	302	—	1,618	2,387
<b>Group's total assets</b>									<b>377,779</b>	<b>352,922</b>
<b>LIABILITIES</b>	101,978	96,992	91,157	78,476	5,620	2,521	3,864	8,200	202,619	186,189
<b>Group's total liabilities</b>									<b>202,619</b>	<b>186,189</b>

SEGMENTATION – INVESTMENTS <sup>1)</sup>

TEUR	Nordics		Rest of Western Europe		Eastern Europe		Middle East, Africa and Other		Total	
	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009
<b>For the year ended</b>										
Leased	12,192	6,339	11,651	24,942	10	21	208	40	24,061	31,342
Managed	—	—	—	—	—	—	—	—	—	—
Franchised	—	—	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—	—	—	—
<b>Total</b>	<b>12,192</b>	<b>6,339</b>	<b>11,651</b>	<b>24,942</b>	<b>10</b>	<b>21</b>	<b>208</b>	<b>40</b>	<b>24,061</b>	<b>31,342</b>
<b>Group's total investments</b>									<b>24,061</b>	<b>31,342</b>

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	
	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009
<b>For the year ended</b>										
Depreciation and amortisation	15,648	13,969	15,557	15,660	181	154	122	96	31,508	29,879
<b>Group's total depreciation and amortisation</b>									<b>31,508</b>	<b>29,879</b>

Revenue in Sweden, where the Parent Company has its place of business, amounted to TEUR 115,626 (98,970). Non-current assets in Sweden amounted to TEUR 757,466 (790,467).

SEGMENTATION – REVPAR AND OCCUPANCY <sup>1)</sup>

	Radisson Blu		Park Inn by Radisson		Rezidor	
	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009
<b>For the year ended</b>						
RevPAR, EUR	70.5	65.9	37.5	33.6	62.0	57.8
Occupancy, %	63.9	62.2	58.0	52.6	62.3	59.5

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	
	Hotels	Room	Hotels	Room	Hotels	Room	Hotels	Room	Hotels	Room
<b>As of Dec. 31, 2010 – In operation</b>										
Leased	27	6,936	50	10,335	—	—	—	—	77	17,271
Managed	7	1,934	64	10,499	55	14,149	36	8,953	162	35,535
Franchised	22	4,075	46	8,572	5	922	—	—	73	13,569
<b>Total Rezidor</b>	<b>56</b>	<b>12,945</b>	<b>160</b>	<b>29,406</b>	<b>60</b>	<b>15,071</b>	<b>36</b>	<b>8,953</b>	<b>312</b>	<b>66,375</b>
<b>As of Dec. 31, 2009 – In operation</b>										
Leased	24	6,319	48	9,889	—	—	—	—	72	16,208
Managed	7	1,934	61	10,217	37	9,720	35	8,829	140	30,700
Franchised	23	4,172	44	8,308	7	1,258	—	—	74	13,738
<b>Total Rezidor</b>	<b>54</b>	<b>12,425</b>	<b>153</b>	<b>28,414</b>	<b>44</b>	<b>10,978</b>	<b>35</b>	<b>8,829</b>	<b>286</b>	<b>60,646</b>

**NOTE 8** REVENUE**Operating Revenue per area of operation**

TEUR	For the Year Ended Dec. 31	
	2010	2009
Rooms revenue	442,862	374,776
F&B Revenue	218,170	197,423
Other hotel revenue	21,887	19,686
<b>Hotel revenue</b>	<b>682,919</b>	<b>591,885</b>
Fee revenue	88,310	71,472
Other revenue	14,486	13,879
<b>Total revenue</b>	<b>785,715</b>	<b>677,236</b>

**Specification of fee revenue**

Management fees	27,812	22,958
Incentive fees	25,251	18,576
Franchise fees	5,831	5,580
Other fees	29,416	24,358
<b>Total</b>	<b>88,310</b>	<b>71,472</b>

- 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	
	2010	2009
Cost of Food	35,333	32,150
Cost of Beverage	11,625	11,155
Cost of other income	5,390	4,972
Cost of other goods sold	5,513	3,374
Cost of tel, fax, internet	1,047	604
<b>Total</b>	<b>58,907</b>	<b>52,255</b>

**NOTE 10** PAYROLL COST, NUMBER OF EMPLOYEES, ETC

TEUR	For the Year Ended Dec. 31	
	2010	2009
Salaries	193,001	176,093
Social security	34,421	31,155
Pension costs	8,409	7,331
<b>Sub-total</b>	<b>235,831</b>	<b>214,579</b>
Other personnel costs (other benefits in kind)	43,116	31,835
<b>Total</b>	<b>278,947</b>	<b>246,414</b>

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

TEUR 14,420 (9,835) of the total salaries in 2010 was related to board members, managing directors and other senior officers within the Group, of which TEUR 4,335 (2,031) was variable salary. TEUR 557 (422) of the pension costs was related to board members, managing directors and other senior officers within the Group. Other senior officers are defined as General Managers at hotels and area vice presidents. The salary specified for board members, managing directors and other senior officers relates to the remuneration they have received in their capacity as board members, managing directors or area vice presidents.

For the Year ended Dec. 31, TEUR	Salaries		Social security		Pension costs		Subtotal		Other personnel costs		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Denmark	12,969	14,333	426	533	937	919	14,332	15,785	1,320	1,626	15,652	17,412
Norway	56,305	50,718	7,794	7,265	4,652	3,832	68,751	61,815	8,894	3,877	77,645	65,693
Sweden	19,525	15,917	6,453	5,098	1,146	903	27,125	21,918	2,569	1,591	29,694	23,509
United Kingdom	23,539	21,087	1,923	1,353	422	425	25,884	22,865	7,378	5,926	33,262	28,790
Germany	25,103	24,424	4,812	4,706	—	—	29,916	29,130	9,313	8,749	39,229	37,878
France	13,662	13,287	4,846	4,479	—	—	18,508	17,766	2,372	2,265	20,880	20,031
Belgium	22,460	22,311	5,671	6,049	1,092	1,109	29,224	29,469	5,310	4,135	34,533	33,604
Other	19,437	14,016	2,496	1,672	159	143	22,092	15,831	5,960	3,666	28,052	19,467
<b>Total</b>	<b>193,001</b>	<b>176,093</b>	<b>34,421</b>	<b>31,155</b>	<b>8,409</b>	<b>7,331</b>	<b>235,831</b>	<b>214,579</b>	<b>43,116</b>	<b>31,835</b>	<b>278,947</b>	<b>246,414</b>

The average number of employees in Rezidor's companies during 2010 was 4,947 (5,007) and is split as follows:

	For the Year Ended Dec. 31,			
	2010		2009	
	Men	Women	Men	Women
Denmark	139	112	133	144
Norway	487	661	483	670
Sweden	187	293	184	285
United Kingdom	558	581	518	577
Germany	375	446	447	518
France	235	231	222	233
Belgium	138	112	151	120
Other	217	174	180	143
<b>Total</b>	<b>2,336</b>	<b>2,611</b>	<b>2,318</b>	<b>2,689</b>
<b>Total men and women</b>	<b>4,947</b>		<b>5,007</b>	

	For the Year Ended Dec. 31,			
	2010		2009	
	Men	Women	Men	Women
Members of the Board of Directors <sup>1)</sup>	7	2	7	2
Executive Committee (including CEO) <sup>2)</sup>	6	1	8	2

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 16 April 2010.

2) The 2009 numbers of members are average number for the year ended Dec 31. The Executive Committee had 11 members until 31 March 2009, 10 members until 31 August 2009, eight members until 30 November 2009 and from 1 December 2009 seven members.

**Remuneration to the external members of the Board of Directors of the Parent Company <sup>1)</sup>**

TEUR	For the Year Ended Dec. 31,	
	2010	2009
Urban Jansson	68	67
Hubert Joly	42	41
Ulla Litzén	14	43
Benny Zakrisson	46	41
Harald Einsmann	13	38
Trudy Rautio	46	39
Jay S. Witzel	13	39
Barry W. Wilson	42	40
Göte Dahlin	42	40
Wendy Nelson	31	—
	<b>357</b>	<b>388</b>

1) TEUR 259 of the total remuneration to members of the Board of Directors in 2009 is attributable to the remuneration approved by the Annual General Meeting on April 23rd, 2009 for the period beginning after that Meeting and ending on the next Annual General Meeting on April 16th, 2010.

**Remuneration of the Executive Committee (incl the CEO) <sup>1)</sup>**

TEUR	For the Year Ended Dec. 31,	
	2010	2009
Base salaries	3,697	4,507
Variable salaries	3,174	738
Post employment compensation <sup>2)</sup>	1,618	1,239
Pension costs to Executive Committee:		
Defined contribution plan	493	480
Defined benefit plan	40	39
Housing and company cars for the Executive Committee	491	655

1) The table above shows the gross amounts. The Executive Committee members are remunerated on a net basis. Due to special tax treatment rules in Belgium, the gross salary may differ from year to year. Regarding number of persons in the Executive Committee, see above.

2) As regards the post employment compensation, see comments to the table for the CEO.

The variable salaries of the members of the Executive Committee are subject to accruals each year. The basis for the annual variable salary scheme for 2010 for the members of the Executive Committee is based on components such as group consolidated profitability, group consolidated cash flow, divisional profitability, the company growth target in terms of opened rooms and contracted rooms and strategic objectives. The combination of weighting of these components depends on the executive's role. They are capped to between 45% and 75% of the annual base salary. The related variable salary 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 salary payment is dependent on certain factors that will finally be known at a date subsequent to the release of the financial statements. Therefore, variable salaries accrued in a specific year may be adjusted in subsequent periods as a result of the final parameters (like the final profitability of the company) deviating from the assumptions made at the balance sheet dates. For members of the Executive Committee (excl. the CEO) the notice period for termination of their agreements is between 3 and 6 months. If their agreements are terminated by Rezidor, the severance pay would amount to between one and three years annual remuneration. Remuneration to the CFO (Deputy President) was comprised in 2010 (2009) of: salary TEUR 576 (559), variable salary TEUR 453 (156), pension TEUR 160 (156), housing and company car TEUR 76 (74).

The remuneration for the CEO is as follows:

Remuneration – CEO TEUR	For the Year Ended Dec. 31,	
	2010	2009
Base salaries <sup>1)</sup>	1,325	1,057
Variable salaries <sup>2)</sup>	2,064	242
Post employment compensation <sup>3)</sup>	1,618	1,239
Pension	252	208
Housing and company cars	198	158

1) The net base salary for the CEO amounted to TCHF 1,098 (1,046) and the increase between 2010 and 2009 was 5%, corresponding to the contractual minimum annual increase, as further outlined below. The gross salary differs from year to year due to special tax treatment rules in Belgium. The increase in gross salary exceeding 5% was the result of these special tax rules and the effect of exchange rates and has no effect on the net contracted salary in CHF. The gross salary in EUR increased in 2010 due to the depreciation of the EUR versus the CHF.

The amount includes the portion of the salary paid out by Rezidor Hotel Group AB (as described below), amounting to TEUR 97 (106).

2) As further described below, the CEO in March 2009 agreed to forego his bonus for 2008 (TEUR 79) and the amount was consequently reversed in 2009, thereby reducing the net costs for variable salaries that year.

3) As further outlined below, the CEO is entitled to a post employment compensation upon retirement corresponding to three times the annual base salary for 2010 plus a fixed amount of TEUR 422. The costs for this post employment compensation are expensed over the remaining term of his employment and the net amount has not changed since 2009. The increase between 2010 and 2009 is related to the appreciation of the CHF versus the EUR and the fact that the gross salary differs between the years due to special tax treatment rules in Belgium.

This remuneration of the CEO is mainly paid by 'The Rezidor Hotel Group S.A.' (Belgium), but due to a dual agreement, a portion amounting to TEUR 97 (106) is paid by Rezidor Hotel Group AB (Sweden). See also Note 3 hereafter in the Parent Company Accounts. These figures are excluding social costs. The CEO's employment agreement was due to expire on February 28th, 2009 when the CEO reached his pension age of 62. Pursuant to the original employment agreement executed prior to the listing in November 2006 the CEO had the following entitlement: On February 28th, 2009 or in the event of the CEO's previous death or non temporary incapacity to fulfil his duties by reason of sickness or injury, the CEO was entitled to receive an amount, net of taxes, corresponding the three (3) times the then applicable base salary (for 2009) plus a fixed amount of 422,000 Euro.

On September 17th, 2008 the Board secured an extension of the term of the CEO's employment until February 28th, 2012. The remuneration of the CEO which from 1st January 2008 consisted of an annual net salary of CHF 950,796 (905,520) was according to the contract for the extended term increased as of January 1st 2009 to 1.045.875 CHF. The minimum annual increase in the contracted net base salary of the CEO remained at 5% and with January 1st 2010 as the first annual revision. For 2008 the CEO was entitled to a variable salary of maximum of 50% of his annual base salary based on pre-set targets for the consolidated profitability of Rezidor, the company growth target and strategic objectives. Based on pre-set targets the variable salary is as from January 1st 2009 75% of annual base salary if targets are achieved. The variable salary may reach 150% of the CEO's annual base salary if higher targets are achieved and 200% of such salary if stretched goals are achieved. The annual variable salary shall be earned and paid in two portions: (i) 50% paid latest by 1st May each year, and (ii) 50% to be contingent upon that the CEO on February 28th, 2012 retires with pension from the Company and will become due and payable on March 1st, 2012. However if the CEO's employment is terminated by the Company without reasons or in the event of the CEO's death or non temporary incapacity to fulfil his duties by reason of sickness or injury prior to said date then the CEO or his estate shall nevertheless be entitled to receive the payment of the second portion of the variable salary. In addition, he is entitled to certain benefits such as housing, car and travel allowances. Either the Company or the CEO may terminate the agreement upon six months' written notice. 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 salary until the termination of his employment. Under the contract which was signed in September 2008, the CEO's pension age is 65. Pursuant to the contract for the extended term it was agreed to divide the payment owed to the CEO pursuant to the original employment agreement and which fell due on February 28th, 2009 into three (3) equal instalments to be made on February 28th, 2009, February 28th 2010 and February 28th, 2011. This notwithstanding if the employment of the CEO is terminated by either the CEO or the Company after February 28th 2009 any amounts then unpaid of this sum shall be paid to the CEO upon the effective date of termination. The same shall apply in the event of his death or non temporary incapacity. Subject to the aforementioned the Company will be under no obligation to the CEO other than to provide all employment benefits during the period of notice and in such case the CEO shall not be entitled to any severance payment or any other kind of compensation as a result of the termination of his employment.

In light of the market conditions a further amendment to the CEO's contract was made in March 2009 pursuant to which the CEO agreed to forego his entitlement to the variable salary for 2008 and further defer the payment of the total amount owed to him until February 28th, 2012 when a lump sum payment will be due to him corresponding to three (3) times the annual base salary for 2010 plus a fixed amount of EUR 422,000. This notwithstanding if the employment of the CEO is terminated by either the CEO or the Company after February 28th, 2009 this sum shall be paid to the CEO upon the effective date of termination. The same shall apply in the event of his death or non temporary incapacity. Subject to the aforementioned the Company will be under no obligation to the CEO other than to provide all employment benefits during the term of notice and such case the CEO shall not be entitled to any severance payment or any other kind of compensation as a result of the termination of his employment.

**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. 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 CEO and the rest of the Executive Committee under the three incentive programmes approved by the Annual General Meetings in 2008, 2009 and 2010. In addition, the CEO and the rest of the Executive Committee would have been awarded 320,007 and 250,392 shares respectively in the 2008 programme. By December 31st, 2010, it was clear that the 2008 programme would not meet the performance criteria as further outline in Note 33, but as the vesting period had not ended that day the shares were not formally forfeited by that day. However, 1,600 so called matching shares from the 2008 programme, where the vesting condition is continuous employment during the vesting period, may still be awarded to members of the Executive Committee when the vesting period ends in 2011 and are included in the table below. As one of the vesting conditions is continued employment until the end of the vesting period (date of the release of the 1st quarterly report in 2011), the shares are not yet formally forfeited.

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

	As of Dec. 31,	
	2010	2009
CEO	646,615	646,793
The rest of the Executive Committee	941,853	936,603
<b>Total</b>	<b>1,588,468</b>	<b>1,583,396</b>

**NOTE 11** OTHER OPERATING EXPENSES

TEUR	For the Year Ended Dec. 31	
	2010	2009
Royalty fees and other costs to Carlson Group	10,027	8,555
Energy costs	29,494	25,658
Supplies	14,680	12,871
Marketing expenses	49,317	36,737
External fees	9,797	8,814
Laundry and dry cleaning	15,423	13,311
Contract services and maintenance	11,463	10,067
Administration costs	10,042	7,876
Communication, travel and transport	9,102	7,256
Insurance costs	—	49
Operating equipment	4,277	2,610
Rentals and licences	3,912	3,551
Property operating expenses	7,464	6,455
Other Expenses	5,694	12,216
<b>Total</b>	<b>180,692</b>	<b>156,026</b>

**NOTE 12** INSURANCE OF PROPERTIES AND PROPERTY TAX

TEUR	For the Year Ended Dec. 31	
	2010	2009
Property & Miscellaneous taxes	11,517	10,875
Building insurance	1,599	1,555
<b>Total</b>	<b>13,116</b>	<b>12,430</b>

**NOTE 13** RENTAL EXPENSE

TEUR	For the Year Ended Dec. 31	
	2010	2009
Fixed rent <sup>1)</sup>	184,342	166,742
Variable rent <sup>2)</sup>	25,637	21,191
Guarantee payments <sup>3)</sup>	14,882	19,411
<b>Total</b>	<b>224,861</b>	<b>207,344</b>

- 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:

TEUR	For the Year Ended Dec. 31	
	2010	2009
Sales price of shares	10,659	—
Net assets of sold entity	6,640	—
Sales cost	—58	—
<b>Total net gain on sale of shares and intangible and tangible assets</b>	<b>3,961</b>	<b>—</b>

The gain on sale of shares and intangible and tangible assets in 2010 was related to the sale of the Regent business.

