THE REZIDOR HOTEL GROUP

# Interim Results Q1-2011

Wednesday April 13, 2011

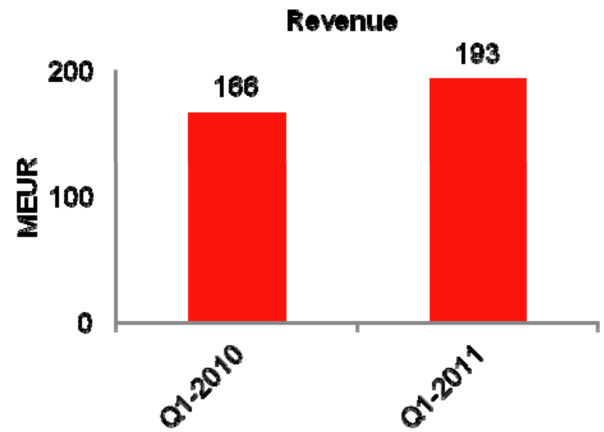

Kurt Ritter, President & CEO

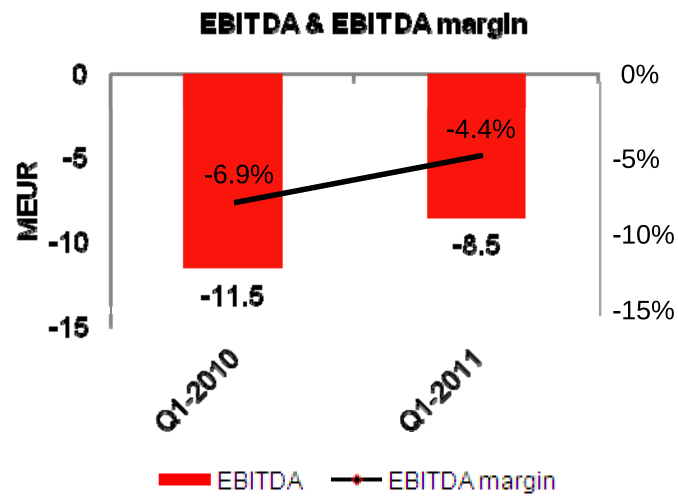
Puneet Chhatwal, Senior Vice President & CDO

Knut Kleiven Deputy President & CFO

## Q1-2011 Financial highlights

- A continued strong recovery in our key markets
- Like-for-like RevPAR change:
  - NO +10%
  - ROWE +9%
  - EE +12%
  - MEAO -6%
- Significant revenue growth due to better RevPAR, new leased hotels and FX
- Improved margins – however dampened by new leased hotels



# Q1-2011 Company highlights

- Openings and signings ahead of last year
- Radisson remains Europe’s largest upscale brand
- Extensive Park Inn marketing campaign in the UK
- Strengthening the organisation
- Global brand alignment continues
- Named one of the World's Most Ethical Companies

# New revenue generating innovations

- Club Carlson loyalty program
  - Fastest to a free night
- Mobile Web Platform
  - Ahead of the competition
- State-of-the-art revenue generation
  - Stay Night Automated Pricing

# 2011 Focus areas

- Profitable asset-light growth
- Core brands – Radisson Blu & Park Inn by Radisson
- Increase market penetration
- Profitability in Rest of Western Europe
- Cost containment and cash improvement
- Accelerated CAPEX plan

THE REZIDOR HOTEL GROUP

# BUSINESS DEVELOPMENT

Puneet Chhatwal, Senior Vice President & CDO

# 2011 Development outlook for the Industry

- Stability at a new level
- Further consolidation, to the benefit of the industry
- Consensus that transactions will rise in 2011
- Rising RevPAR's, rising values
- Industry pipeline growing after long downturn

## A strong start - signings

| SIGNINGS | Q1-2011 | Q1-2010 |
|---|---|---|
| Hotels | 11 | 8 |
| Rooms | 2,200 | 1,500 |

- 100% fee-based
- 50%:50% Radisson Blu/Park Inn by Radisson
- Key locations: Istanbul, London (Wembley), Accra, Gothenburg

**Radisson Blu Accra**

**Radisson Blu Gothenburg**

# A strong start - openings

| OPENINGS | Q1-2011 | Q1-2010 |
|---|---|---|
| Hotels | 6 | 4 |
| Rooms | 1,400 | 600 |