**NOTE 15** FINANCIAL ITEMS

TEUR	For the Year Ended Dec. 31	
	2010	2009
Interest income from external financial institutions	212	232
Interest income from other loans and receivables	497	417
Fair value change derivatives	—	119
Gain on sale of other shares and participations	—	234
Other financial income	122	186
<b>Financial income</b>	<b>831</b>	<b>1,188</b>
Interest expense to external financial institutions	—229	—305
Interest expense from other loans and payables	—529	—655
Fair value change derivatives	—126	—
Other financial expense	—1,136	—572
Foreign currency exchange losses	—2,511	—329
<b>Financial expense</b>	<b>—4,531</b>	<b>—1,861</b>
<b>Financial income and expenses, net</b>	<b>—3,700</b>	<b>—673</b>

Other financial expenses are related to bank charges and similar items.

**Net gain/loss per category of financial assets and liabilities**

TEUR	For the Year Ended Dec. 31	
	2010	2009
Financial assets at fair value through profit and loss (held for trading)	—126	119
Available-for-sale financial assets	—	234
Loans and receivables and financial liabilities measured at amortised cost	—3,574	—1,026
<b>Recognised in the statement of comprehensive income</b>	<b>—3,700</b>	<b>—673</b>
Available-for-sale financial assets	—1,704	—
<b>Total</b>	<b>—5,404</b>	<b>—673</b>

All interest income and expense in 2010 and 2009 is related to financial assets and liabilities measured at amortised cost. No interest income in 2010 and 2009 was recognised on impaired financial assets.



## NOTE 16 INCOME TAXES

### Income tax recognised in profit or loss

TEUR	For the Year Ended Dec. 31	
	2010	2009
Tax expense(+)/income(-) comprises:		
Current tax expense(+)/income(-)	15,207	7,280
Adjustments recognised in the current year in relation to the current tax of prior years	31	162
Deferred tax expense(+)/income(-) relating to the origination and reversal of temporary differences	-17,530	-5,458
Write-downs of deferred tax assets	5,157	485
<b>Total tax expense/(income)</b>	<b>2,865</b>	<b>2,469</b>

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

TEUR	For the Year Ended Dec. 31	
	2010	2009
Profit from continuing operations	211	-25,698
Income tax expense calculated at the local tax rate	-2,383	-7,856
Effect of revenue that is exempt from taxation	-3,123	-1,372
Effect of expenses that are not deductible in determining taxable profit	3,974	1,496
Effect of tax concessions (research and development and other allowances)	-204	—
Effect of changes in the expected manner of recovery of assets	581	—
Effect of revaluations of assets for taxation purposes	-185	-1,804
Effect of tax losses and tax offsets not recognised as deferred tax assets	5,140	7,323
Effect of previously unrecognised deferred tax attributable to tax losses, tax credits or temporary differences of prior years	-9,310	—
Effect on deferred tax balances due to the change in income tax rate	294	—
Write-downs of deferred tax assets	5,157	485
Effect of withholding taxes	3,135	3,594
Other	-242	441
<b>Sub total</b>	<b>2,834</b>	<b>2,307</b>
Adjustments recognised in the current year related to the current tax of prior years	31	162
<b>Income tax expense recognised in profit or loss</b>	<b>2,865</b>	<b>2,469</b>

### Tax expense recognised directly in equity:

Translation of foreign operations	-268	-1,628
<b>Total</b>	<b>-268</b>	<b>-1,628</b>

The average effective tax rate was 135.7% (-9.6). The improvement of the effective tax rate compared to last year is mainly the result of the net effect from the capitalisation of deferred tax assets of TEUR 9,310 and the write-down of deferred tax assets of TEUR 5,157 following a review of the likelihood to utilise the tax losses incurred within the group.

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

2010	Opening balance	Charged to income	Charged to Equity	Acquisitions/disposals	Exchange differences	Closing balance
<b>Temporary differences</b>						
Property, plant & equipment	-3,789	1,840	—	—	-176	-2,125
Intangible assets	-15,366	1,767	—	—	-9	-13,608
Provisions	—	—	—	—	—	—
Doubtful debts	1,431	371	—	—	—	1,802
Untaxed reserves	-1,210	650	—	—	-217	-777
Pensions	-2,914	302	—	—	-42	-2,654
Other liabilities	-6,228	180	—	—	-299	-6,350
Long term non-interest-bearing receivables	1,589	-302	—	—	—	1,287
Other current non-interest-bearing liabilities	-250	-144	—	—	-29	-423
	<b>-26,739</b>	<b>4,664</b>	<b>—</b>	<b>—</b>	<b>-772</b>	<b>-22,847</b>
<b>Unused tax losses and credits</b>						
Tax losses	24,597	7,708	—	—	241	32,546
	<b>24,597</b>	<b>7,708</b>	<b>—</b>	<b>—</b>	<b>241</b>	<b>32,546</b>
<b>Total</b>	<b>-2,142</b>	<b>12,373</b>	<b>—</b>	<b>—</b>	<b>531</b>	<b>9,699</b>

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

2009	Opening balance	Charged to income	Charged to Equity	Acquisitions/disposals	Exchange differences	Closing balance
<b>Temporary differences</b>						
Property, plant & equipment	-3,416	-18	—	—	-355	-3,789
Intangible assets	-12,226	-3,150	—	—	10	-15,366
Provisions	-8	-3	—	—	11	—
Doubtful debts	-593	2,209	—	—	-185	1,431
Untaxed reserves	-1,711	743	—	—	-242	-1,210
Pensions	-3,192	792	—	—	-514	-2,914
Other liabilities	-2,083	-4,114	—	—	-31	-6,228
Long term non-interest-bearing receivables	3,242	-1,653	—	—	—	1,589
Other current non-interest-bearing liabilities	-1,051	854	—	—	-53	-250
Other	143	—	—	—	-143	—
	<b>-20,895</b>	<b>-4,340</b>	<b>—</b>	<b>—</b>	<b>-1,502</b>	<b>-26,739</b>
<b>Unused tax losses and credits</b>						
Tax losses	15,262	9,313	—	—	22	24,597
	<b>15,262</b>	<b>9,313</b>	<b>—</b>	<b>—</b>	<b>22</b>	<b>24,597</b>
<b>Total</b>	<b>-5,633</b>	<b>4,973</b>	<b>—</b>	<b>—</b>	<b>-1,480</b>	<b>-2,140</b>

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

TEUR	As of Dec. 31	
	2010	2009
Deferred tax assets	27,378	21,225
Deferred tax liabilities	-17,679	-23,365
<b>Total</b>	<b>9,699</b>	<b>-2,140</b>
Less assets held for sale	—	-160
	<b>9,699</b>	<b>-2,300</b>

## UNRECOGNISED DEFERRED TAX ASSETS

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

TEUR	As of Dec. 31,	
	2010	2009
Tax losses	20,372	22,419
Temporary differences	—	—
<b>Total</b>	<b>20,372</b>	<b>22,419</b>

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 that future taxable profits will be available against which the unused tax losses can be utilised. 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 UK, Germany and Sweden. An increased focus on portfolio management 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 TEUR	For the Year Ended Dec. 31	
	2010	2009
Fixed assets	4,048	—
Current assets	3,947	—
Cash and bank	508	—
Long-term intra-group liabilities	—	—
Current liabilities	-1,863	—
<b>Net assets disposed of</b>	<b>6,640</b>	<b>—</b>
Capital gain	4,019	—
Sales price	10,659	—
Transaction cost	-58	—
Net contribution	10,601	—
Cash and bank in disposed operations	-508	—
<b>Total cash flow from disposed operations</b>	<b>10,093</b>	<b>—</b>

The assets and liabilities of disposed operations presented in the table above are all related to the Regent business sold in 2010.

Acquired subsidiaries TEUR	For the Year Ended Dec. 31	
	2010	2009
Non-current assets	165	—
Current assets	527	—
Cash and bank	1,326	—
Non-current liabilities	-60	—
Current liabilities	-651	—
<b>Net assets in acquired operations</b>	<b>1,307</b>	<b>—</b>
Cash and bank in acquired operations	1,326	—
<b>Cash flow from acquired operations during the year</b>	<b>1,326</b>	<b>—</b>

Additional purchase price related to acquisitions prior years	—	474
Additional purchase price related to prior years not paid	—	—
Payment of acquisitions from prior years	—	2,391
<b>Cash flow from acquisitions prior years</b>	<b>—</b>	<b>2,865</b>

<b>Total cash flow during the year from acquired operations</b>	<b>1,326</b>	<b>2,865</b>
<b>Total</b>		

The acquisition in 2010 presented in the table above refers to the restructure of the joint venture in South Africa, whereby Rezidor increased its shareholding in the South African company to 74% from 50%. In this transaction, Rezidor transferred management contracts from one of its Danish subsidiaries and the other joint venture partner extended an existing management contract. Based on the respective values of the contribution from each shareholder, i.e. the value of the transferred contracts and the value of the extended contract, the shareholding was adjusted so that Rezidor got 74% of the shares and the other partner 26% of the shares. Consequently, the transaction did not lead to any change in fair value of net asset held by the group and did not include any cash transfer. The acquisition price was therefore zero. However, the fact that the South African company goes from being recognised as a joint venture and accounted for in accordance with the equity method to being fully consolidated as a subsidiary, leads to a positive cash flow effect of TEUR 1,326 equivalent to the cash and bank of the South African company.

The additional purchase price of TEUR 474 in 2009 is related to the acquisition in 2007 of the remaining 49% of the shares in the joint venture in the Middle East, Rezidor SAS Hotels & Resorts Middle East WLL. This additional purchase price has been allocated to other intangible assets as being attributable to the contracts in the Middle East.

## 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 TEUR	For the Year Ended Dec. 31	
	2010	2009
Loss for the year attributable to equity holders of the parent (TEUR)	-2,481	-28,167
Weighted average number of ordinary shares for the purposes of basic earnings per share	146,307,540	146,307,540
<b>Total basic earnings per share</b>	<b>-0.02</b>	<b>-0.19</b>

TEUR	For the Year Ended Dec. 31	
	2010	2009
Weighted average number of ordinary shares used in the calculation of basic earnings per share	146,307,540	146,307,540
Contingently issuable shares	1,140,828	—
<b>Weighted diluted average number of ordinary shares</b>	<b>147,448,368</b>	<b>146,307,540</b>

The basic earnings per share calculated is 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 2008, 2009 and 2010, 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 2,727,962, of which 1,140,828 would have been awarded had the vesting period ended on 31 December, 2010, giving rise to the dilution, and 1,587,134 would have been forfeited.

**NOTE 19** OTHER INTANGIBLE ASSETS

TEUR	Other intangible assets	Licenses and related rights	Total
<b>Cost</b>			
<b>Balance as of Jan. 1, 2008</b>	<b>32,509</b>	<b>55,406</b>	<b>87,915</b>
Investments	2,067	20	2,087
Additions through business combinations	1,677	—	1,677
Reclassification	703	—	703
Effect of foreign currency exchange	-838	—	-838
<b>Balance as of Jan. 1, 2009</b>	<b>36,118</b>	<b>55,426</b>	<b>91,544</b>
Investments	7,927	1	7,928
Additions through business combinations	474	—	474
Disposals	-7	—	-7
Assets held for sale	-2,126	-550	-2,676
Reclassification	25	—	25
Effect of foreign currency exchange differences	62	1	99
<b>Balance as of Jan. 1, 2010</b>	<b>42,473</b>	<b>54,878</b>	<b>97,350</b>
Investments	351	26	377
Reclassified from held for sale	2,126	550	2,676
Additions through business combinations	753	—	753
Sale of subsidiary	-2,124	-554	-2,678
Reclassification	82	—	82
Effect of foreign currency exchange differences	-138	—	-138
<b>Balance as of Dec. 31, 2010</b>	<b>43,523</b>	<b>54,899</b>	<b>98,422</b>
<b>Accumulated amortisation and impairment</b>			
<b>Balance as of Jan. 1, 2008</b>	<b>-7,175</b>	<b>-2,960</b>	<b>-6,828</b>
Amortisation expense	-1,238	-966	-2,204
Impairment write-down	-64	-4	-68
Effect of foreign currency exchange differences	43	—	43
<b>Balance as of Jan. 1, 2009</b>	<b>-8,434</b>	<b>-3,930</b>	<b>-9,057</b>
Amortisation expense	-1,660	-1,183	-2,843
Eliminated on disposals of assets	6	—	6
Assets held for sale	503	53	556
Effect of foreign currency exchange differences	-35	2	-33
<b>Balance as of Jan. 1, 2010</b>	<b>-9,620</b>	<b>-5,058</b>	<b>-11,371</b>
Amortisation expense	-3,084	-1,183	-4,267
Reclassified from held for sale	-503	-53	-556
Additions through business combinations	-703	—	-703
Sale of subsidiary	587	63	650
Reclassification	-73	—	-73
Effect of foreign currency exchange differences	-133	-1	-136
<b>Balance as of Dec. 31, 2010</b>	<b>-13,529</b>	<b>-6,233</b>	<b>-19,764</b>
<b>Carrying amount</b>			
<b>As of Jan. 1, 2009</b>	<b>27,684</b>	<b>51,496</b>	<b>79,180</b>
<b>As of Dec. 31, 2009</b>	<b>32,853</b>	<b>49,820</b>	<b>82,673</b>
<b>As of Dec. 31, 2010</b>	<b>29,994</b>	<b>48,666</b>	<b>78,660</b>

Amounts previously classified as goodwill has been reclassified to 'Other intangible assets' in 2010 as that classification better reflects the fact that these assets ultimately are the results of payments to get hotel contracts, even if the goodwill arose in connection with the acquisition of a subsidiary. The comparative numbers have been reclassified accordingly, affecting the following lines in the table for 'Other intangible assets' above:

TEUR	2009	2008
<b>Cost</b>		
<b>Balance as of Jan. 1</b>	<b>16,497</b>	<b>15,935</b>
Additions through business combinations	474	636
Effects of foreign currency exchange differences	-36	-74
<b>Balance as of Dec. 31</b>	<b>16,935</b>	<b>15,497</b>
<b>Accumulated amortisations and impairment losses</b>		
<b>Balance as of Jan. 1</b>	<b>-3,307</b>	<b>-3,307</b>
<b>Balance as of Dec. 31</b>	<b>-3,307</b>	<b>-3,307</b>
<b>Carrying amount</b>		
<b>As of Jan. 1</b>	<b>13,190</b>	<b>12,628</b>
<b>As of Dec. 31</b>	<b>13,628</b>	<b>13,190</b>

As from 2010, the reclassified amount is being amortised over the remaining contract term for the hotels to which the intangible assets relate. TEUR 1,024 was recognised as amortisations in 2010 related to the reclassified amount.

TEUR 48,073 (49,237) 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.

**NOTE 20** TANGIBLE ASSETS

TEUR	Fixed installation	Machinery and equipment	Investments in progress	Total
<b>Cost</b>				
<b>Balance as of Jan. 1, 2009</b>	<b>109,560</b>	<b>181,206</b>	<b>9,927</b>	<b>300,693</b>
Investments	1,507	21,183	724	23,414
Classified as held for sale	—	-3,134	—	-3,134
Disposals	-466	-4,689	-45	-5,200
Reclassification	5,675	2,490	-8,190	-25
Effect of foreign currency exchange differences	9,335	14,741	1,023	25,099
<b>Balance as of Jan. 1, 2010</b>	<b>125,611</b>	<b>211,797</b>	<b>3,439</b>	<b>340,847</b>
Investments	1,943	12,934	8,807	23,684
Reclassified from held for sale	—	3,134	—	3,134
Sale of subsidiary	—	-3,134	—	-3,134
Disposals	-304	-14,192	-48	-14,544
Reclassification	2,285	2,576	-4,980	-119
Effect of foreign currency exchange differences	5,672	13,696	244	19,611
<b>Balance as of Dec. 31, 2010</b>	<b>135,207</b>	<b>226,811</b>	<b>7,462</b>	<b>369,479</b>
<b>Accumulated depreciations and impairment</b>				
<b>Balance as of Jan. 1, 2009</b>	<b>-73,333</b>	<b>-123,644</b>	<b>—</b>	<b>-196,977</b>
Eliminated on disposals of assets	467	4,648	—	5,115
Classified as held for sale	—	3,107	—	3,107
Depreciation expense	-7,094	-17,837	—	-24,931
Impairment write-down	-1,763	-500	—	-2,263
Effect of foreign currency exchange differences	-5,475	-10,952	—	-16,429
<b>Balance as of Jan. 1, 2010</b>	<b>-87,198</b>	<b>-145,178</b>	<b>—</b>	<b>-232,378</b>
Eliminated on disposals of assets	294	13,972	—	14,266
Reclassified from held for sale	—	-3,107	—	-3,107
Sale of subsidiary	—	1,278	—	1,278
Depreciation expense	-7,601	-19,108	—	-26,709
Impairment write-down	-828	-1,885	—	-2,713
Reversal of previous made impairment write down	—	2,181	—	2,181
Reclassification	—	109	—	109
Effect of foreign currency exchange differences	-3,611	-10,083	—	-13,694
<b>Balance as of Dec. 31, 2010</b>	<b>-98,944</b>	<b>-161,821</b>	<b>—</b>	<b>-260,765</b>
<b>Carrying amount</b>				
<b>As of Dec. 31, 2009</b>	<b>38,413</b>	<b>66,619</b>	<b>3,439</b>	<b>108,469</b>
<b>As of Dec. 31, 2010</b>	<b>36,263</b>	<b>64,990</b>	<b>7,462</b>	<b>108,715</b>

## NOTE 21 INVESTMENTS IN ASSOCIATED COMPANIES

TEUR	Ownership (%) as of Dec. 31, 2009	Ownership (%) as of Dec. 31, 2010	Carrying value as of Dec. 31, 2009	Share of income	Dividends	Exchange difference	Carrying value as of Dec. 31, 2010
Nordrus Hotel Holding A/S	26.08%	26.08%	222	4	—	—	228
Al Quesir Hotel Company S,A,E	20.00%	20.00%	2,870	170	—	102	3,142
Afrinord Hotel Investment A/S	20.00%	20.00%	56	—4	—	—	52
<b>Totalt</b>			<b>3,148</b>	<b>170</b>	<b>—</b>	<b>102</b>	<b>3,422</b>

### Summarised financial information for associated companies

TEUR	As of and for the Year Ended Dec. 31	
	2010	2009
Total assets	23,929	20,837
Total liabilities	11,244	9,026
Net assets	12,685	11,811
Group's share in net assets	3,422	3,148
Revenue	6,596	6,233
Profit after tax	869	1,128
Group's share in net profit	170	224

## NOTE 22 INVESTMENTS IN JOINT VENTURES

TEUR	Ownership (%) as of Dec. 31, 2009	Ownership (%) as of Dec. 31, 2010	Carrying value as of Dec. 31, 2009	Share of income	Dividends	Reclassification	Exchange difference	Carrying value as of Dec. 31, 2010
Casino Denmark A/S	50.00%	50.00%	—	—	—	—	—	—
Casino Denmark K/S	50.00%	50.00%	1,811	1,347	—2,014	—	1	1,145
RHW JV Southern Africa (P) Ltd	50.00%	0.00%	966	—	—	—966	—	—
<b>Total</b>			<b>2,777</b>	<b>1,347</b>	<b>—2,014</b>	<b>—966</b>	<b>1</b>	<b>1,145</b>
Less assets classified as held for sale			—1,811					—
<b>Total reported as investments in joint ventures</b>			<b>966</b>					<b>1,145</b>

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

TEUR	As of and for the Year Ended Dec. 31	
	2010	2009
Total assets	33,119	33,836
Total liabilities	11,389	9,483
Net assets	21,730	24,352
Group's share in net assets	10,865	12,493
Revenue	23,824	23,818
Profit after tax	2,694	3,294
Group's share in net profit	1,347	1,647

TEUR 9,720 (9,716) of the Group's share of net assets and TEUR 750 (461) 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, 2009	Ownership (%) as of Dec. 31, 2010	Carrying value as of Dec. 31, 2009	Disposals	Investments	Write down	Exchange difference	Carrying value as of Dec. 31, 2010
Doricus Enterprise Ltd	14.39%	14.39%	5,866	—	—	—1,704	—9	4,153
First Hotels Co K.S.C.C	1.82%	1.82%	2,020	—	—	—	—3	2,017
Timmendorf mbH & Co Beteiligungs KG	18.67%	18.67%	307	—	—	—	—	307
Others	—	—	205	—	—	—	—1	204
<b>Total</b>			<b>8,398</b>	<b>—</b>	<b>—</b>	<b>—1,704</b>	<b>—14</b>	<b>6,681</b>



## NOTE 24 PENSION FUNDS, NET

### Pension obligations recognised in the Group balance sheet

TEUR	As of Dec. 31	
	2010	2009
Pension funds over funded	9,811	10,861
Pension funds under funded	-2,592	-1,656
<b>Total</b>	<b>7,219</b>	<b>9,205</b>

### 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.

TEUR	As of Dec. 31	
	2010	2009
Discount rate		
Norway	3.60%	4.40%
Belgium	4.00%	5.25%
Sweden	3.75%	3.75%
Expected return on Plan assets	4.33%	4.33%
Expected rate of salary increase	4.00%	4.00%
Other (local government rate in Norway)	3.75%	4.25%

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

TEUR	As of Dec. 31	
	2010	2009
Current service cost	-3,090	-3,625
Interest cost on obligation	-2,387	-2,293
Expected return on plan assets	2,124	2,165
Actuarial losses(-)/gains(+) recognised in the year	-2,601	-1,596
Contribution from plan participants	68	—
Losses(-)/gains(+) arising from curtailments or settlements	327	—
<b>Pension costs for defined benefit plans</b>	<b>-5,559</b>	<b>-5,349</b>

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

TEUR	As of Dec. 31	
	2010	2009
Present value of defined benefit obligation	60,063	53,171
Fair value of plan assets	-47,664	-43,268
<b>Sub total</b>	<b>12,399</b>	<b>9,903</b>
Deficit/(Surplus)	12,399	9,903
Net actuarial gains and losses not recognised	-19,618	-19,108
<b>Net asset arising from defined benefit obligation</b>	<b>-7,219</b>	<b>-9,205</b>

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

TEUR	As of Dec. 31	
	2010	2009
Opening defined benefit obligation	53,171	45,732
Current service cost	3,090	3,625
Interest cost	2,387	2,293
Actuarial losses (+)/gains(-)	6	-4,413
Exchange differences on foreign plans	3,318	7,454
Benefits paid	-1,909	-1,520
<b>Closing defined benefit obligation</b>	<b>60,063</b>	<b>53,171</b>

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

TEUR	As of Dec. 31	
	2010	2009
Opening fair value of plan assets	43,268	35,433
Expected return on plan assets	2,124	2,166
Actuarial gains/losses	-1,519	-2,071
Exchange differences on foreign plans	2,672	5,739
Contributions from the employer	2,518	3,222
Contributions from plan participants	140	142
Benefits paid – premium payments	-1,539	-1,363
<b>Closing fair value of plan assets</b>	<b>47,664</b>	<b>43,268</b>

### Historic information:

TEUR	As of Dec. 31				
	2010	2009	2008	2007	2006
Total present value of defined benefit obligations	60,063	53,171	45,732	42,630	39,190
Fair value of plan assets	-47,664	-43,268	-35,433	-36,520	-35,925
<b>Deficit</b>	<b>12,399</b>	<b>9,903</b>	<b>10,299</b>	<b>6,110</b>	<b>3,265</b>

### The major categories of plan assets at the balance sheet:

TEUR	As of Dec. 31	
	2010	2009
Equity instruments	20%	4%
Debt instruments	57%	68%
Property	16%	16%
Other	7%	12%

In 2010 the experience adjustments on plan liabilities and plan assets amounted to TEUR -4,259 (2009: 534, 2008: 2,546) and TEUR -1,382 (2009: -2,247, 2008: -2,439) respectively. The expected contributions by the employer in 2011 amount to TEUR 1,959 (2009: 3,605, 2008: 2,204).

### 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 2,850 (1,982).

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 2010. 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 825 (610) Alecta's surplus can be passed on to the insurance-takers and/or the insured. At the end of 2010 Alecta's surplus in the form of the collective consolidation level was 146% (141). 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, 2010		Nominal loan amount in thousands	Currency	Nominal value in TEUR	Impairment and exchange losses in TEUR	Amortised cost in TEUR	Duration and interest rates
Loan from	Counterpart						
Rezidor Riga Hotel A/S	Polar Bek Daugave Ltd. Riga Hotel	1,225	USD	1,059	—	1,059	Undefined duration –10,08%
SIHKA A/S	Rezidor Royal Hotel Beijing Co. Ltd	16,152	USD	12,061	–2,341	9,720	Undefined duration
Rezidor Hotel ApS Denmark	Orchard Hotels A.S	200	EUR	201	—	201	15/10/2011 – Euribor 3M +1,5%
Rezidor Hotels UK Ltd	New Hotel JSC	756	EUR	756	—	756	13,88%
Rezidor Group	Other	112	EUR	112	—	112	Various interest bearing deposits
<b>Total of interest-bearing</b>				<b>14,189</b>	<b>–2,341</b>	<b>11,848</b>	
Rezidor Group	Other			450	—	450	Non-interest bearing
<b>Total of non-interest-bearing</b>				<b>450</b>	<b>—</b>	<b>450</b>	
<b>Total long-term receivables</b>				<b>14,639</b>	<b>–2,341</b>	<b>12,298</b>	

As of Dec. 31, 2009		Nominal loan amount in thousands	Currency	Nominal value in TEUR	Impairment and exchange losses in TEUR	Amortised cost in TEUR	Duration and interest rates
Loan from	Counterpart						
Rezidor Riga Hotel A/S	Polar Bek Daugave Ltd. Riga Hotel	1,225	USD	904	—	904	Undefined duration –10,08%
SIHKA A/S	Rezidor Royal Hotel Beijing Co. Ltd	17,677	USD	12,125	–2,409	9,716	Undefined duration
Rezidor Hotel Group NV	Orchard Hotels A.S	200	EUR	200	—	200	15/10/2011 – Euribor 3M +1,5%
Rezidor Hotels UK Ltd	New Hotel JSC	676	EUR	676	—	676	13,88%
Rezidor Group	Other	107	EUR	107	—	107	Various interest bearing deposits
<b>Total of interest-bearing</b>				<b>14,012</b>	<b>–2,409</b>	<b>11,603</b>	
Rezidor Group	Other			548	—	548	Non-interest bearing
<b>Total of non-interest-bearing</b>				<b>548</b>	<b>—</b>	<b>548</b>	
<b>Total long-term receivables</b>				<b>14,560</b>	<b>–2,409</b>	<b>12,151</b>	

**NOTE 26** ACCOUNTS RECEIVABLES

TEUR	As of Dec. 31	
	2010	2009
Accounts receivables before allowance for doubtful accounts	45,521	43,698
Allowance for doubtful accounts	-6,197	-5,470
<b>Accounts receivables net of allowance for doubtful accounts</b>	<b>39,324</b>	<b>38,228</b>
Less assets held for sale	—	-341
<b>Total reported accounts receivables net of allowance for doubtful accounts</b>	<b>39,324</b>	<b>37,887</b>

	Accounts receivables before allowance for doubtful accounts	Accounts for doubtful accounts	Accounts receivables net of allowance for doubtful accounts
<b>As of Dec. 31, 2010</b>			
Accounts receivables not overdue	19,706	-59	19,647
Accounts receivables overdue			
1-30 days	12,937	-222	12,715
31-60 days	4,361	-146	4,215
61-90 days	1,308	-104	1,204
More than 90 days	7,209	-5,666	1,543
<b>Total overdue</b>	<b>25,815</b>	<b>-6,138</b>	<b>19,676</b>
<b>Total ledger</b>	<b>45,521</b>	<b>-6,197</b>	<b>39,324</b>

	Accounts receivables before allowance for doubtful accounts	Accounts for doubtful accounts	Accounts receivables net of allowance for doubtful accounts
<b>As of Dec. 31, 2009</b>			
Accounts receivables not overdue	15,856	-138	15,718
Accounts receivables overdue			
1-30 days	14,431	—	14,431
31-60 days	4,695	-190	4,505
61-90 days	2,174	-151	2,023
More than 90 days	6,542	-4,991	1,551
<b>Total overdue</b>	<b>27,842</b>	<b>-5,332</b>	<b>22,510</b>
<b>Total ledger</b>	<b>43,698</b>	<b>-5,470</b>	<b>38,228</b>

TEUR	As of Dec. 31	
	2010	2009
Balance at the beginning of the year	-5,470	-5,864
Amounts written off during the year	533	-185
Amounts recovered during the year	48	559
Increase/Decrease in allowance recognised in profit or loss	-1,163	-92
Translation difference	-145	112
<b>Balance at the end of the year</b>	<b>-6,197</b>	<b>-5,470</b>

No collaterals are held as security for accounts receivables outstanding.

**NOTE 27** OTHER CURRENT INTEREST-BEARING RECEIVABLES

Loan from	Counterpart	As of Dec. 31, 2010	
		Amortised cost in TEUR	Interest rates
Africa Joint Venture Holding A/S	Afrinord Hotel Investments A/S	1,161	6 months Euribor + 6.1 %
<b>Total of current interest-bearing receivables</b>		<b>1,161</b>	

Loan from	Counterpart	As of Dec. 31, 2009	
		Amortised cost in TEUR	Interest rates
Rezidor Hotel ApS	SNC Paris Le Havre	1,943	6 months Euribor + 1 %
Africa Joint Venture Holding A/S	Afrinord Hotel Investments A/S	500	Fixed rate -11.5%
<b>Total of current interest-bearing receivables</b>		<b>2,443</b>	
Less assets held for sale		-1,973	
<b>Total reported current interest-bearing receivables</b>		<b>500</b>	

No collateral was held as security for these receivables. TEUR 0 (1,395) was past due at year-end, but not impaired as the terms for the repayment schedule have been renegotiated.

**NOTE 28** OTHER CURRENT NON-INTEREST-BEARING RECEIVABLES

TEUR	As of Dec. 31	
	2010	2009
<b>Prepaid expenses</b>		
Prepaid Rent	15,134	14,740
Prepaid Heating	108	115
Prepaid Other	8,870	6,651
	24,112	21,506
<b>Accrued Income</b>		
Accrued Income – Fees	6,970	3,244
Accrued Income – Other	3,062	3,986
	10,032	7,230
FX swaps	7	119
Other current non-interest-bearing receivables	16,244	14,551
<b>Total</b>	<b>50,395</b>	<b>43,406</b>
Less assets held for sale	—	-481
<b>Total reported other current non-interest-bearing receivables</b>	<b>50,395</b>	<b>42,925</b>

**NOTE 29** OTHER SHORT-TERM INVESTMENTS

Other short-term investments relate to cash in restricted accounts. These restricted accounts are cash at bank restricted to meet the liability arising from payroll taxes withheld (Norway), energy purchases (Sweden) and cash pool arrangement (France).

**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:

TEUR	As of Dec. 31	
	2010	2009
Bank accounts	25,412	4,015
Cash on hand	1,296	1,223
<b>Total cash and cash equivalents</b>	<b>26,708</b>	<b>5,238</b>

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

**NOTE 31** ASSETS CLASSIFIED AS HELD FOR SALE

TEUR	As of Dec. 31	
	2010	2009
Shares in Casino Denmark K/S	—	1,811
Other hotel asset groups held for sale	—	5,585
<b>Total assets</b>	<b>—</b>	<b>7,396</b>

No assets were classified as held for sale at year-end 2010. The process to sell the shares in Casino Denmark K/S has been abandoned and the shares are consequently no longer classified as held for sale. The other assets classified as held for sale at year-end 2009 were related to the Regent business, which was sold in June 2010. The gain from the sale amounted to TEUR 3,961, as presented in note 14 and 17, of which TEUR 3,631 has been reported under leased hotels in Rest of Western Europe and TEUR 330 under managed hotels in Eastern Europe in the segmentation.

TEUR	As of Dec. 31	
	2010	2009
Intangible fixed assets	—	2,119
Tangible fixed assets	—	27
Deferred tax asset	—	160
Inventories	—	217
Accounts receivables	—	341
Current tax assets	—	297
Other current interest-bearing receivables	—	1,943
Other current non-interest-bearing receivables	—	481
<b>Total assets</b>	<b>—</b>	<b>5,585</b>

TEUR	As of Dec. 31	
	2010	2009
Accounts payables	—	46
Other current non-interest-bearing liabilities	—	596
<b>Total liabilities</b>	<b>—</b>	<b>642</b>

**NOTE 32** SHARE CAPITAL**ISSUED CAPITAL**

TEUR	Share capital 2010	Other paid in capital 2010	Share capital 2009	Other paid in 2009
Opening balance as of Jan. 1,	10,000	120,302	10,000	120,302
Dividend paid	—	—	—	—
<b>Closing balance as of Dec. 31,</b>	<b>10,000</b>	<b>120,302</b>	<b>10,000</b>	<b>120,302</b>

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 weighted number of own shares held by the company in 2010 and 2009 was 3,694,500 respectively. 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. A total of 1,089,207 shares had been bought back to secure delivery of shares in the incentive programmes and the related social security costs. On 16th April, 2010, the Annual General Meeting approved that the shares bought back for capital structure purposes, in total 2,605,293 shares, are to be used for the share based incentive programmes instead. Consequently, all 3,694,500 shares held by the company by the end of 2010 are held for the purpose of securing delivery of shares to the participants in the share based incentive programmes and to cover social security costs pertaining to these programmes. In addition, the Board of Directors was authorised by the Annual General Meeting to decide on the acquisition and transfer of the Company's own shares with the purpose of giving the Board of Directors an increased capacity to act in respect of organising the capital structure of the Company. At the end of 2010, the authorisations had not been used and no shares were consequently bought back in 2010.

	Number of shares	Investment (TEUR)	Quota value (TEUR)	Percent of registered shares
<b>Own shares held at December 31, 2007</b>	<b>1,025,000</b>	<b>4,911</b>	<b>68,3</b>	<b>0.68%</b>
Own shares bought back in 2008	2,669,500	8,381	178,0	1.78%
<b>Own shares held at December 31, 2008</b>	<b>3,694,500</b>	<b>13,292</b>	<b>246,3</b>	<b>2.46%</b>
<b>Own shares held at December 31, 2009</b>	<b>3,694,500</b>	<b>13,292</b>	<b>246,3</b>	<b>2.46%</b>
<b>Own shares held at December 31, 2010</b>	<b>3,694,500</b>	<b>13,292</b>	<b>246,3</b>	<b>2.46%</b>

TEUR	As of Dec. 31	
	2010	2009
Number of registered shares	150,002,040	150,002,040
Number of own shares held by the company	–3,694,500	–3,694,500
<b>Number of shares outstanding</b>	<b>146,307,540</b>	<b>146,307,540</b>

**DIVIDEND PER SHARE**

In accordance with the recommendation from the Board of Directors to the Annual General Meeting in 2010, the Annual General Meeting decided to not pay any dividend to the shareholders in 2010. The Board of Directors recommends the Annual General Meeting 2011 no dividend to be paid for the financial year 2010.

## 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 align executives with shareholder interests, that the proportion of remuneration linked to company performance increases and that it encourages executive share ownership. In order to implement the performance based share programme in a cost efficient and flexible manner, the Board of Directors was authorised by the AGMs in 2007, 2008 and in 2009 to decide on acquisitions of its own shares on the stock exchange.

#### THE 2008 PROGRAMME

On April 23rd, 2008, 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 June 30th, 2008, and the vesting period ends in connection with the release of the first quarterly report in 2011.

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 relative their number of savings shares. The total value of savings shares is limited to 40% of the 2008 base salary before taxes for the CEO, the CFO and three other senior executives and to 20% of the 2008 base salary before taxes for other participants. As of December 31st, 2010, the maximum number of performance shares that may be awarded after the full vesting period was 611,779.

With the exception for the CEO, the CFO and three other senior executives, the participants are entitled to receive a certain number of so called matching shares conditional upon continuous employment during the vesting period. As of December 31st, 2010, the maximum number of matching shares that may be awarded after the full vesting period was 24,540.

The award is dependent on certain performance criteria for the financial years 2008 to 2010, of which 25% is related to growth in earnings per share (EPS) and 75% to total shareholder return (TSR) relative to a defined peer group of hotel companies. As for the EPS part, the participants are entitled to a 20% allotment if the three year annualised EPS growth is equal to or above 15%. The allotment increases proportionally based on the growth in EPS with a 100% allotment if the three year EPS growth is 119.7% (equal to 30% per year) or above. 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). 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 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 25.50 (EUR 2.69). The fair value at grant date of the TSR based awards was calculated as approximately 56% of the share price at grant date, i.e. SEK 14.29 (EUR 1.51). This value was calculated in a Monte Carlo simulation, in which the following parameters were used: share price volatility of 39% (Rezidor's share price volatility since the IPO to grant date), risk-free interest rate of 4.7% (Swedish 3 year government bond at grant date), dividend yield of 3.7% (estimated using a 12 month trailing dividend yield), an average market correlation of 26% (the average correlation of Rezidor with the peer group).