- 2 leased hotels opened, no leased hotels remaining in pipeline
- Key Locations: Stockholm, Brussels, Cannes, Kuwait City
- 2 hotels offline (419 rooms)

Hotel Missoni Kuwait

Radisson Blu Cannes

# Notable upcoming Emerging Market openings

| HOTEL | ROOMS | COMMENTS |
|---|---|---|
| Radisson Blu, Lagos | 170 | Severely undersupplied market (rates > €300) |
| Radisson Belorusskaya, Moscow | 264 | Consistently among highest rates in Europe |
| Radisson Blu, Addis Ababa | 204 | Undersupplied market |
| Radisson Blu Istanbul Asia | 195 | 3rd Radisson Blu in Istanbul |
| Radisson Blu Maputo, Mozambique | 152 | 1st international hotel brand |
| Park Inn Cape Town | 120 | 2nd Park Inn in South Africa |

**Radisson Blu Lagos**

**Radisson Blu Addis Ababa**

**Radisson Blu Maputo**

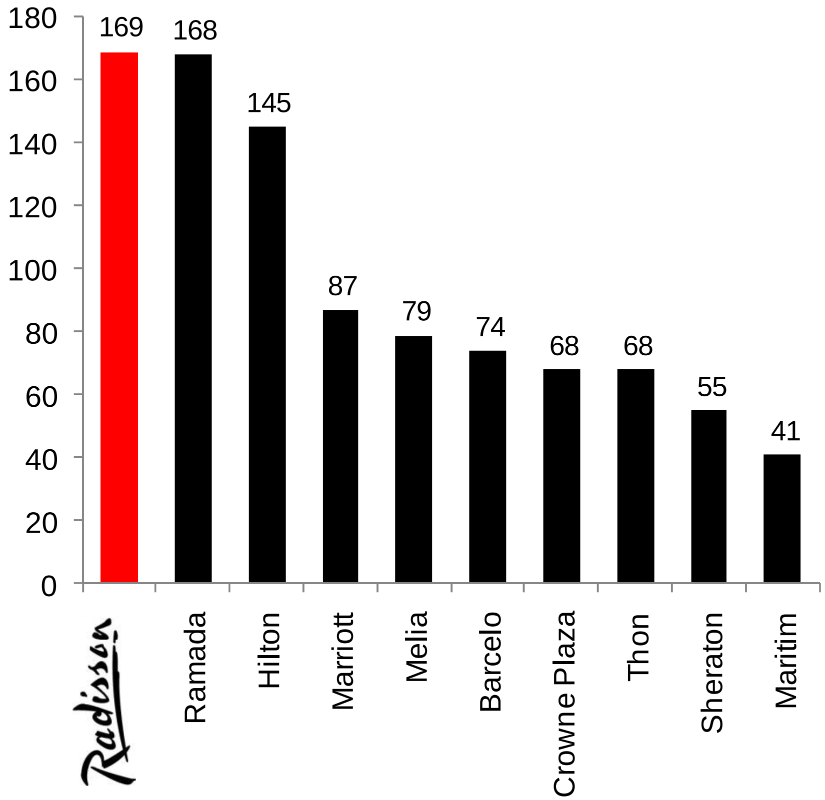
# Highest growth in Europe

| RANK | GROUP | ROOMS JAN. 2011 | ROOMS JAN. 2010 | GROWTH |
|---|---|---|---|---|
| 1 | Accor | 247,000 | 242,000 | 1.8% |
| 2 | Best Western | 89,000 | 87,000 | 2.4% |
| 3 | Intercontinental Hotel Group | 85,000 | 85,000 | 0.2% |
| 4 | Groupe du Louvre | 67,000 | 72,000 | -6.8% |
| 5 | NH Hoteles | 51,000 | 51,000 | 1.2% |
| 6 | Rezidor/Carlson | 49,000 | 44,000 | 10.7% |
| 7 | Sol Melia | 45,000 | 46,000 | -3.1% |
| 9 | TUI | 42,000 | 40,000 | 4.3% |
| 10 | Hilton International | 41,000 | 40,000 | 3.8% |