#### THE 2009 PROGRAMME

On April 23rd, 2009, 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, 2009, and the vesting period ends in connection with the release of the first quarterly report in 2012.

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 is limited to 50% of the 2009 base salary before taxes (base salary) for the CEO and the CFO, to 35% of the base salary for the COO's, the Chief Development Officer and the EVP of Brands, to 25% of the base salary for other participants within top management and to 15% of the base salary for the rest of the participants. As of December 31st, 2010, the maximum number of performance shares that may be awarded after the full vesting period was 1,131,108.

The award is dependent on certain performance criteria for the financial years 2009 to 2011, 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 annualised EPS growth is equal to or above 0%. The allotment increases proportionally based on the growth in EPS with a 100% allotment if the three year EPS growth is 73% (equal to 20% per year) or above. 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 17.44 (EUR 1.62). 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 8.63 (EUR 0.80). This value was calculated in a Monte Carlo simulation, in which the following parameters were used: share price volatility of 36% (Rezidor's share price volatility since the IPO to grant date adjusted for the period with extreme financial turmoil), risk-free interest rate of 1.59% (Swedish 3 year government bond at interest at grant date) and

an average share price correlation of 35% compared to the peer group and of 52% 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 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 is 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, 2010, the maximum number of performance shares that may be awarded after the full vesting period was 960,535.

7 members of the Executive Committee participated in the programme entitling them to a maximum total of 703,234 shares, of which the CEO is entitled to a maximum of 319,829 shares. Above that, 21 other members of management participated in the programme, entitling them to 257,301 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 0.15% (equivalent to 0.05 per year). The allotment increases proportionally based on the cumulative EPS with a 100% allotment if the three year cumulative EPS is 0.35 or more (equivalent to approximately 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.

#### 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 2009	Granted in 2010	Forfeited during 2010	At the end of 2010
2007 plan	225,801	—	-225,801	—
2008 plan	667,691	—	-31,372	636,319
2009 plan	1,229,526	—	-98,418	1,131,108
2010 plan	—	960,535	—	960,535
<b>Total</b>	<b>2,123,018</b>	<b>960,535</b>	<b>-355,591</b>	<b>2,729,962</b>

As the 2007 plan did not meet the performance criteria, the shares allocated to this plan were all forfeited during 2010. Based on the TSR and EPS performance until December 31st, 2010, 1,568,728 shares related to the 2009 and 2010 programmes would have been awarded had the vesting period ended on that day. By December 31st, 2010, it was also clear that the performance criteria of the 2008 programme would not be met, but as the vesting period had not ended by that day the shares were not formally forfeited. 21,440 matching shares from the 2008 programme, where the vesting condition is continuous employment during the vesting period, may still be awarded when the vesting period ends in 2011.

#### TOTAL COSTS

The net costs recognised in the income statement during the period in accordance with IFRS 2 amounted to TEUR 877 (801). The costs for social security recognised in the income statement in amounted to TEUR 573 (TEUR 271).

**NOTE 34** PROVISIONS

TEUR	Provisions for employee benefits and payroll	Provisions for legal case	Other provisions	Total
<b>Balance as of Jan. 1, 2009</b>	<b>137</b>	<b>623</b>	<b>247</b>	<b>1,007</b>
Additional provisions recognised	181	-283	69	-33
Reductions arising from payments	—	-40	-105	-145
Reclassification	-7	—	—	-7
<b>Balance as of Dec. 31, 2009</b>	<b>312</b>	<b>300</b>	<b>211</b>	<b>823</b>
Additional provisions recognised	126	—	185	311
Reductions arising from payments	-18	-7	-37	-62
Reclassification	-66	—	-1	-67
<b>Balance as of Dec. 31, 2010</b>	<b>354</b>	<b>293</b>	<b>358</b>	<b>1,004</b>

**NOTE 35** BORROWINGS

TEUR	Current As of Dec. 31		Non-current As of Dec 31	
	2010	2009	2010	2009
<b>Unsecured – at amortised cost</b>				
Bank overdrafts	—	12,660	—	—
Other loans	—	1,330	7,656	7,638
<b>Total</b>	<b>—</b>	<b>13,990</b>	<b>7,656</b>	<b>7,638</b>

TEUR 7,656 (7,537) of non-current other loans and TEUR 0 (1,330) of current other loans are 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 and nothing in 2010. 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, 2010			
	TCHF	TEUR	TDKK	Total
Bank overdrafts	—	—	—	—
Other loans	—	7,656	—	7,656
<b>Total</b>	<b>—</b>	<b>7,656</b>	<b>—</b>	<b>7,656</b>

	As of Dec. 31, 2009			
	TCHF	TEUR	TDKK	Total
Bank overdrafts	—	12,660	—	12,660
Other loans	1	8,967	—	8,968
<b>Total</b>	<b>1</b>	<b>21,627</b>	<b>—</b>	<b>21,628</b>

**The average interest rates paid were as follows:**

TEUR	For the Year Ended Dec. 31	
	2010	2009
Bank overdrafts	0.76%	1.03%
Other loans	5.80%	5.80%

All liabilities to financial institutions are repayable within one year

**SPLIT OF BANK OVERDRAFT**

TEUR	As of Dec. 31	
	2010	2009
Bank overdraft facilities granted	106,800	106,800
Utilisation of bank overdraft: in guarantees	-4,223	-2,381
Utilisation of bank overdraft: in cash	—	-12,660
<b>Bank overdraft facilities unutilised</b>	<b>102,577</b>	<b>91,759</b>

In 2008 Rezidor signed a long-term agreement with a leading European bank, securing combined overdraft and guarantee facilities of TEUR 105,000. In 2010 Rezidor renegotiated its long-term credit facilities, by extending the tenor of its committed credit lines to now range between one and three 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

TEUR	As of Dec. 31	
	2010	2009
Prepayments from customers	9,326	6,249
Accrued expenses & prepaid income	97,266	67,539
Other short term non-interest-bearing liabilities	17,903	21,732
<b>Total</b>	<b>124,496</b>	<b>95,520</b>
Less assets held for sale	—	-596
<b>Total reported other current non-interest-bearing liabilities</b>	<b>124,496</b>	<b>94,924</b>



**SPECIFICATION OF ACCRUED EXPENSES AND PREPAID INCOME**

TEUR	Opening Balance as of Jan. 1, 2010	Utilisation	Additions	Release	Translation	Closing balance as of Dec. 31, 2010
Vacation pay including social costs	13,333	-13,667	14,532	-70	734	14,861
Accrual for overtime including social costs	487	-503	521	-2	42	545
Accrual for bonus including social costs	5,563	-5,138	11,412	-208	40	11,669
Accrual for energy costs	3,034	-2,704	3,866	-79	95	4,212
Accrued rent	3,647	-2,971	14,491	-147	978	15,998
Other accrued expenses	37,391	-34,440	42,387	-714	1,233	45,856
Prepaid income	4,084	-1,379	1,387	-92	126	4,126
<b>Total</b>	<b>67,539</b>	<b>-60,804</b>	<b>88,596</b>	<b>-1,313</b>	<b>3,247</b>	<b>97,266</b>

**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:

TEUR	Revenue		Operating cost		Amounts owed by the related parties		Amounts owed to the related parties	
	2010	2009	2010	2009	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009
Carlson Inc	275	2,130	10,027	8,555	275	157	708	912
Carlson Travel Agencies	—	—	688	504	—	—	121	41

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.

Included in revenue from Carlson for 2010 is MEUR 0.3 related to the sale of the right to use one F&B concept. Rezidor entered into a similar agreement for another F&B concept with Carlson in 2009, for which Carlson paid MEUR 0.2. In 2009 Rezidor also sold the right to use certain brand tools, concepts, manuals and intellectual property developed by Rezidor for the Radisson brand (for which Carlson paid MEUR 1.8) as well as graphic standards and an operating equipment list for the Park Inn by Radisson Brand (for which Carlson paid total MEUR 0.2).

**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.

**JOINT VENTURES AND ASSOCIATED COMPANIES**

TEUR	As of Dec. 31	
	2010	2009
Loans due from joint ventures and associated companies	9,720	9,716
Revenue (Management Fees) from joint ventures and associated companies	824	1,293

More information about shares in joint ventures and associates and the loans to the entities is disclosed in Note 21, 22 and 25. TEUR 3,061 (0) of the guarantees reported in note 38 is given to secure the special post employment compensation to the CEO that is further described in note 10. Compensation arrangements regarding Key management is described in Note 10.

**NOTE 38 ASSETS PLEDGED, CONTINGENT LIABILITIES AND COMMITTED INVESTMENTS**

TEUR	As of Dec. 31	
	2010	2009
<b>Assets pledged</b>		
Securities on deposit	3,308	3,344
<b>Total assets pledged</b>	<b>3,308</b>	<b>3,344</b>
<b>Contingent liabilities</b>		
Miscellaneous guarantees provided	4,223	2,381
<b>Total guarantees provided</b>	<b>4,223</b>	<b>2,381</b>

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% associate, Afrinord Hotel Investment A/S ("Afrinord"), to develop/acquire projects in Africa. With respect to Afrinord, the total investment commitment as of December 31, 2009 was TEUR 7,000 and the Company made a capital contribution of TEUR 50 during 2006. Afrinord has partly financed a hotel in Adis Ababa, Ethiopia, through a loan agreement of TEUR 2,500 in 2009, of which the Company's contribution was TEUR 500. The remaining commitment is consequently in TEUR 6,450. A decision to invest in a project through Afrinord requires an approval by four out of five shareholders.

**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 2010. 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, 2010.

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. Stonehaven is claiming MEUR 35.4 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 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 simply restated its claims 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, neither for the costs of defence.

In November 2005, the Radisson Blu hotel in Amman, Jordan was a target of a terrorist bomb attack which killed or injured a number of people and damaged the Radisson Blu hotel building. The hotel owner has received notice of 43 claims. Due to the time bar no more suits are expected. The insurance company is handling the cases through local counsel. 33 cases have been tried in the first court. Different verdicts have been issued. In 15 cases the hotel has been found liable. Reasons for liability has varied between that the hotel has been found negligent and that the negligence was the cause of the damage. For some of the cases the reason for liability was found to be contractual. All 15 cases where the hotel has been found liable have been appealed. In 18 cases the hotel has been found not liable and the reasons for this has been either force majeure or that there was no link between the hotel's fault and the damage or simply no liability. 17 out of the 18 cases have been appealed. 10 cases have not yet been tried by the first court. The Radisson Blu hotel in Amman was trading under a franchise agreement which was terminated by Rezidor per 31 May 2007. Rezidor believe that as the company did not operate the hotel, and based on legal advice provided by the company's external legal counsel, that Rezidor are not liable for damages to third parties caused by the terrorist bomb attack.

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

*Cont. Note 38*

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 during 2007 informed 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, neither 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 2010, Rezidor had 80 leasing contracts for hotels in operation and under development that had some financial commitments, compared to 80 such contracts in 2009. 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	2010 Number of leasing agreements expiring	Year	2009 Number of leasing agreements expiring
2011	0	2010	0
2012–2014	4	2011–2014	5
2015–2019	11	2015–2019	10
2020–2024	24	2020–2024	25
2025–2029	14	2025–2029	15
2030–2034	23	2030–2034	22
2035–2039	3	2035–2039	2
2040–2045	1	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, 2010 are shown in the following table. For further information regarding rent payments, please refer to Note 13.

### FUTURE MINIMUM LEASE PAYMENTS

TEUR	2010	2009
Within 1 year	192,795	184,294
1–5 years	978,365	963,882
After 5 years	1,911,771	1,992,760
<b>Total</b>	<b>3,082,931</b>	<b>3,140,936</b>

Revenue from sub leases recognised in 2010 amounted to TEUR 4,019 (3,386). The expected future sub lease payments to be received from all fixed rent agreements are shown in the table below:

### FUTURE MINIMUM SUB LEASE INCOME

TEUR	2010	2009
Within 1 year	3,918	3,278
1–5 years	15,212	12,617
After 5 years	2,498	3,612
<b>Total</b>	<b>21,794</b>	<b>19,507</b>

## 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 41 management contracts in 2010, as compared to 46 in 2009. The management contracts containing such financial risk for the group will expire as presented in the table below:

Year	2010 Number of manage- ment agreements expiring	Year	2009 Number of manage- ment agreements expiring
2011	0	2010	0
2012–2014	4	2011–2014	5
2015–2019	5	2015–2019	5
2020–2024	7	2020–2024	9
2025–2029	14	2025–2029	15
2030–2034	6	2030–2034	7
2035–2039	4	2035–2039	5
2040–2045	1	2040–2045	0

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	2010	2009
<b>Total</b>	<b>109,506</b>	<b>128,575</b>

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 2010, Rezidor paid TEUR 14,880 (19,411 in 2009) as shortfalls under its management agreements with guarantees (see Note 13).

**NOTE 41** AUDITORS' FEES

Group TEUR	For the Year Ended Dec. 31	
	2010	2009
<b>Deloitte</b>		
Audit assignments	1,265	1,639
Other audit related assignments	97	145
Tax assignments	93	59
Other assignments	148	161
<b>Total Deloitte</b>	<b>1,603</b>	<b>2,004</b>
<b>Other audit firms</b>		
Audit assignments	13	422
Other audit assignments	24	22
Tax assignments	65	253
Other assignments	183	74
<b>Total other audit firms</b>	<b>285</b>	<b>771</b>
<b>Grand Total</b>	<b>1,888</b>	<b>2,775</b>

Fees paid to Deloitte for other assignments include fees related to support in Rezidor's internal audit work. These fees amounted to TEUR 35 (TEUR 52).

**NOTE 42** POST BALANCE SHEET EVENTS

There are no post balance sheet events to report.

**NOTE 43** GROUP COMPANIES AND LEGAL STRUCTURE

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

	Registered in	As of Dec. 31, 2010		As of Dec. 31, 2009	
		Ownership %	Share capital	Ownership %	Share capital
<b>Belgium</b>					
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 7.3	100	MEUR 7.3
Rezidor Park Belgium S.A.	Brussels	100	MEUR 0.1	100	MEUR 0.1
<b>Cyprus</b>					
Doricus Enterprises Limited	Limassol	14.41	MEUR 19.8	14.39	MEUR 19.8
<b>China</b>					
Rezidor Royal Hotel Beijing Co., Ltd	Beijing	50	MUSD 9.0	50	MUSD 9.0
<b>Denmark</b>					
Rezidor Hotels ApS Danmark	Copenhagen	100	MDKK 212.0	100	MDKK 210.0
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
SIHKA 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 Hotel Investment A/S	Copenhagen	0	MDKK 0.0	100	MDKK 1.0
Rezidor Russia A/S	Copenhagen	100	MDKK 5.0	100	MDKK 5.0
Rezidor Regent A/S	Copenhagen	0	MDKK 0.0	100	MDKK 4.0
Rezidor Loyalty Management A/S	Copenhagen	100	MDKK 1.0	100	MDKK 1.0
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
<b>Egypt</b>					
Al Quesir Hotel Company S.A.E	Al Quesir City	20	MEGP 68	20	MEGP 68
<b>France</b>					
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

	Registered in	As of Dec. 31, 2010		As of Dec. 31, 2009	
		Ownership %	Share capital	Ownership %	Share capital
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
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
<b>Germany</b>					
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 Regent 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	0	MEUR 0.0
Rezidor Hotel Stuttgart GmbH	Stuttgart	100	MEUR 0.0	0	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 0.0	18.67	MEUR 0.0
<b>Italy</b>					
Rezidor Hotel Milan S.r.l.	Milan	100	MEUR 0.0	100	MEUR 0.0
<b>Kuwait</b>					
First Hotels Company KSCC	Safat	1.82	MKWD 40.0	1.82	MKWD 40.0
<b>Netherlands</b>					
Rezidor Hotel Amsterdam B.V.	Amsterdam	100	MEUR 0.0	100	MEUR 0.0
<b>Norway</b>					
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
<b>Russian federation</b>					
Nordrus Hotels Limited Liability Company	Moscow	0	MRUB 0.0	100	MRUB 0.0
<b>South Africa</b>					
RHW Joint Venture Southern Africa (Pty) Ltd	Cape Town	50	MRAND 12.0	50	MRAND 10.3
RHW Management Southern Africa (Pty) Ltd	Cape Town	50	MRAND 0.0	50	MRAND 0.0
<b>Spain</b>					
Rezidor Hotel Madrid S.L.U	Madrid	100	MEUR 0.0	100	MEUR 0.0
<b>Sweden</b>					
Rezidor Hotel Holdings AB	Solna	100	MEUR 0.1	100	MEUR 0.1
Rezidor Hotel AB	Solna	100	MSEK 5.2	100	MSEK 5.2
Rezidor Sweden AB	Stockholm	100	MSEK 0.1	100	MSEK 0.1
Rezidor Hospitality Sweden AB	Solna	100	MSEK18.0	100	MSEK18.0
Rezidor Hotel & Congress AB	Solna	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	Solna	100	MSEK 0.1	100	MSEK 0.1
<b>Switzerland</b>					
Rezidor Park Switzerland AG	Zug	100	MCHF 0.1	100	MCHF 0.1
Rezidor Hotels Switzerland AG	Basel	99.7	MCHF 0.1	99.7	MCHF 0.1
The Rezidor Bar & Restaurant Company AG	Basel	99.7	MCHF 0.1	99.7	MCHF 0.1
<b>Turkey</b>					
Maçka Otelcilik Anonim Sirketi	Istanbul	56	BTL 50	56	BTL 50
<b>United Kingdom</b>					
Rezidor Hotels UK Ltd.	Manchester	100	MGBP 32.2	100	MGBP 32.2
Rezidor Portman (Holdings) Ltd.	Manchester	0	MGBP 0.0	100	MGBP 0.0
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.	Manchester	100	MGBP 0.0	100	MGBP 0.0
Rezidor Hotel Management Ltd.	Manchester	100	MGBP 0.0	100	MGBP 0.0
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
<b>United States of America</b>					
RC International Marketing Services, Inc.	Minnesota	0	MUSD 0.0	100	MUSD 0.0

## PARENT COMPANY, STATEMENT OF OPERATIONS

TEUR	Notes	For the Year Ended December 31	
		2010	2009
Revenue	2	3,318	3,029
Personnel cost	3	-3,391	-2,571
Other operating expenses	4,5	-13,981	-9,152
<b>Operating loss before depreciation and amortisation</b>		<b>-14,054</b>	<b>-8,694</b>
Depreciation and amortisation expense	8	-120	-121
<b>Operating loss</b>		<b>-14,174</b>	<b>-8,815</b>
Financial income	6	—	—
Financial expense	6	-4,286	-1,848
<b>Loss before tax</b>		<b>-18,460</b>	<b>-10,663</b>
Income tax	7	5,706	2,620
<b>Loss for the period</b>		<b>-12,754</b>	<b>-8,043</b>
<b>PARENT COMPANY, STATEMENT OF COMPREHENSIVE INCOME</b>			
<b>Profit/loss for the period</b>		<b>-12,754</b>	<b>-8,043</b>
<b>Other comprehensive income</b>		<b>-12,754</b>	<b>-8,043</b>
<b>Total comprehensive income for the period</b>		<b>-12,754</b>	<b>-8,043</b>



## PARENT COMPANY, BALANCE SHEET STATEMENTS

		As of December 31	
TEUR	Notes	2010	2009
ASSETS			
Fixed assets			
Machinery and equipment	8	155	254
Investments in progress	8	33	—
Shares in subsidiaries	9	233,238	232,361
Deferred tax asset	7	7,362	2,735
		240,788	235,350
Current assets			
Inventories		1	1
Accounts receivable		3	18
Receivables group companies	10	4,469	136
Income tax receivable		179	45
Other receivables		30	16
Prepaid expenses and accrued income	11	286	252
Cash and cash equivalents		1	1
		4,969	469
Total assets		245,757	235,819
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		–16,345	–12,199
Net loss for the year		–12,754	–8,043
		168,198	177,055
Total equity		178,198	187,055
Liabilities			
Current liabilities			
Accounts payable		123	191
Liabilities group companies	12	65,622	46,985
Accrued expenses and prepaid income	14	1,600	1,468
Other liabilities		214	120
		67,559	48,764
Total liabilities		67,559	48,764
Total equity and liabilities		245,757	235,819
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
<b>Equity as of Dec. 31, 2008</b>	<b>10,000</b>	<b>197,297</b>	<b>-8,032</b>	<b>-4,968</b>	<b>194,297</b>
Allocation of last year's result	—	—	-4,968	4,968	—
Long term incentive plan	—	—	801	—	801
Total comprehensive loss for the period	—	—	—	-8,043	-8,043
<b>Equity as of Dec. 31, 2009</b>	<b>10,000</b>	<b>197,297</b>	<b>-12,199</b>	<b>-8,043</b>	<b>187,055</b>
Allocation of last year's result	—	—	-8,043	8,043	—
Long term incentive plan	—	—	877	—	877
Group Contribution	—	—	4,101	—	4,101
Tax effect on group contribution	—	—	-1,081	—	-1,081
Net loss for the period	—	—	—	-12,754	-12,754
<b>Equity as of Dec. 31, 2010</b>	<b>10,000</b>	<b>197,297</b>	<b>-16,345</b>	<b>-12,754</b>	<b>178,198</b>

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

## PARENT COMPANY, STATEMENT OF CASH FLOW

TEUR	Notes	For the Year Ended December 31	
		2010	2009
<b>OPERATIONS</b>			
Loss Before Interest and Taxes		-14,173	-8,815
<i>Adjustments for non cash items:</i>			
Depreciation and amortisation	8	120	121
Interest received	6	—	—
Interest paid	6	-340	-470
Other financial items		-3,947	-1,378
Tax paid		945	-132
<b>Cash flows from operations before change in working capital</b>		<b>-17,395</b>	<b>-10,674</b>
Change in:			
Current receivables		-1,344	9,530
Current liabilities		2,277	-102
<b>Change in working capital</b>		<b>933</b>	<b>9,428</b>
<b>Cash flow from operating activities</b>		<b>16,462</b>	<b>-1,246</b>
<b>INVESTMENTS</b>			
Purchase of machinery and equipment	8	-53	-125
<b>Cash flow from investing activities</b>		<b>-53</b>	<b>-125</b>
<b>FINANCING</b>			
Dividend paid		—	—
Share buy-back		—	—
Change in interest bearing liabilities and cash pool accounts		16,515	1,371
<b>Cash flow from financing activities</b>		<b>16,515</b>	<b>1,371</b>
<b>Cash flow for the year</b>		<b>0</b>	<b>0</b>
<b>Cash and cash equivalents, January 1</b>		<b>1</b>	<b>1</b>
<b>Cash and cash equivalents, December 31</b>		<b>1</b>	<b>1</b>

# Notes to the Parent Company

<b>Note 1</b>	General Information
<b>Note 2</b>	Revenue Distribution
<b>Note 3</b>	Personnel
<b>Note 4</b>	Other Operating Expenses
<b>Note 5</b>	Auditors' Fees
<b>Note 6</b>	Financial Income and Expenses
<b>Note 7</b>	Tax
<b>Note 8</b>	Tangible Fixed Assets
<b>Note 9</b>	Shares in Subsidiaries
<b>Note 10</b>	Receivables Group Companies
<b>Note 11</b>	Prepaid expenses and accrued income
<b>Note 12</b>	Liabilities Group Companies
<b>Note 13</b>	Credit Facilities
<b>Note 14</b>	Accrued Expenses

## 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	2010	2009
External revenue	89	232
Revenue from group companies	3,229	2,797
<b>Total Revenue</b>	<b>3,318</b>	<b>3,029</b>

## NOTE 3 PERSONNEL

	For the Year Ended Dec 31.	
TEUR	2010	2009
Salaries	1,761	1,545
Social security	1,343	746
Pension costs	211	208
Other personnel costs (other benefits in kind)	76	72
<b>Total</b>	<b>3,391</b>	<b>2,571</b>

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 97 (TEUR 106) (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 357 (TEUR 388). 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 2009 was 32 (32).

### Average number of employees

	As of Dec. 31			
	2010		2009	
	Men	Women	Men	Women
Sweden	9	23	10	22

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

	As of Dec. 31	
%	2010	2009
Sick-leave as a proportion of regular working hours	1.8	3.4
Proportion of total sick-leave relating to continuous absence for 60 days or more	0.0	0.0
Sick-leave women	4.1	4.6
Sick-leave men	1.8	0.9
Sick-leave employees aged 29 or younger	6.3	4.4
Sick-leave employees aged 30 – 49	2.9	5.4
Sick-leave employees aged 50 or older	1.3	0.4

## NOTE 4 OTHER OPERATING EXPENSES

	For the Year Ended Dec 31.	
TEUR	2010	2009
External service fees	1,184	1,085
Other external expenses	848	1,622
Expenses from group companies	11,716	6,226
Rent	233	219
<b>Total</b>	<b>13,981</b>	<b>9,152</b>

## NOTE 5 AUDITOR'S FEES

	For the Year Ended Dec 31.	
TEUR	2010	2009
<b>Deloitte</b>		
Audit assignments	265	282
Other audit assignments	52	48
Other assignments	3	15
<b>Total Deloitte</b>	<b>320</b>	<b>345</b>
<b>Other audit firms</b>		
Tax assignments	61	222
Other assignments	—	15
<b>Total other audit firms</b>	<b>61</b>	<b>237</b>
<b>Grand total</b>	<b>381</b>	<b>582</b>

## NOTE 6 FINANCIAL INCOME AND EXPENSES

	For the Year Ended Dec 31.	
TEUR	2010	2009
Interest income from financial institutions	—	—
Foregin currency exchange gains	—	—
<b>Financial income</b>	<b>—</b>	<b>—</b>
Interest expenses to group companies	–340	–470
Foregin currency exchange losses	–3,941	–1,372
Other financial expenses	–5	–6
<b>Financial expense</b>	<b>–4,286</b>	<b>–1,848</b>
<b>Financial income and expenses, net</b>	<b>–4,286</b>	<b>–1,848</b>

**NOTE 7** TAX

TEUR	For the Year Ended Dec 31.	
	2010	2009
Deferred income tax	5,706	2,620
<b>Recorded tax</b>	<b>5,706</b>	<b>2,620</b>

**Reconciliation of effective tax**

TEUR	2010	%	2009	%
Loss before tax	-18,460		-10,663	
Tax at the domestic income tax rate of 26.3%	4,855	26.3	2,804	26.3
Adjustments recognised in the current year in relation to the current tax of prior years	—		-115	
Exchange difference on tax losses denominated in SEK	1,008		—	
Tax effect of expenses that are not deductible in determining taxable income	-157		-69	
<b>Recorded tax</b>	<b>5,706</b>	<b>30.9</b>	<b>2,620</b>	<b>24.6</b>

**Deferred tax in the balance sheet**

Attributable to tax losses carried forward	7,362	2,735
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**NOTE 8** TANGIBLE FIXED ASSETS**Machinery and equipment**

TEUR	2010	2009
<b>Balance as of Jan. 1</b>	<b>509</b>	<b>382</b>
Investments	20	125
Disposals	-2	-4
Reclassification	—	6
<b>Balance as of Dec. 31</b>	<b>527</b>	<b>509</b>

**Accumulated depreciations and impairment**

<b>Balance as of Jan. 1</b>	<b>-255</b>	<b>-138</b>
Depreciations expense	-120	-121
Disposals	3	4
<b>Closing accumulated depreciation</b>	<b>-372</b>	<b>-255</b>
<b>Balance as of Dec. 31</b>	<b>155</b>	<b>254</b>

**Investment in progress**

TEUR	2010	2009
<b>Acquisition value as of Jan. 1</b>	<b>—</b>	<b>6</b>
Investments	33	—
Reclassification	—	-6
<b>Balance as of Dec. 31</b>	<b>33</b>	<b>—</b>

**NOTE 9** SHARES IN SUBSIDIARIES

TEUR	As of Dec 31.	
	2010	2009
<b>Opening book value</b>	<b>232,361</b>	<b>231,560</b>
Investments in subsidiaries (Rezidor Hotel Holdings AB)	877	801
<b>Closing book value</b>	<b>233,238</b>	<b>232,361</b>

The increase in the book value in 2010 and 2009 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	233,238

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

**NOTE 10** RECEIVABLES GROUP COMPANIES

TEUR	As of Dec 31.	
	2010	2009
Receivables group companies, cash pool	—	—
Other	4,469	136
<b>Total</b>	<b>4,469</b>	<b>136</b>

**NOTE 11** PREPAID EXPENSES AND ACCRUED INCOME

TEUR	As of Dec 31.	
	2010	2009
Prepaid rent	53	48
Other	233	204
<b>Total</b>	<b>286</b>	<b>252</b>

**NOTE 12** LIABILITIES GROUP COMPANIES

TEUR	As of Dec 31.	
	2010	2009
Liabilities group companies, cash pool	63,242	30,207
Interest-bearing liabilities to group companies	—	16,424
Other	2,380	354
<b>Total</b>	<b>65,622</b>	<b>46,985</b>

**NOTE 13** CREDIT FACILITIES

In 2008, the Group signed a 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 14** ACCRUED EXPENSES

TEUR	As of Dec 31.	
	2010	2009
Vacation pay including social costs	279	369
Salaries and remuneration	604	248
Other accrued expenses	717	851
<b>Total</b>	<b>1,600</b>	<b>1,468</b>

# 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 9 March 2011

Urban Jansson  
*Chairman of the Board*

Hubert Joly  
*Vice Chairman of the Board*

Göte Dahlin  
*Board Member*

Wendy Nelson  
*Board Member*

Trudy Rautio  
*Board Member*

Barry Wilson  
*Board Member*

Benny Zakrisson  
*Board Member*

Emil Bäckström  
*Employee Representative*

Göran Larsson  
*Employee Representative*

Kurt Ritter  
*President and CEO*

Our audit report was submitted on 9 March 2011

*Deloitte AB*

Thomas Strömberg  
*Authorised public accountant*

## Audit Report

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

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of Rezidor Hotel Group AB for the financial year 2010. The Annual Report and consolidated accounts are included on pages 8–54 of this document. The board of directors and the managing director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and

disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member 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 our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted account-

ing principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual general meeting of shareholders that the statements of operations and balance sheet statements of the parent company and the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

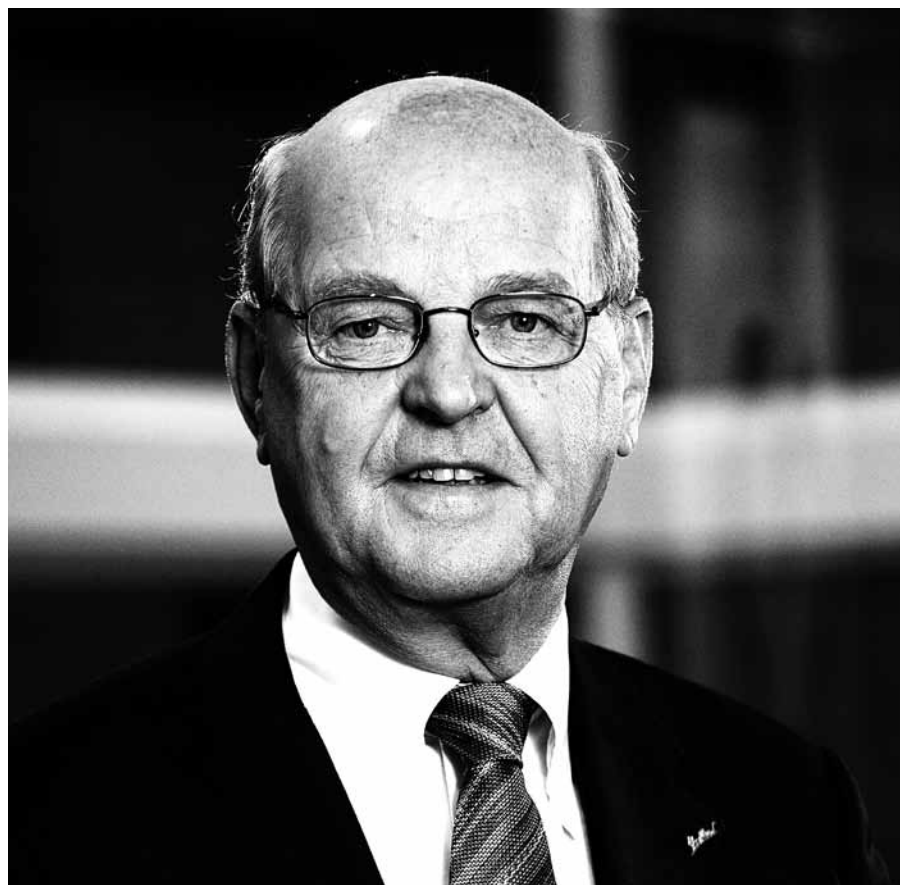
Stockholm, March 9, 2011

*Deloitte AB*

Thomas Strömberg  
*Authorised Public Accountant*

# Chairman's Statement

**Effective corporate governance is important in both economic upswings and downturns. Distinct areas of responsibilities and decision processes contribute to generating openness and transparency, enabling owners and other stakeholders to monitor the company's performance.**



The most recent years have been turbulent and business conditions have changed for players in the hotel industry. The Board of Directors is responsible for monitoring the strategies that indicate the company's approach, and for evaluating and responding rapidly to changes in the company's business environment. Consequently, efficient Board work and a committed Board of Directors are key elements of successful corporate governance.

Rezidor's Board of Directors has, like many others, worked more intensively through the financial uncertainty of the past years. However, the financial crisis was followed by a recovery that was even stronger than anticipated. Naturally, Rezidor benefited from this positive development, while we and many others were amazed by the strength of the recovery.

During the upswing experienced in 2010, we have guarded our cash flow and secured the company's liquidity, as well as focused on profitability improvements and securing the cost savings achieved. We will continue to focus on profitable, asset-light growth, meaning growth through management and franchise agreements.

One strategic step is that we must work on harmonising our brands jointly with Carlson, our principal owner. Carlson, with its hotel owners, is planning to invest up to USD 1.5 billion in its Radisson portfolio and this will improve Rezidor's potential to attract more international guests.

The listing agreement, the Code and the company's governance policies are the instruments that exist to formally ensure the functionality of our independent platform. As in the

preceding year, we have again received external confirmation that this platform works. According to consulting company HVS, in its most recent European Corporate Governance Report, Rezidor is at the absolute top among European hotel companies in terms of corporate governance.

During the year, structural measures were also implemented, for example, in the form of the sale of the Regent brand. The company's focus is now on three core brands: Radisson Blu, Park Inn by Radisson and Hotel Missoni.

Rezidor has excellent potential to capitalise on positive trends, although it is vital to remain cautious. Several countries have budgetary crises, which may directly and indirectly impact companies like Rezidor. Based on this and the fact that Rezidor's 2010 earnings after tax are negative, the Board of Directors has proposed that there be no dividend paid for the 2010 financial year.

As I have decided to step down from the position as Chairman of Rezidor, I can say that I have been on an exciting journey with the company. Rezidor has developed into a stable listed company that is increasingly recognised and able to defend its position. Compared with other companies in the industry, we are regarded as an attractive investment. We are considered one of the major players, although we are relatively small when it comes to actual size. And above all, we continuously receive confirmation that we are doing the right things, in the form of satisfied customers and employees, as well as continued strong growth.

A handwritten signature in black ink, consisting of a stylized 'U' and 'J'.

Urban Jansson, Chairman



# 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, which requires an organization 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 2010 fiscal year has been audited by the Company's auditors.

## 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 and, when required, 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 of Directors. On behalf of Rezidor's shareholders, the Board of Directors is responsible for the organisation and the management of the Company. It is headed by Urban Jansson, the Chairman. 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 Control is an important support function for the Board's committees that provides objective support to the Board for verifying 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 Com-

## READ MORE ON OUR WEBSITE

More information about Rezidor's corporate governance is available at [rezidor.com](http://rezidor.com). The site includes the following information:

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

mittee. The CEO's administration of the Company, as well as the financial reports is audited by Rezidor's auditor. The picture below illustrates how governance is organised at Rezidor.