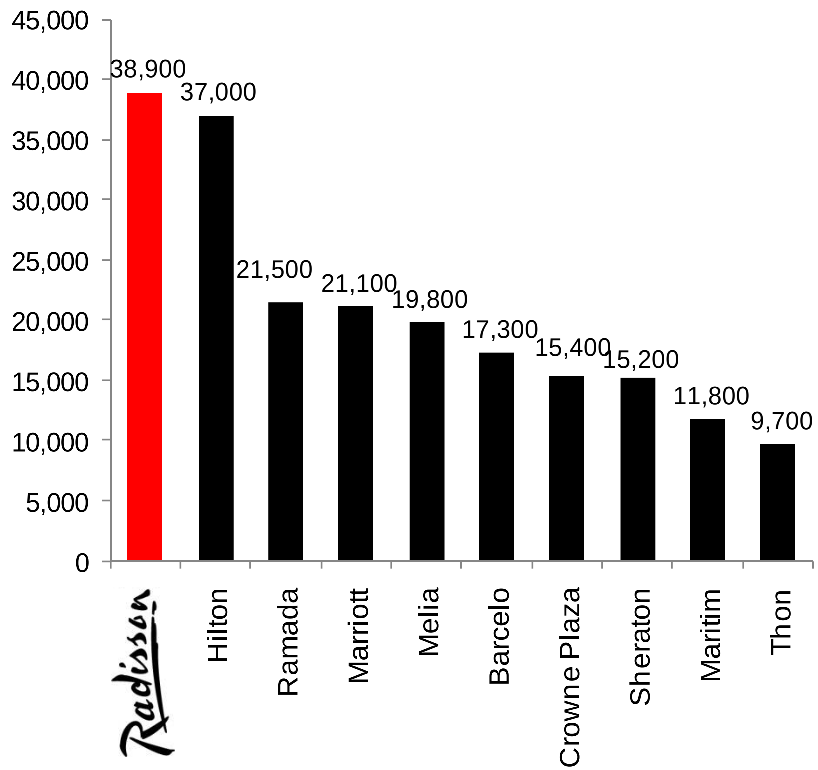
Source: MKG Hospitality Database - March 2011 (In Operation)

# Largest upscale hotel brand in Europe

## Number of Hotels



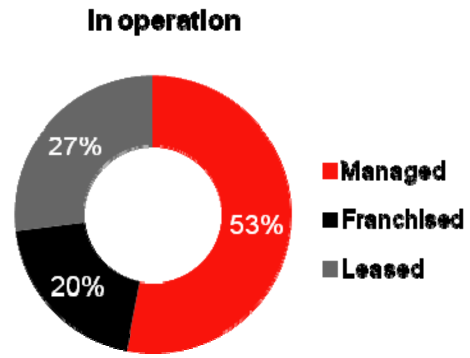

## Number of Rooms

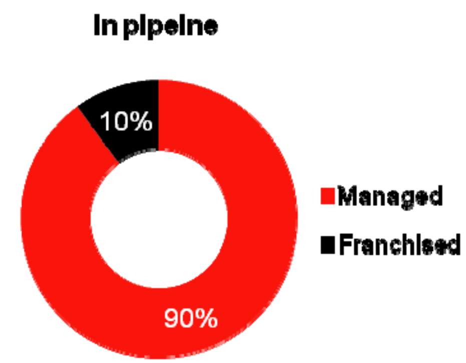



Source: MKG Hospitality Database - December 2010 (In Operation)

## One of the strongest pipelines in the industry

- Steady at 100+ hotels, 20,000+ rooms
- One of the strongest pipelines in the industry - represents 30% of rooms in operation
- Currently no leases in the pipeline (asset-light)
- Run-rate margin impact of 2-2.5% on EBITDA



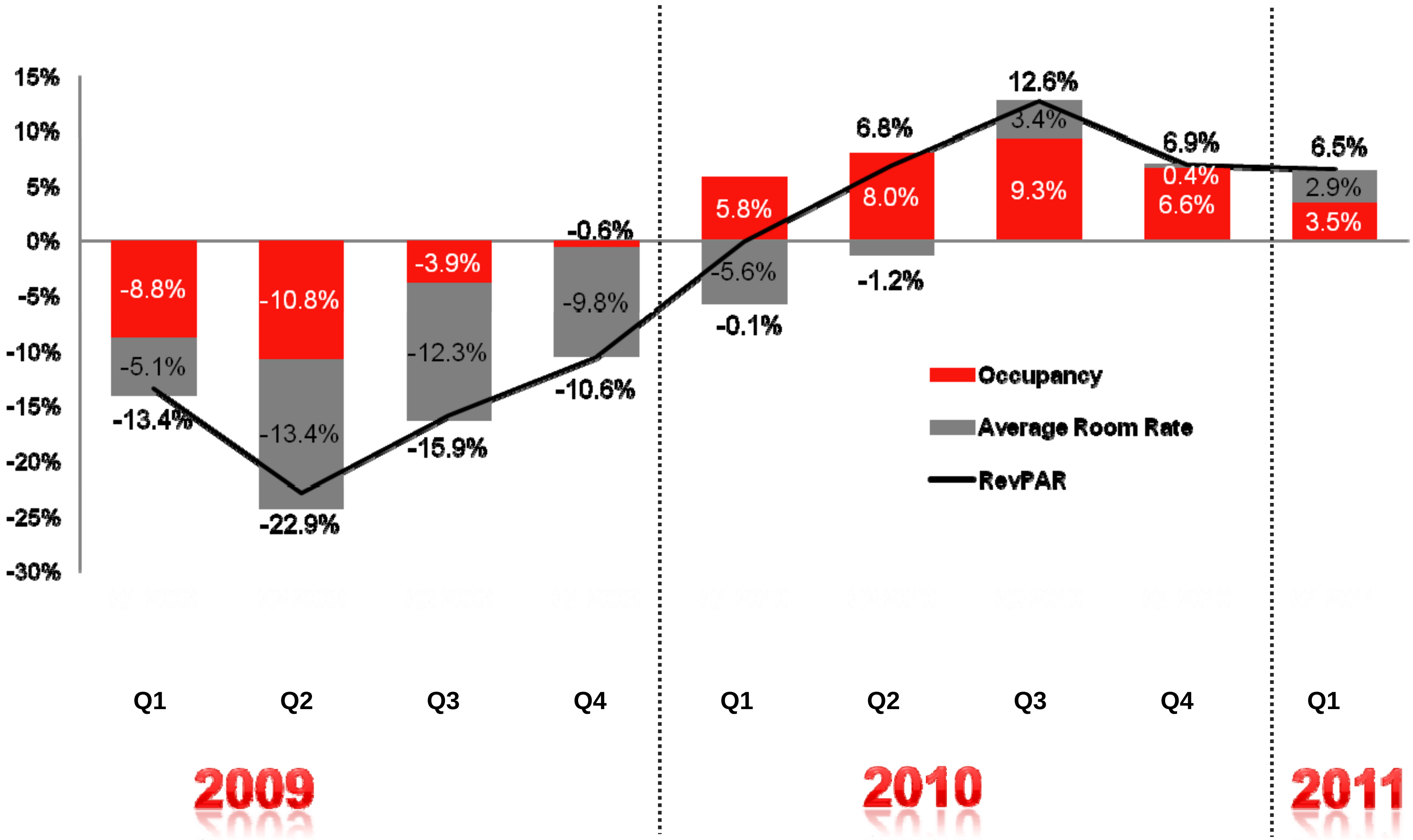



THE REZIDOR HOTEL GROUP

# FINANCIAL UPDATE

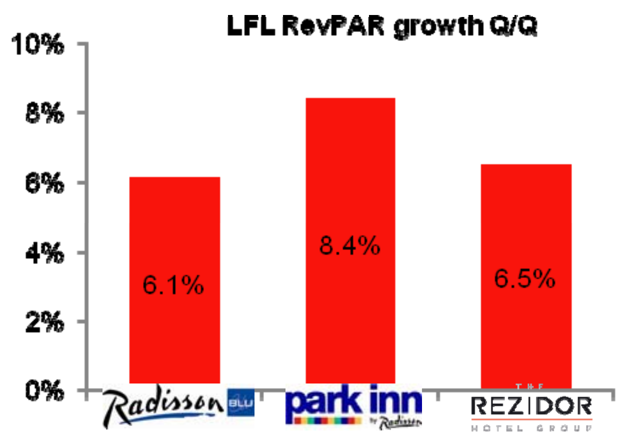
Knut Kleiven Deputy President & CFO

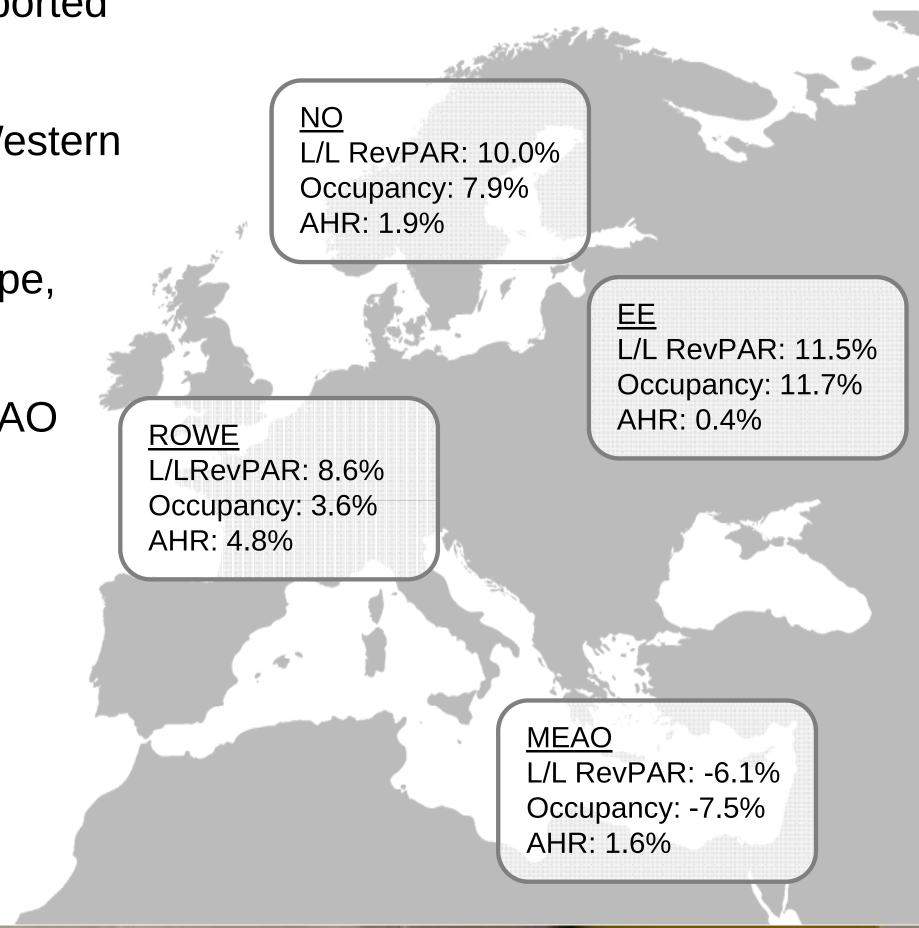
# L/L RevPAR growth 6.5% - excluding North Africa & Bahrain 9.5%



## A continued strong recovery in our key markets

- Strong growth in all Nordic countries, supported by Easter timing
- Continued solid development in Rest of Western Europe, particularly Germany
- Occupancy driven growth in Eastern Europe, rates yet to rebound
- Significant impact of political unrest in MEAO