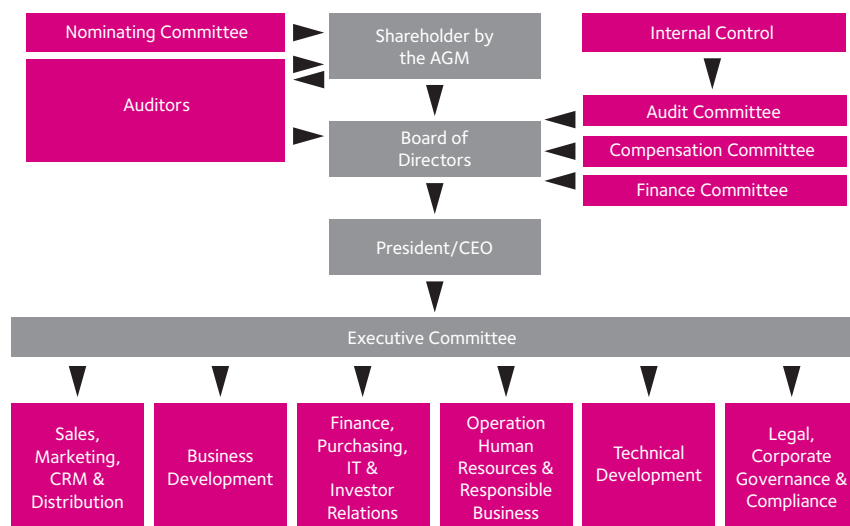
## Ownership structure

At year-end 2010, Rezidor had 3,699 shareholders according to the register of shareholders maintained by Euroclear Sweden. Institutional owners dominate the ownership structure. The ten largest shareholders owned shares corresponding to 81.5% of the votes and capital. Carlson, a privately held hospitality and travel company, represents the largest single shareholder. 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 146,307,540 at year-end 2010. 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 followed prescribed procedures described in the notice convening the AGM, may attend the meeting and vote for their total share holdings. Shareholders who cannot participate personally may be represented by proxy.

## Corporate governance at Rezidor



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 to English and all of the information materials for the meeting is 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 and fees to the auditor, decisions on the number of Board members, election of the members of the Board of Directors for the period up to the close of the next AGM and decision on any dividends.

#### Annual General Meeting 2010

Rezidor's AGM in 2010 was held at the Radisson Blu Royal Viking Hotel in Stockholm on April 16. The AGM was attended by 115 shareholders, personally or by proxy, representing 73.52% of the total number of shares and votes of the Company. The seven members of the Board of Directors who were proposed for election attended the AGM, as well as the two ordinary employee representatives. Also present were the CEO, key executives and Rezidor's auditor as well as the members of the Nominating Committee. All documents required for the 2010 AGM and the minutes from the meeting have been made available on Rezidor's website in both Swedish and English. The resolutions passed by the meeting included the following:

- It was decided that no dividend will be paid for the year 2009 and that the distributable funds are brought forward.
- The following members were re-elected: Urban Jansson (also re-elected as Chairman), Hubert Joly, Göte Dahlin, Trudy Rautio, Barry W Wilson and Benny Zakrisson. Wendy Nelson was elected to the Board of Directors.
- It was decided that the total remuneration to the Board of Directors elected at the AGM would amount to 341,500 EUR, to be allocated as shown in the table on page 60.
- A partly revised long-term, performance-based incentive programme for 2010 was adopted.
- The Board of Directors received authorisation until the AGM 2011 to decide on acquisitions of a certain portion of the Company's shares.

#### Annual General Meeting 2011

The 2011 AGM will take place on April 13, 2011 at Stockholm Waterfront Congress Centre, Nils Ericssons plan 4 in Stockholm. Shareholders who wish to participate must be recorded in the shareholders' register maintained by Euroclear Sweden AB, on April 7, 2011 and also notify Rezidor of their intention to attend no later than by 16.00 p.m. CEST on April 8, 2011.

#### 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 pro-

posal 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.

#### Members

In accordance with the decision made by the AGM on April 16, 2010 the Nominating Committee for the AGM on April 13, 2011 has been established. Based on the list of shareholders per August 31, 2010 the Chairman of the Board of Directors, Urban Jansson, contacted 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 represented were made public on October 6, 2010.

The Nominating Committee had two meetings in 2010, 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. Neither Urban Jansson nor the other members of the Nominating Committee received any compensation for their work in the committee.

#### 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.

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, the Board's decision-making procedures, its meeting schedule, procedures governing the convening, agenda and minutes of meetings, as well as the

#### The 2011 Nominating Committee

Member	Representing	Number of shares August 31, 2010	Share of votes August 31, 2010 (based on number of registered shares)
William Van Brunt, Chairman	Carlson group	75,044,733	50.03%
Peter Rudman	Nordea Investment Funds	16,316,653	10.88%
Jan Andersson	Swedbank Robur Fonder AB	9,801,066	6.53%
Urban Jansson	Chairman of the Board of Rezidor	n/a	n/a

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 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 Ruhnård, was the Secretary at all Board meetings and all committee meetings during 2010.

#### *The Chairman of the Board*

At the AGM held on April 16, 2010 Urban Jansson was re-elected as the Chairman of the Board of Directors. At the statutory meeting held by the Board of Directors immediately after the AGM, the Board appointed Hubert Joly as the Vice Chairman.

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 concerning the Group's Senior Executives.

#### *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

### Board committees' work 2010

	Audit Committee	Compensation Committee	Finance Committee
Members	Benny Zakrisson, Chairman Göte Dahlin Trudy Rautio Wendy Nelson	Hubert Joly, Chairman Urban Jansson Barry W Wilson	Trudy Rautio, Chairman Benny Zakrisson Barry W Wilson Wendy Nelson
Number of meetings	8	6	11
Work in 2010	<ul style="list-style-type: none"> <li>• reviewing of financial reports</li> <li>• reviewing of auditor's observations from audit work and audit guidelines</li> <li>• reviewing of the company's risk situation, review of irregularities and whistle blowing cases</li> <li>• reviewing of internal control results and approval of control plan for 2011</li> <li>• evaluating adequacy of safety &amp; security function and internal control</li> <li>• evaluating of auditor's work and decision about thresholds to be applied for non-audit work by auditors</li> </ul>	<ul style="list-style-type: none"> <li>• developing of a long term share based incentive program</li> <li>• evaluating the MIC for 2009 and achievement of strategic objectives for the executive committee</li> <li>• developing of a MIC plan for 2010 and target setting</li> <li>• assessing the capabilities of the executive committee members</li> <li>• reviewing 2010 compensation for executive committee members and recommending CEO compensation for Board approval</li> <li>• approving strategic objectives for 2010 for the executive committee members</li> </ul>	<ul style="list-style-type: none"> <li>• reviewing hotel projects against defined criteria and conducting post implementation reviews of approved hotel projects</li> <li>• monitoring of the company's liquidity situation and credit facilities</li> <li>• evaluating and review of Finance Policy, including project policy</li> <li>• reviewing of the company's tax situation</li> <li>• reviewing and assessment of financial targets</li> <li>• evaluating insurance cover and risk management issues</li> </ul>

likewise only be filled by a resolution of shareholders. At present, the Board of Directors is composed of seven directors elected by the shareholders at the AGM, including the Chairman and the Vice Chairman and two employee representatives elected by the Swedish labour organisation "Hotell- och restaurangfacket".

### *Work of the Board in 2010*

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 2010 the Board held ten 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 2011 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 2010 the Board has been working in accordance with the adopted Rules of Procedure. The main activities during 2010 were as follows:

- adopting a budget and three year business plan and approving amendments to the finance policy
- discussing and approving of certain hotel projects meeting defined criteria
- assessing the development strategy for the brands and monitoring of growth target fulfilment
- keeping informed about the financial position of the Company and the group, evaluating bank facilities and capital requirements
- reviewing the strategy for the Park Inn brand and monitoring progress of activities
- evaluating and approving of the disposal of the rights to develop the Regent brand
- designing and implementation of a share related long term incentive programme for key management
- evaluating internal control
- 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 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 10 March 2010 relating to the AGM 2010 and the Swedish Code of Corporate Governance, the following assessment is made regarding the independency of the members of the Board. Urban Jansson, Göte Dahlin, Barry W. Wilson and Benny Zakrisson are independent Directors in relation to the Company and the Management as well as in relation to major shareholders. Due to extensive business relations between Carlson and Rezidor, Hubert Joly, Trudy Rautio and Wendy Nelson are not independent Directors in relation to the Company and the Management nor are they independent in relation to major shareholders, as they are related to Carlson Group.

### *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 ordinary 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 2011.

### *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 2010 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 co-operation within the Board, its range of expertise and the methods the Board utilized to carry out its tasks as well as a section which addresses the role of the Chairman. The results of the 2010 evaluation have also been complemented 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 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 committee 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 always participate in committee meetings. The Swedish Code of Corporate Governance requires that the members of the Compensation Committee should be independent in relation to the Company and the Management. Hubert Joly is not considered to be independent. Rezidor therefore deviates from the Rules of the Swedish Code of Corporate Governance. However in the opinion of the Board it is important for the Compensation Committee to have members with extensive knowledge and experience of international business and remuneration issues including compensation packages for key executives in the global hotel industry.

### 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 AGM on April 16, 2010. 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 this page.

### 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 motivates proposed 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 2010 consisted of seven 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 salary, a variable salary based on the outcome of financial 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 AGM 2010.

Details on the compensation to the CEO and the other members of the Executive Committee can be found in Note 10, but a summary is presented in the table on page 61.

### Share-related Incentive Programmes

The Annual General Meetings in 2008, 2009 and 2010 approved proposals for a long-term share related performance-based incentive programme ("performance based share programmes") to be offered to executives within Rezidor. All three programmes run for a three

year period. The purpose of the performance based share programmes is to offer a remuneration package to ensure that remuneration within the Group helps align executives with shareholder interests; that 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 authorised by the Annual General Meetings to decide on acquisitions or sale of its own shares on the Stockholm Stock Exchange. More detailed descriptions of the three 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 the Rezidor's financial statements being

## Attendance record and Board remuneration in 2010

	Attendance record				Fees				Total
	Board	Audit Committee	Compensation Committee	Finance Committee	Board	Audit Committee	Compensation Committee	Finance Committee	
Urban Jansson	100%	n/a	100%	n/a	65,000		4,000		69,000
Hubert Joly	90% <sup>1)</sup>	n/a	100%	n/a	36,000		6,000		42,000
Göte Dahlin	100%	100%	n/a	n/a	36,000	6,500			42,500
Wendy Nelson	100%	100%	n/a	100%	36,000	6,500		4,000	46,500
Trudy Rautio	90% <sup>1)</sup>	88%	n/a	100%	36,000	6,500		6,000	48,500
Barry W Wilson	100%	n/a	100%	90%	36,000		4,000	4,000	44,000
Benny Zakrisson	100%	100%	n/a	100%	36,000	9,000		4,000	49,000
Harald Einsmann <sup>2)</sup>	75% <sup>1)</sup>	n/a	100%	80%					
Ulla Litzén <sup>2)</sup>	100%	100%	n/a	n/a					
Jay S. Witzel <sup>2)</sup>	75% <sup>1)</sup>	n/a	n/a	100%					
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
<b>Total</b>					<b>281,000</b>	<b>28,500</b>	<b>14,000</b>	<b>18,000</b>	<b>341,500</b>

1) Hubert Joly, Harald Einsmann, Jay S. Witzel and Trudy Rautio were absent from one meeting in 2010 due to a conflict of interest.

2) Harald Einsmann, Ulla Litzén and Jay S. Witzel resigned from the Board in conjunction with the 2010 AGM.

prepared in compliance with legislation, applicable accounting standards and other requirements for listed companies.

The CEO and the CFO must review and assure the quality of all financial reporting including financial statements, 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 management of the company by the board and the CEO. At the AGM 2009 Deloitte AB was re-elected as auditor for Rezidor for a period until the end of the 2013 AGM with Thomas Strömberg as the responsible partner. 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 has audit engagements with Avis, Ovako and Projectplace.

The auditors follow an audit plan that incorporates the comments and concerns of the Board, and report their observations to the Board during the course of the audit and in conjunction with the establishment of the 2010 Annual Report. The auditor attended 4 out of 8 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 regarding Rezidor Hotel Group AB, the Group and an overwhelming majority of subsidiaries. During

the year 2010, 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.

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 2010, see Note 41.

## Internal Control

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 2010. 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 2010 and 2011 has been approved by the Board. The process is managed from the Rezidor corporate office in Brussels with internal audit train-

ing. Accounting and control policies and procedures are also prepared, updated and distributed from the Rezidor corporate office.

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 openness. 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 behaviours 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 Managers 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 ensuring 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 follow-up 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

### Remuneration of the Executive Committee <sup>1)</sup>

TEUR	Base salaries	Variable salaries	Post employment compensation	Pension	Housing and company car	Total
Kurt Ritter (CEO)	1,325	2,064	1,618	252	198	5,457
The Executive Committee (incl. CEO)	3,697	3,174	1,618	533	491	9,513

1) The remuneration numbers exclude social security costs.



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 competence 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 back-ground 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 risk assessment. The risk assessment has identified a number of critical processes such as revenue, purchasing, payroll, financial reporting, IT, related party transactions, cash handling procedures, stock and inventory, receivables, bank relations and processes, legal requirements regarding operational licensing and insurance. The internal audit of these processes, as applicable, segregation of duties, authorisation for payment, contract handling, cost control, registration of revenues and follow-up routines. The annual plan for internal control is developed based on the risk assessment.

The risk assessment 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 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 anti-fraud programmes and controls, and these procedures are known throughout the company.

The specific internal audits of hotels, regional offices and corporate office are primarily aimed at internal control within operation and administration with 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 assessments for each hotel are subject to certain internal audit 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 implementation of the recommendations from the internal audit teams. In depth audits in target areas such as Treasury, Financial Reporting and Purchasing are also carried out in selected hotels.

### Information and communication

Employees' individual responsibilities for maintaining internal control have been clearly communicated in 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 operations 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 what, in what form and how information is to be dealt with.

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

### Monitoring

Regular internal meetings are used on different levels in the organisation for management and employees. 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 Report

**To the annual meeting of the shareholders in Rezidor Hotel Group AB,  
corporate identity number 556677-0964**

## **Engagement and responsibility**

We have audited the corporate governance statement for the year 2010 on pages 56–62. It is the board of directors who is responsible for the corporate governance statement and that it has been prepared in accordance with the Annual Accounts Act. Our responsibility is to express an opinion on the corporate governance statement based on our audit.

## **The scope of the audit**

We conducted our audit in accordance with Far's auditing standard RevU 16 The auditor's examination of the corporate governance statement. That standard require that we have planned and performed the audit to obtain reasonable assurance that the corporate governance statement is free of material misstatements. An audit includes examining, on a test basis, evidence supporting the information included in the corporate governance statement. We believe that our audit procedures provide a reasonable basis for our opinion set out below.

## **Opinion**

In our opinion, the corporate governance statement has been prepared and is consistent with the annual accounts and the consolidated accounts.

Stockholm, March 9, 2011

Deloitte AB  
Thomas Strömberg  
*Authorized Public Accountant*

This document is a translation of the Swedish original.

# The Board of Directors

## URBAN JANSSON

*Chairman of the Board since 2006*

Nationality: Swedish

Born: 1945

Education: Higher Bank degree (Skandinaviska Banken)

Shares: 40,000

Urban Jansson is the Chairman of the Boards of Directors of Bergendahls, Global Health Partner, HMS Networks and Svedbergs, among other companies. He is a member of the Boards of Directors of, SEB, Höganäs and Clas Ohlson, among others.

## HUBERT JOLY

*Vice Chairman of the Board since 2008*

Nationality: French

Born: 1959

Education: Graduate of Business Administration from HEC Paris, and a Public Administration graduate of the Institut d'Etudes Politiques de Paris

Shares: 0

Hubert Joly is the president and chief executive officer and a director of Carlson. Prior to his appointment in 2008, he served as president and chief executive officer of Carlson Wagonlit Travel (CWT) from 2004 to 2008. He is chair of the CWT Board of Directors and a director of Polo Ralph Lauren. Hubert Joly is a member of the Executive Committee of the World Travel and Tourism Council, serves on the U.S. Secretary of Commerce Travel and Tourism Advisory Board and the Board of Trustees of the Minneapolis Institute of Arts, and is a member of the Executive Committee of the Minnesota Business Partnership.

## 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 Chairman of the Board of RBS Nordisk Renting AB. He is also a member of the Board of Directors of Fabege AB and Svensk Inredning Viking AB. His previous experience has seen him act as a board member for Veidekke ASA, 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.

## 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, Vice President of Development for Carlson Restaurants Worldwide and currently serves on the Global Steering Committee for Carlson Hotels.

## TRUDY RAUTIO

*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 Executive Vice President and Chief Financial and Administrative Officer of Carlson Companies, and is an officer of various subsidiaries within Carlson. Prior to her appointment as the Executive Vice President and Chief Financial Officer in 2005, she held various other positions in Carlson from 1997 to 2005. She is currently a member of the Boards of Directors of Securian (Minnesota Life Insurance Company), Imation Corporation and Carlson Wagonlit Travel.

## 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: 50,000

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 Scientific Advisory Board of the Lombard Odier Golden Age Fund. Barry Wilson also advises Private Equity and Venture Capital organisations.

## BENNY ZAKRISSON

*Board Member since 2005*

Nationality: Swedish

Born: 1959

Education: LL.M. from University of Stockholm

Shares: 30,000

Benny Zakrisson is Executive Vice President, Individual Holdings of SAS AB and member of SAS Group Management. He is the Chairman of the Board of Directors of SAS Cargo Group A/S and iCell AB. He is also a member of the Boards of Directors of AS Estonian Air, Spanair SA, Air Greenland A/S and ITELL AB.

## EMIL BÄCKSTRÖM

*Employee representative since 2009*

Nationality: Swedish

Born: 1977

Shares: 0

Emil Bäckström is employed by Radisson Blu Arlandia Hotel, Stockholm.

## 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 2010

Harald Einsmann (born 1934) was elected as a director in 2006 and resigned in conjunction with the 2010 AGM.

Ulla Litzén (born 1956) was elected as a director in 2006 and resigned in conjunction with the 2010 AGM.

Jay S Witzel (born 1947) was elected as a director in 2005 and resigned in conjunction with the 2010 AGM.



URBAN JANSSON



HUBERT JOLY



GÖTE DAHLIN



WENDY NELSON



TRUDY RAUTIO



BARRY W WILSON



BENNY ZAKRISSON



EMIL BÄCKSTRÖM



GÖRAN LARSSON

# The Executive Committee

## KURT RITTER

*President & Chief Executive Officer*

Nationality: Swiss

Born: 1947

Year of Appointment: 1989

Year of Employment: 1976

Education: Ecole Hôtelière de Lausanne in Switzerland and INSEAD Advanced Management Programme at Fontainebleau in France

Shares: 164,100

Kurt Ritter joined the company in 1976 as the General Manager of SAS Hotel, Luleå in Sweden, and since held various executive management positions in business development and operations in Kuwait, Singapore, Vienna and Oslo in the company. As a graduate of the Ecole Hôtelière de Lausanne, he started his career at Bellevue Palace Hotel in Bern, Switzerland and also held several executive positions at Ramada International Hotels in Belgium, France, Germany and Sweden. Kurt Ritter was appointed President & CEO in 1989 of the then SAS International Hotels with a portfolio of 21 hotels. He established the master franchise agreement for the Radisson brand in 1994 and took the company multi-brand in 2000. In the course of his leadership, Rezidor has become one of the fastest growing hotel companies in the world. Kurt Ritter was named Corporate Hotelier of the World in 2002, in 2005, he received the Lifetime Achievement Award at the International Hotels Investment Conference, and in 2008 the MKG Lifetime Achievement Award.

## 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: 125,000

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 as Rezidor's Senior Vice President and Chief Financial Officer. He was then promoted to Deputy President and Chief Financial Officer of Rezidor, a role which would actively support the President and CEO in strategic development of the Company and lead the Company's focus on investments, joint ventures, investment funds, etc. Prior to joining Rezidor, he held the position of Internal Auditor for the SAS Group.

## PUNEET CHHATWAL

*Senior Vice President and Chief Development Officer*

Nationality: German

Born: 1964

Year of Appointment: 2007

Year of Employment: 2002

Education: Masters degree in International Hospitality Management from IMHI (Essec), Paris. Bachelor Degree from Delhi University. Fellow of the Institute of Hospitality (FIH)

Shares: 20,000

Puneet Chhatwal joined Rezidor in 2002 as Director Business Development, and was promoted to Vice President Business Development in 2004 and to Senior Vice President in 2007. He oversees growth and is responsible for Portfolio and Asset Management. Prior to Rezidor he worked in hotel consulting and acquisitions for the Feuring Group in Germany, and, later served as the Director of Development for EMEA for Carlson Hotels Worldwide.

## JACQUES DUBOIS

*Senior Vice President and Chief Operating Officer*

Nationality: Canadian/American

Born: 1956

Year of Appointment: 2006

Year of Employment: 1996

Shares: 0

Jacques Dubois joined Rezidor in 1996 as Regional Director of Operations, and has since 1998 held the positions of Vice President Sales, Vice President Revenue & Channel Management, Vice President Distribution & CRM, and Senior Vice President Marketing, Distribution & CRM. Prior to this, he was active in hotel operations with Commonwealth Holiday Inns of Canada before joining Carlson as a District Director supporting hotels operated under the Radisson brand including Rezidor.

## OLIVIER JACQUIN

*Senior Vice President of Sales, Marketing, CRM and Distribution*

Nationality: French

Born: 1966

Year of Appointment: 2006

Year of Employment: 2003

Education: Sales and Marketing Degree from Institut Supérieur Européen de Gestion in Paris, Graduate of l'Ecole de Gestion Commerce de Toulouse & INSEAD AMP Fontainebleau.

Shares: 0

Olivier Jacquin joined Rezidor in 2003 as Senior Vice president of Sales, prior to which, he was the Global Sales Director of Europcar International, Director of Sales for Concorde Hotels Group and Director of Sales & Marketing for Concorde La Fayette hotel in Paris. Prior to that he held various positions in operations in Africa & the Caribbean.

## 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 and has since held the position as Vice President and General Counsel. Prior to joining Rezidor, she was employed from August 1992 to March 2000 by PLM AB (publ.) in Sweden where she held the position of Associate General Counsel. Prior to August 1992 she practised as a court clerk at the Uppsala County Administrative Court and as a Junior Judge at the Administrative Court of Appeal in Stockholm.

## 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 Maas-tricht, The Netherlands

Shares: 4,000

Eugène Staal joined Rezidor in 2006 as Vice President Technical Development. In this role, he heads the technical development of all Rezidor hotels and plays a key role in construction, design and architecture of our hotels – new builds, conversions and renovations. Working closely with Future Openings and Operations team, he and his team are also vital in ensuring the timely openings of our hotels. Before joining Rezidor, he was in charge of Technical Services for the Hyatt International hotels. During his post with Hyatt from 1988 to 2006, Eugene Staal held various managerial positions in the US, Asia and Europe.

## ERIC DE NEEF

*Senior Vice President 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 February 2011 as Senior Vice President Park Inn by Radisson. He brings with him more than 25 years of hospitality in Europe – most recently he served as Managing Director for Accor's All Seasons, Mercure and M Gallery Hotel brands in France.



KURT RITTER



KNUT KLEIVEN



PUNEET CHHATWAL



JACQUES DUBOIS



OLIVIER JACQUIN



MARIANNE RUHNGÅRD



EUGÈNE STAAL



ERIC DE NEEF



# Responsible Business Review

**Rezidor has been taking responsibility for over two decades and what better way to celebrate than to be named one of the World's Most Ethical Companies in 2010.**

Taking responsibility for the environment and local community has been an important part of Rezidor's broader commitment to sustainable development since our first environmental policy in 1989. In 2001, this commitment was fortified and placed within the scope of the award-winning Responsible Business programme. Fully aligned with the company's core business objectives, Rezidor's Responsible Business programme was instated to increase awareness and readiness to handle risks and reduce costs, but also as a means to capture opportunities in the process of achieving the goal of being an industry leader with solid long-term profitability. The programme encompasses 3 key pillars:

## **Pillar 1**

Taking responsibility for the health and safety of employees and guests.

## **Pillar 2**

Respecting social and ethical issues in the company, as well as in the community.

## **Pillar 3**

Reducing our negative impact on the environment.

## **About the Full Report**

The purpose of Rezidor's Responsibility Report (available at [responsiblebusiness.rezidor.com](http://responsiblebusiness.rezidor.com)) – in combination with the financial accounts – is to help shareholders and other important stakeholders to value, assess and understand the operations of Rezidor. It describes the most material and relevant sustainability aspects of Rezidor's operations to the company's key stakeholders: shareholders, customers, employees, property owners, suppliers, authorities, environment and community and society. In addition to some of the fundamental issues addressed in these Responsible Business pages of the Annual Report, it looks more closely at social and ethical issues and environmental performance. The Responsibility Report is structured around the three pillars of the Responsible Business programme and also describes the policies and processes we have put in place to enforce the principles of the United Nations Global Compact in the areas of human rights, labour, environment and anti-corruption.

## **Responsible Business**

- 1. Taking responsibility for the health and safety of employees and guests.**
- 2. Respecting social and ethical issues in the company, as well as in the community.**
- 3. Reducing our negative impact on the environment.**

## Rezidor Responsibility Timeline

### 1988

- Creation and adoption of the SAS International Hotels Safety and Security Standards

### 1989

- First environmental policy driven by SAS Group

### 1996

- Launch of the Radisson SAS environmental programme with 24 action points
- Founding member of the International Hotels Environment Initiative

### 1997

- Safety and Security Manual replaced by Emergency Management Binder in a risk assessment format allowing it to be used in all properties

### 2001

- Launch of the Responsible Business programme encompassing the three pillars of health and well-being, social and ethical responsibility, environmental responsibility
- Responsible Business Coordinators appointed and trained
- First Responsible Business Training initiated with 35% of staff trained by year-end
- Monthly reporting of energy, water and waste
- Save the Children becomes corporate charity organisation

### 2003

- Launch of Hotels Environment Action Month (now Responsible Business Action Month)
- Radisson SAS Plaza Hotel, Oslo, is first Rezidor property to receive third party environmental certification with the Nordic Swan eco-label
- Rezidor becomes chair of International Hotels Environment Initiative Executive Committee

### 2004

- Awarded "Worldwide Hospitality Award for Environmental Protection"
- Development of internet based database for environmental legislation with self-audit and quarterly updates
- Carlson Companies signs ECPAT Code of Conduct against sexual exploitation of children

### 2005

- First Rezidor Responsible Business Award given to Radisson SAS St Helen's Hotel, Dublin, at Annual General Manager conference

### 2006

- Responsible Business programme awarded HOFTEL Owner-Friendly Innovation of the Year

### 2007

- Launch of Responsible Business Best Practice database
- World Childhood Foundation becomes corporate charity organisation
- Rezidor is first international hotel group to offer guests carbon offsetting
- Emergency Management Binder renamed Risk Management Binder and directly linked to introduction of 3T Monitor Online Risk Management program and the TRIC=S formula

### 2008

- Roll-out of new Living and Leading Responsible Business training for all employees
- Launch of rezidorethics.com
- Monthly TRIC=S reports distributed to all General Managers.
- Rezidor one of the founding members of United States State Department Overseas Security Advisory Council (OSAC) Hotel Security Working Group.

### 2009

- Signed up to the United Nations Global Compact

### 2010

- We are named one of the "World's Most Ethical Companies" by the Ethisphere Institute
- Half of hotels are eco-labelled and counting
- Entered agreement with Carlson companies for Rezidor to lead a joint effort to further develop and align safety and security globally for the companies and their brands.

## Responsible Business Stakeholders and Policy

As a dynamic international hotel company with three main brands operating and under development in over 60 countries, we recognise that we have an impact on a very wide selection of stakeholders, either directly or indirectly. As part of the Responsible Business Policy eight key stakeholders are identified: employees, customers, property owners, shareholders, suppliers and business partners, local and global communities, authorities and the natural environment. The Summary of Progress table from page 21 of the Responsibility Report lists our key performance indicators, commitments and targets and achievements with regard to each of these shareholders for the year 2010.

On an operational level, hotels and General Managers are provided with several tools to better manage their social and environmental responsibilities and achieve these objectives. Each hotel creates its own personalised

Responsible Business Action Plan based on the corporate objectives. Hotel Responsible Business Teams are guided by the new Responsible Business Manual; a continuously updated intranet that contains information about policies, reporting requirements, best practice examples, certification and awards, and other useful resources; as well as a Safety and Security self-audit risk management tool.

## Pillar 1: Taking responsibility for the health and safety of employees and guests

### Healthy Hotels

Rezidor strives to provide a responsible and healthy environment for our guests and employees. Our Responsible Construction and Renovation Guidelines demand high indoor air quality and accessible rooms and facilities. 48% of hotels are now completely smoke-free and we are continually increasing the number of non-smoking guest rooms from the current



80%. We also facilitate the well-being of our guests by offering exercise and sport facilities with gyms, swimming pools and spas. Moreover, we endeavour to ensure that we provide fresh and wholesome food. We continue to offer a wide variety of healthy options at our restaurants. Our hotels endeavour to accommodate guests with food allergies, and 33% of hotels have allergy tested guest rooms. Hotels also increasingly offer organic (67%) and fair trade (86%) products.

### Keeping people safe and secure – it's TRIC=S without magic

At Rezidor, we acknowledge that the safety and security of our guests, employees and property is an imperative aspect of hotel operations. Maintaining the necessary levels of safety and security is dependent on the everyday actions of every employee at every level in every hotel and every Rezidor office in every country. We have a structured risk management formula entitled TRIC=S which promotes proactive behavior throughout the company. TRIC=S stands for Threat assessment + Risk mitigation and management + Incident response preparedness + Crisis management, communications and continuity = Safe, Secure hotels.

### The Challenges

We also acknowledge that the hotel and tourism sector is highly dependent on the public's perception of health and security risks. Security scares can reduce demand for hotel and tourism services. We believe that by having a dynamic and robust safety and security program and by openly engaging our stakeholders, we can help ensure that perception is based on the reality of the fact that hotels today are very safe and comfortable places to stay.

### The Four Cornerstone Building Blocks for TRIC=S

In the mid-1990's we took steps designed to align the Safety and Security programme more closely with our operations when we designed building blocks that make up the four corner-

#### Board

The Rezidor Board is fully committed to not only supporting the company's Responsible Business programme but the Board also actively helps drive development of the programme. This active involvement has played a key role in expanding the scope of the Responsible Business and making it an integral part of all hotel operations.



#### Corporate Office

Rezidor has a dedicated Responsible Business department providing hotels with ongoing support to implement Responsible Business practices. The Responsible Business department in turn collaborates with other key departments such as Safety and Security and Human Resources as well as Technical Development, Sales and Marketing, Food and Beverage, Business Development and Finance to ensure Responsible Business is integrated into all aspects of Rezidor's operations. The Corporate Responsible Business Department reports to the Executive Committee.



#### Regional Responsible Business Coordinators

There is also a regional framework in place for Responsible Business, supporting the hotels at a regional level and providing a liaison between the hotels and the corporate Responsible Business team. This helps ensure Responsible Business is integrated consistently across all regions; all employees are fully engaged in the programme; and the capturing of bottom-up efforts. The 15 Regional Responsible Business Coordinators meet twice a year, where they are informed about and discuss the most recent developments and plans for the Responsible Business programme.



#### General Manager

The General Manager of the hotel is ultimately responsible for the hotel's Responsible Business activities and our General Manager Certification Programme, which is mandatory for all General Managers, includes a dedicated Responsible Business session as well as specific sessions on security and Crisis Management.



#### Responsible Business Coordinator

The Responsible Business Coordinator leads the Responsible Business Team consisting of employees from different departments and all levels at each hotel. Together they review current practices and implement Responsible Business across all departments and report their progress to Corporate Office.

stones of our programme: Guest Safety and Security, Employee Safety and Security, Fire Safety and Operational Security. To remove some of the taboo and mystique that often surrounds security-related issues, we defined very simple, understandable goals for each cornerstone: No guest should become ill, injured or suffer loss during their stay; No employee should become ill, injured or suffer loss at work; The risk of fire should be kept to a minimum and we should be able to detect fire quickly and limit any damage caused and; for Operational Security: we should be able maintain uninterrupted hotel operations and have plans in place to limit the impact of a disruption both in length and degree.

### *The Evolution of TRIC=S*

Traditionally, safety and security was about planning appropriate responses to incidents that could occur. Incident response however is only part of the equation that creates a formula for cementing the four cornerstones together into a solid foundation for safe and secure hotel operations. A one size fits all manual is not sufficient support to our diverse collection of hotels. Instead we use an online self-audit system linked directly to a library of good practice examples collected from our hotels. The self-audit routinely guides hotels through a comprehensive and complete review of their local safety and security program helping them keep policies updated, implement procedures adapted to their needs and means, and complete training programmes regularly for their staff. In 2010 a record 250 hotels used this tool and at year-end there was an average 96.3 compliance with set objectives. Amongst the 250 hotels there is also a growing number of franchise properties for whom the system is made freely available.

### *Tomorrow's TRIC=S*

We live in a world of real-time communications and a world where responsibility for ensuring safety, security and protection of infrastructure is increasingly being shifted from government offices and agencies to the private sector. This brings a new wave of challenges where we not only have a duty to care but we must perform this duty knowing that our actions will be visible. Our TRIC=S programme has been developed to meet these new demands of transparency and accountability.

An external review of our Corporate Security and the TRIC=S programme by the UK based consultancy firm BGN Risk in 2009 concluded: "This model is providing value for money but more importantly it is protecting company assets, employees and customers."

we feel confident that the built in dynamics in our programs will assist us in continuing to meet the challenges we face.

In their review, BGN Risk also stated that our program was versatile, functionally relevant, scalable for expansion and could be applied in any location. In November 2010 an agreement was signed so Rezidor will assist Carlson with the further development of corporate safety and security processes and will bring the corporate safety and security guidelines of both companies closer together providing a global umbrella of safety, security and resilience for our brands.

## **Pillar 2: Respecting social and ethical issues in the company, as well as in the community**

There is no doubt that the highlight for Responsible Business at Rezidor in 2010 was our recognition by the Ethisphere Institute as one of the World's Most Ethical Companies (WME). This is the fourth year Ethisphere, a think-tank dedicated to the creation, advancement and sharing of best practices in business ethics, corporate social responsibility, anti-corruption and sustainability, has published the



WME rankings. Taking responsibility is at the core of how we operate and we have already demonstrated the strength of our commitment through our signing of the United Nations Global Compact, the world's largest voluntary corporate responsibility initiative, in 2008. In signing the Global Compact we committed to aligning our operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption. A description of the policies and processes we have put in place to enforce these principles can be found on page 24 of the Responsibility Report.

### **Code of Ethics**

To guide hotel and regional office staff, management and employees alike, about how we want to operate our business and our way of life, Rezidor launched a Code of Ethics in spring

of 2008. The Code of Ethics and Business Conduct contains rules and guidelines for our business conduct and responsibilities vis-à-vis colleagues, customers, guests, suppliers, shareholders, authorities and the world at large.

Any employee with concerns or questions about the Code is encouraged to raise these



directly with their supervisor. Serious or sensitive concerns regarding the Code or a possible breach of the Code can also be reported anonymously through rezidorethics.com. This is managed by a third-party, Ethics Point, which ensures that reports are swiftly brought to the attention of the appropriate person or persons at Rezidor. In 2010 we enhanced this website to ensure employees are confident of its independence and are comfortable reporting their concerns.

### **Transparency and Anti-Corruption**

Rezidor does not make any contributions or give other support, direct or indirect, to political parties or individual politicians. The Rezidor Hotel Group receives no direct nor significant financial subsidies from governmental organisations in the countries where we operate hotels.

In some regions where Rezidor operates there are high risks related to corruption, thus the Code of Business Ethics is a valuable tool and management and staff are trained in this regard. These issues are also covered in our internal control procedures. Rezidor takes sub-

### **The Code of Ethics in short:**

1. We respect the law
2. We show respect for all persons in all situations
3. We think ethically
4. We act fairly
5. We do not discriminate against anyone for any reason
6. We are honest and transparent
7. We are loyal to our employer
8. We do not exploit the company's resources
9. We think of safety at all times
10. We take care of the Earth

stantial measures to ensure that the ethical behaviour stated in the Code of Ethics is a core value in all business relationships. In 2010 we also enhanced the governance programme for our operations with a new and dedicated anti-fraud policy. The Rezidor Hotel Group has not had any significant incidents regarding corruption or bribes causing legal actions during 2010.