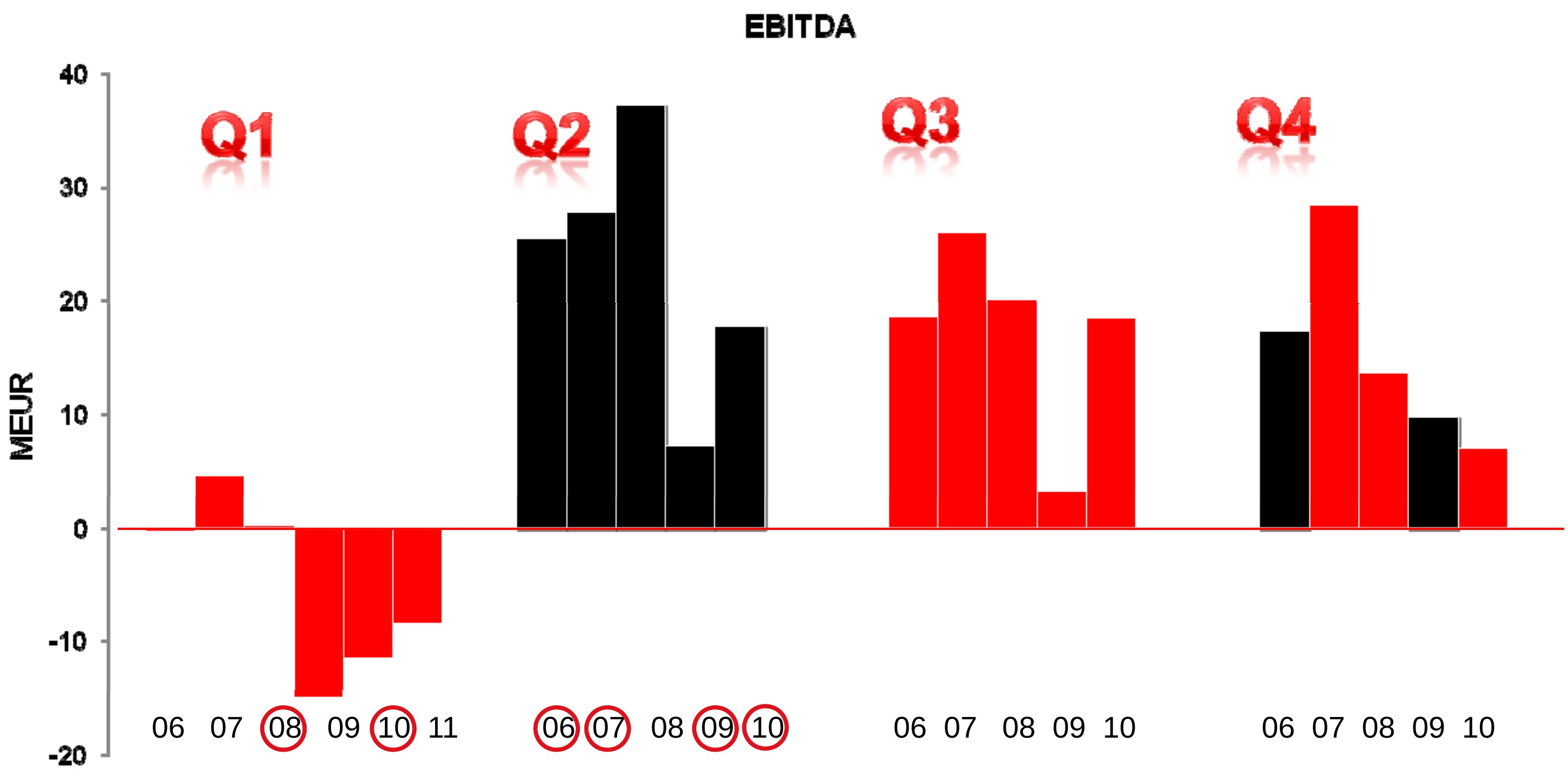


# Significant revenue impact from new leases & FX

| Revenue | | |
|---|---|---|
| **% CHANGE** | **in MEUR** | **VAR vs LY** |
| REVENUE Q1 2010 | 166 | - |
| L/L GROWTH | 8 | 5% |
| OUT (REGENT) | -3 | -2% |
| NEW OPENINGS | 14 | 8% |
| FX IMPACT | 8 | 5% |
| **REPORTED Q1 2011** | **193** | **16%** |

# Q1 always the weakest quarter




= Easter quarter

# Strong EBITDA conversion supported by fixed rents in ROWE

| IN MEUR | Q1-2011 | Q1-2010 | Change % |
|---|---|---|---|
| Revenue | 193 | 166 | 16% |
| Expenses | 140 | 121 | 16% |
| EBITDAR | 53 | 45 | 18% |
| % EBITDAR Margin | 27% | *27%* | 0pp |
| Rental expenses | 62 | 57 | 9% |
| EBITDA | -9 | -12 | n/m |
| % EBITDA Margin | -4% | *-7%* | 3pp |
| EBIT | -17 | -19 | n/m |
| % EBIT Margin | -9% | -12% | 3pp |
| Tax | -1 | 3 | n/m |
| Net results | -17 | -18 | n/m |

- Operational costs increased in line with revenue
- Higher rental costs due to new leases
- Tax rate negatively impacted by higher taxable profits in some countries and a one-off tax expense related to prior years

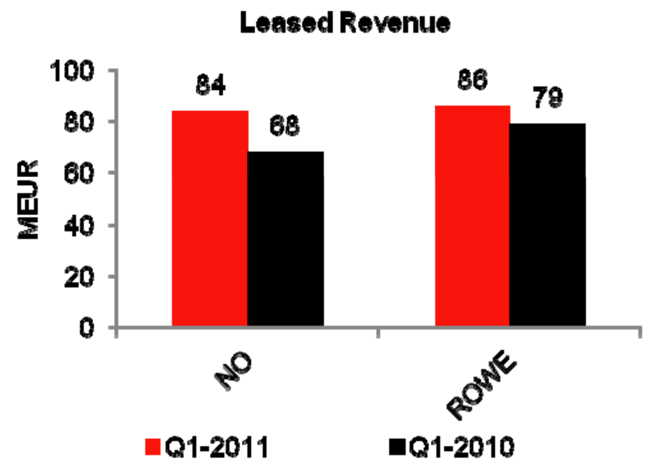
# Strong L/L Conversion

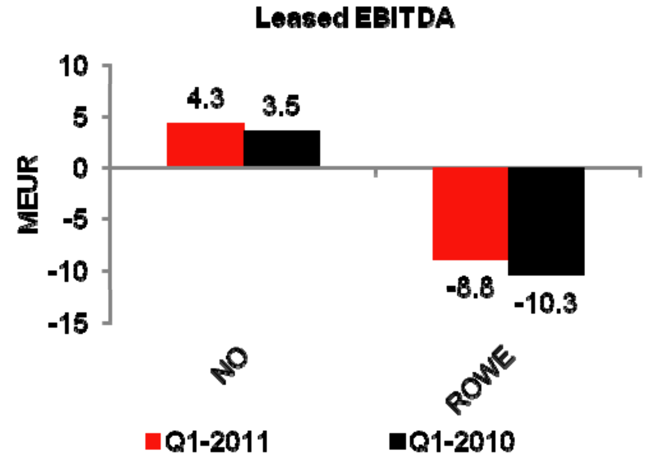
| Q1 2011 vs Q1 2010 | DEVIATION vs Q1 2010 (MEUR) | REPORTED CONVERSION | L/L CONVERSION (excl. FX, new units & Regent) |
|---|---|---|---|
| Revenue | 27.0 | - | - |
| EBITDAR | 7.6 | 28% | 28% |
| EBITDA | 3.0 | 11% | 41% |
| EBIT | 2.5 | 9% | 40% |

*Note: L/L conversion would have been higher by ca 25% but for the one-off impacting central cost by ca MEUR 2*

# Positive impact of market upturn on leased business

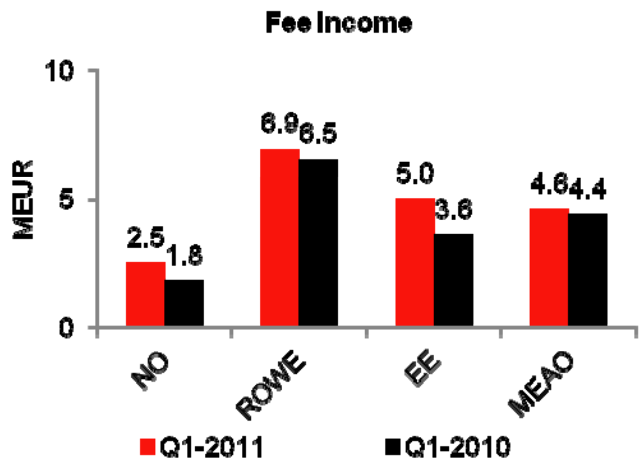
- Strong RevPAR growth in Nordics & ROWE
- Stronger revenue growth in Nordics supported by new openings
- Increase in absolute EBITDA
- Improved EBITDA margin in ROWE, benefiting from fixed rent structure