### Employees

Rezidor aims to be the employer of choice for our people. We care for our employees, involve them in our planning and decision-making processes and ask for their feedback. Our annual Climate Analysis, a group-wide employee satisfaction survey conducted by an external independent party, shows us that we are on the right track. Since 1991, the first year when the analysis was conducted, and even during the challenging times of the global downturn, Rezidor's Employee Satisfaction Score has steadily increased and currently stands at 86.7 – an outstanding result within our industry and other service industries worldwide.

Taking into account all hotels, under all contract types, a total of over 35,000 employees were working under the Rezidor brands during 2010. During the last year over 2,500 jobs were created with the vast majority of employees hired from local markets. The company counts no less than 140 nationalities amongst the workforce, 57% of which is male. All employees receive regular performance and career development reviews at least on a yearly basis. Personnel costs, such as wages, training and benefits, are by far the largest cost for the company, 54.3% amounting to MEUR 278.9. More information on payroll cost and the split of these costs per country can be found in note 10 of the Rezidor Annual Report 2010.

### People Development and Training

Rezidor has for many years successfully focused on having a positive effect on the bottom-line through active people management. We offer a range of tools in order to attract and retain talented people by hiring attitude and training skills. Our award-winning 5-step people development programme allows for every ambitious employee to aim for the top, thanks to our simple – but efficient – policy of recruiting from within. The programme covers five levels of increasingly more advanced training and includes the mandatory New Hire Orientation, On-Job Skills, Yes I Can! and Living Responsible Business.

### Human Rights

Rezidor operates hotels in countries where problems with corruption and violation of human rights issues exist. Key human rights issues for the hotel industry include fair wages, women's rights, the capacity to join trade unions and collective bargaining. Rezidor does not in any way participate in or condone practices that breach International Declarations covering these issues. On the contrary we feel that our presence can be a positive influence. We work to rid prevalence of human-rights related issues hands-on, strengthening local communities by running a responsible operation. Child or forced labour is not accepted and this is ensured through training, local hiring policies and careful monitoring. We also pay close attention to, and train our employees to be aware of, the risks of child sex tourism while Carlson Companies has signed the ECPAT Code of Conduct against the sexual exploitation of children on our behalf.

### Community

Hotel companies contribute positively to the social and economic development of regions in which they operate. Hotels hire a majority of their employees locally and pay local taxes which are re-invested to benefit the region. We also give support through the restoration of cultural heritage sites, by sponsoring local events and charities and by partnering with research and interest organisations. Rezidor also has a direct and substantial effect on local communities as an employer and a purchaser.

### Charity

Throughout the year, Rezidor's hotels sponsor many charities and non-profit initiatives at local level through actions such as fund-raising assistance, training, free meeting rooms and other in-kind donations. In 2010, over 220 hotels participated in the annual Responsible Business Action Month in September when hotels are encouraged to organise environmental and community activities. The Rezidor Hotel Group is also proud to have the World Childhood Foundation (Childhood) as its international charity organisation since June 2007. Through various fund-raising activities at hotel and corporate level during the year, the company raised TEUR 60 for Childhood in 2010. At the same time hotels have donated approximately TEUR 360 to local charitable causes.

## Pillar 3: Reducing our negative impact on the environment

Although Rezidor has been working with Responsible Business and on improving our environmental performance for two decades, again in 2010 we have achieved reductions in energy and water consumption as well as waste generation.

Our continuous improvement was recognised in 2010 through our inclusion in both the OMX GES Sustainability Nordic Index and the OMX GES Sustainability Sweden Index. Rezidor is proud to be recognised by GES Investment Services – Northern Europe's leading research and service provider for Responsible Investment – and NASDAQ OMX, the world's largest



exchange company for monitoring not just the bottom line but the triple bottom line of environmental, social and economic performance.



At hotel level, we continued to pursue third-party environmental certifications in 2010 to ensure hotels are doing their utmost to reduce our environmental impacts. This year almost 60 hotels received a respected eco-label such as the Green Key bringing our total number of eco-labelled hotels to 150. A full list of certifications can be found on page 20 of the Responsibility Report.

### Responsible Construction and Renovation

Rezidor works actively to enhance resource efficiency and to measure, monitor and reduce its carbon footprint and this requires cooperation with property owners, constructors and architects. At the same time, in order to mini-

mise environmental impact and promote efficient resource use from the beginning of new projects, the use of smart design and best available technology is essential. To this end, our Responsible Construction and Renovation Guidelines advise owners, developers and hotels how to best manage their land in a productive and sustainable manner. In 2010 Rezidor expanded the Regional Engineering structure to include Germany while there were no environmentally related fines or spills at hotel or corporate level.

### Energy

The energy consumption of Rezidor hotels consists primarily of electricity, district heating, heating oil, natural gas, and LPG gas with 22% of hotels using renewable energy to varying degrees. Energy costs as a share of Rezidor's total costs is 5.7% (5.6), and during 2010 we spent TEUR 29,494 (25,658) on energy related costs for leased hotels. Living & Leading Responsible Business training and an increasing proportion of eco-labelled hotels contributed to greater energy efficiency in 2010. However, due to a significant rise in occupancy during the year, our traditional performance indicator energy per metre squared shows a slight increase.

### Emissions

Rezidor's greenhouse gas emissions result primarily from our energy consumption and mainly consist of carbon dioxide emissions. An assessment of the greenhouse gas emissions of Rezidor's operations was undertaken in February 2011 by the Edinburgh Centre of Carbon Management, based on 2010 data. In 2010, emissions from electricity, natural gas, heating oil, district heating and LPG gas for the 218 properties for which Rezidor has comprehensive data amounted to 408,943 tons CO<sub>2</sub> equivalent. Our carbon footprint has thus increased in absolute terms which is to be

expected with the large number of hotels opened last year as well as the aforementioned increase in occupancy. A number of our hotels have chosen to offset their carbon emissions and are now carbon neutral while Rezidor was the first international hotel company to offer guests the possibility to offset the emissions associated with their stay.

### Water

In order to reflect the growing importance of water conservation in 2010 Rezidor adjusted hotel water reporting to include all water used on site. Water for outdoor leisure facilities and irrigation are now taken into account across all regions. Thus, although water consumption per guest night decreased by an outstanding 9% for Park Inn by Radisson, we see a slight increase for Radisson Blu which has more resort properties. In any case we remain confident of our water conservation efforts and our performance for both brands is still far below the International Tourism Partnership benchmark for environmental excellence. Ongoing employee training contributed to improved and more water-efficient routines in housekeeping, kitchens and leisure facilities. In addition to conserving water it is essential Rezidor manages the quality of the water we discharge. 6% of hotels have grey water systems which can reuse this water to flush toilets while a number of properties in hotter climates use this water for irrigation. At the same time, our hotels frequently use rain water and even condensation water for irrigation. We endeavour to avoid water contamination, through chemical use in housekeeping or kitchen residue for example, as much as possible. In order to reduce avoid water contamination we use pre-set dosage systems for cleaning chemicals and 91% of the hotels have a fat separation device in place.

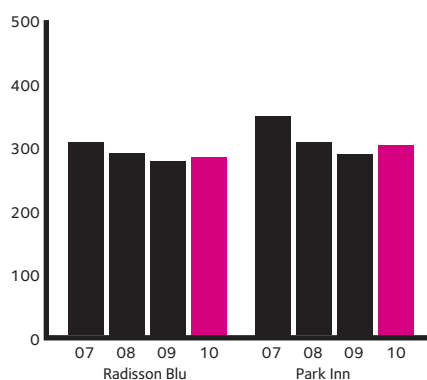
### Waste

Solid wastes are generated by many activities in our hotels like food preparation, prepackaged items consumed, guest waste, cleaning etc. We are proactively seeking to reduce our residual waste which would otherwise be sent to landfill or incineration. In 2010 we again saw significant reductions in waste per guest night for both Radisson Blu and Park Inn by Radisson. We believe these reductions were achieved mainly due to the influence of stricter waste management legislation in a number of countries, stringent recycling criteria as part of environmental certifications and increased employee awareness.

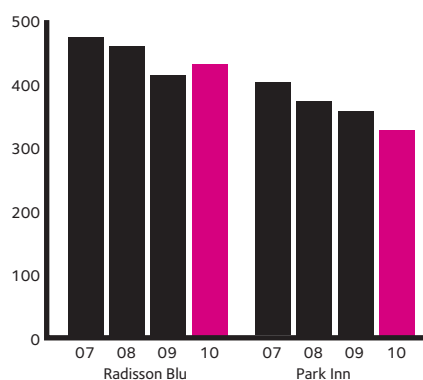
### Working with Suppliers

A large part of our social and environmental impacts is derived from those of our suppliers. For some products where we buy large quantities and where we perceive the negative environmental impact to be high, we have set strict environmental performance demands. Moreover, all suppliers are required to sign Rezidor's Supplier Code of Conduct and have the opportunity to further profile their Responsible Business performance to hotels through RezPIN, Rezidor's central purchasing programme online platform.

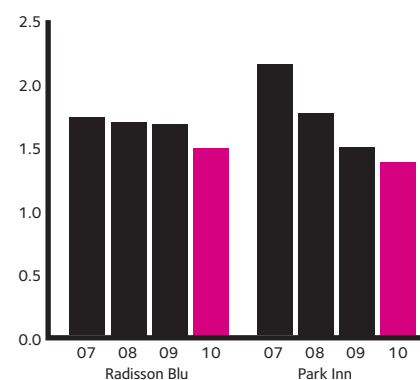
**Energy/m<sup>3</sup>, kWh**



**Water/guest night, litres**



**Waste/guest night, kg**





# The Rezidor Share

**Rezidor Hotel Group AB has been listed on NASDAQ OMX Stockholm since November 2006.**

## Share Performance

The closing price at the end of the 2010 was SEK 40.9, which was 68% higher than the closing price the previous year. During the same period the OMX Nordic Mid Cap index increased by 12% and the Dow Jones STOXX 600 Travel & Leisure with 26%. The highest listed transaction price was SEK 43.9 on November 8 and the lowest was SEK 22.7 on February 15. The market value at the end of 2010 was SEK 6,135 million (3,660).

## Turnover

During 2010, 54.9 million (61.1) shares were traded, corresponding to 37% (41) of the total number of registered shares, at a value of SEK 190.4 (111.0) million. The average number of shares traded per day was 216,813 (243,244).

## 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 after share buy-back 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 2010. The group currently holds 3,7 million shares or 2.5% of total number of shares outstanding.

## Dividend

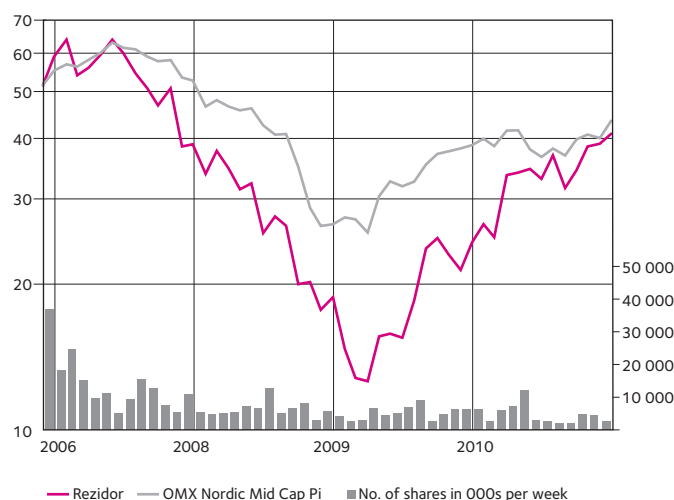
The long-term policy is to distribute approximately one third of the annual net income. The Board of Directors recommends the Annual General Meeting no dividend for the financial year 2010.

## Ownership structure

At the end of 2010 the number of shareholders was 3,699 compared with 3,514 at the end of the previous year. The proportion of Swedish ownership decreased to 33.7% from 37.2% in 2009. The ten largest shareholders owned shares corresponding to 81.5% (77.8) of the votes and capital.

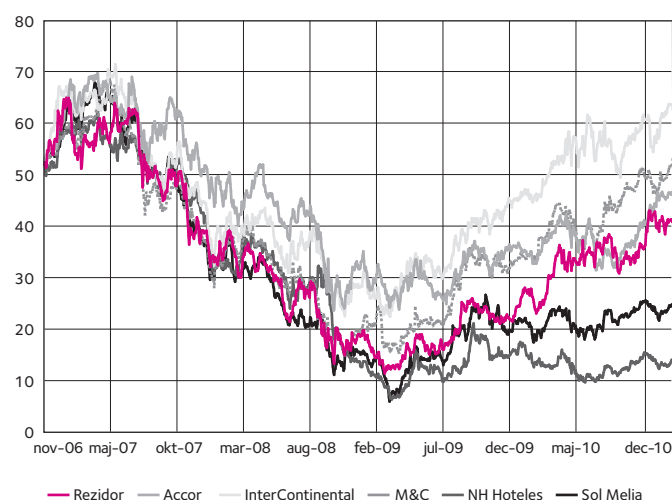
## Share price performance

Price of the Rezidor share/OMX Mid Cap



© NASDAQ OMX

Price of the Rezidor share vs. peer GROUP



## Largest shareholders

	No. of shares	Votes/capital %
Carlson	75,044,733	50.0%
Nordea	17,278,669	11.5%
Robur	10,055,163	6.7%
JP Morgan	6,569,432	4.4%
State Street Bank	3,786,473	2.5%
Handelsbanken	2,150,918	1.4%
Skagen Verkst Verdipapirfond	1,939,244	1.3%
Provobis	1,902,298	1.3%
Others	22,580,610	17.6%
<b>Number of outstanding shares</b>	<b>146,307,540</b>	<b>100%</b>
Rezidor Hotel Group	3,694,500	—
<b>Number of registered shares</b>	<b>150,002,040</b>	

## Shareholder categories

	Votes/capital %
Foreign owners	66.3%
Swedish owners	33.7%
of which:	
Institutions	31.3%
Private individuals	2.4%

## Shareholder structure

	No. of shareholders	No. of shares	Votes/capital %
1–500	2,003	419,934	0.3%
501–1,000	713	616,453	0.4%
1,001–10,000	720	2,425,357	1.6%
10,001–50,000	145	3,415,567	2.3%
50,001–100,000	24	1,711,411	1.1%
100,001–	94	141,413,318	94.3%
<b>Total</b>	<b>3,699</b>	<b>150,002,040</b>	<b>100%</b>

Source: Euroclear Sweden AB

## Key figures

	2010	2009
Market price at year-end, SEK	40.9	24.4
Highest market price during the year, SEK	43.9	26.8
Lowest market price during the year, SEK	22.7	11.3
No. of shares at year-end, million	150	150
Market capitalisation at year-end, SEK million	6,135	3,660
Earnings per share <sup>1)</sup> , EUR	–0.0	–0.2
Proposed dividend per share, EUR	0.0	0.0
Dividend percent of earnings after tax, %	0.0	0.0
Equity per share <sup>2)</sup> , EUR	1.2	1.1
Cash flow from the year's operations per share, EUR	0.3	–0.0

1) Before allocation to minority interest.

2) Based on number of ordinary shares at the end of the period, excluding own shares held by the Company.

## Share information

Ticker	REZT
ISIN code	SE0001857533
Market	OMX STO Equities
Segment	Mid Cap
Industry	Hotels, Resorts & Cruise Lines
Sector	Consumer Discretionary
Sector Id	SX253010

# Annual General Meeting and Financial Information

## Annual General Meeting

The Annual General Meeting of shareholders will be held at 10.00 a.m. CET on Wednesday, 13 April 2011 at the Stockholm Waterfront Congress Centre, Nils Ericssons plan 4, Stockholm.

## Participation

Shareholders who wish to participate must be recorder in the shareholders' register maintained by Euroclear Sweden AB, on Thursday, 7 April 2011.

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. Shareholders who wish to register their shares in this way must inform their nominees accordingly in sufficient time before Thursday, 7 April 2011.

## 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, 7 April 2011. 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](mailto: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 (Hemvärnsgatan 15, Box 6061, 171 06 Solna) is in Stockholm, Sweden, with the corporate office based in Brussels.

Reporting currency is Euro. Unless otherwise stated, figures in parentheses relate to the 2009 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  
Corporate Communication & Investor Relations

Avenue du Bourget 44  
B-1130 Brussels  
Belgium  
Tel: + 32 2 702 9200  
Fax: + 32 2 702 9300  
Email: [investorrelations@rezidor.com](mailto:investorrelations@rezidor.com)

## Contact

Knut Kleiven  
Deputy President and Chief Financial Officer

## 2011 Calendar

Annual General Meeting: April 13  
Interim Report, January-March: April 13  
Interim Report, January-June: July 21  
Interim Report, January-September: October 28

## Corporate Website

[www.rezidor.com](http://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**

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 revenue 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, Ireland, Italy, Luxembourg, Malta, the Netherlands, Portugal, Spain, Switzerland and the United Kingdom.

### **Eastern Europe (incl. CIS countries) (EE)**

Azerbaijan, Belarus, Bulgaria, Croatia, the Czech Republic, Estonia, Georgia, Hungary, Kazakhstan, Latvia, Lithuania, Macedonia, Poland, Romania, Russia, Slovakia, Turkey, Ukraine and Uzbekistan.

### **Middle East, Africa and Other (MEAO)**

Angola, Bahrain, Brazil, China, Egypt, Ethiopia, Jordan, Kenya, Kuwait, Lebanon, Libya, Mali, Mongolia, Morocco, Mozambique, Nigeria, Oman, Qatar, Rwanda, Saudi Arabia, Senegal, South Africa, Tunisia, the United Arab Emirates and Zambia.

The Rezidor Hotel Group is one of the most dynamic and fastest growing hotel companies in the world.

The group currently features a portfolio of more than 400 hotels with 87,000 rooms in operation and under development in over 60 countries across Europe, the Middle East and Africa.

Rezidor operates the core brands Radisson Blu and Park Inn by Radisson – as well as Hotel Missoni, a new lifestyle brand which is developed worldwide following a licence agreement with the iconic Italian fashion house Missoni.

For more information, visit [www.rezidor.com](http://www.rezidor.com)

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