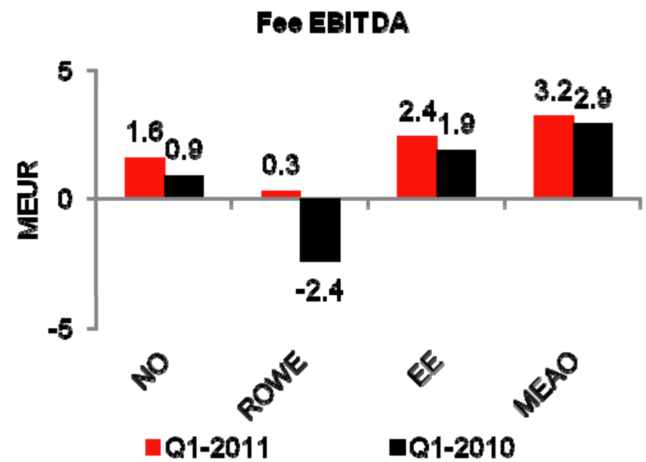


# Fee based asset-light growth

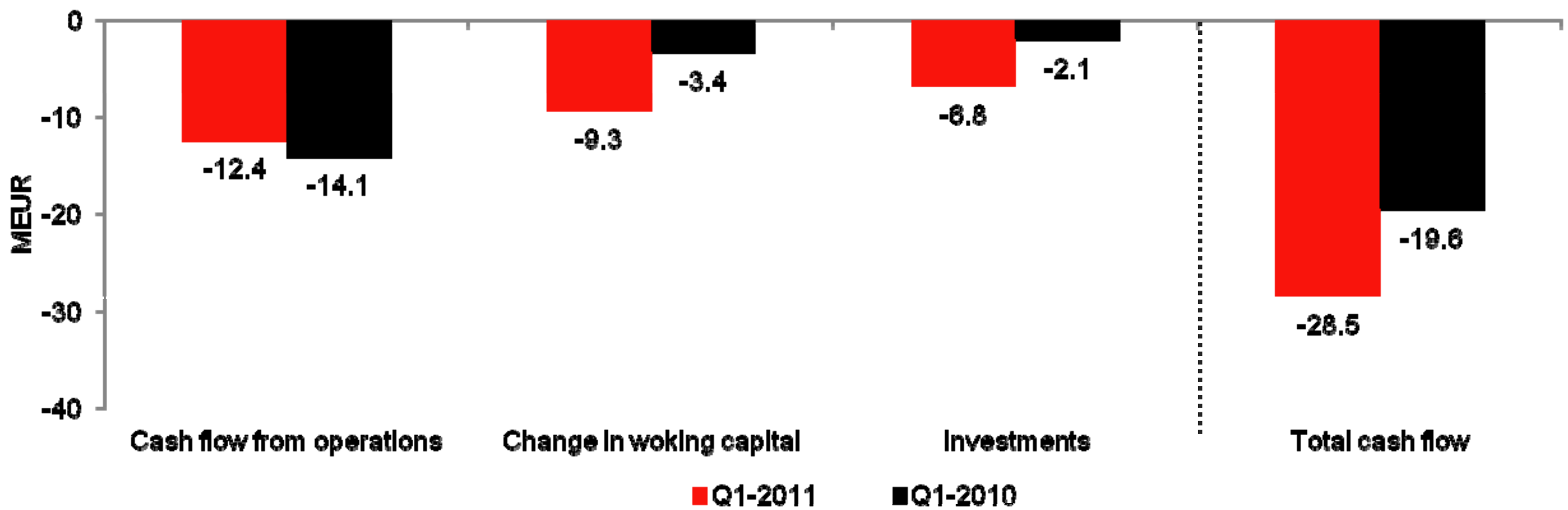
- Result of shift in business model: stronger fee income particularly in Emerging Markets
- Increase across all regions
- Increase in MEAO fee income despite political unrest
- Decrease in shortfall payments



# Q1 cash flow reflects normal seasonal pattern

- Strong improvement in cash flow from operations
- Drop in working capital due to higher-than-normal accruals at end of last year
- Higher levels of investments compared to last year – as planned
- MEUR 9 in cash and MEUR 92 in unused overdrafts/credit lines



# 2011 CAPEX

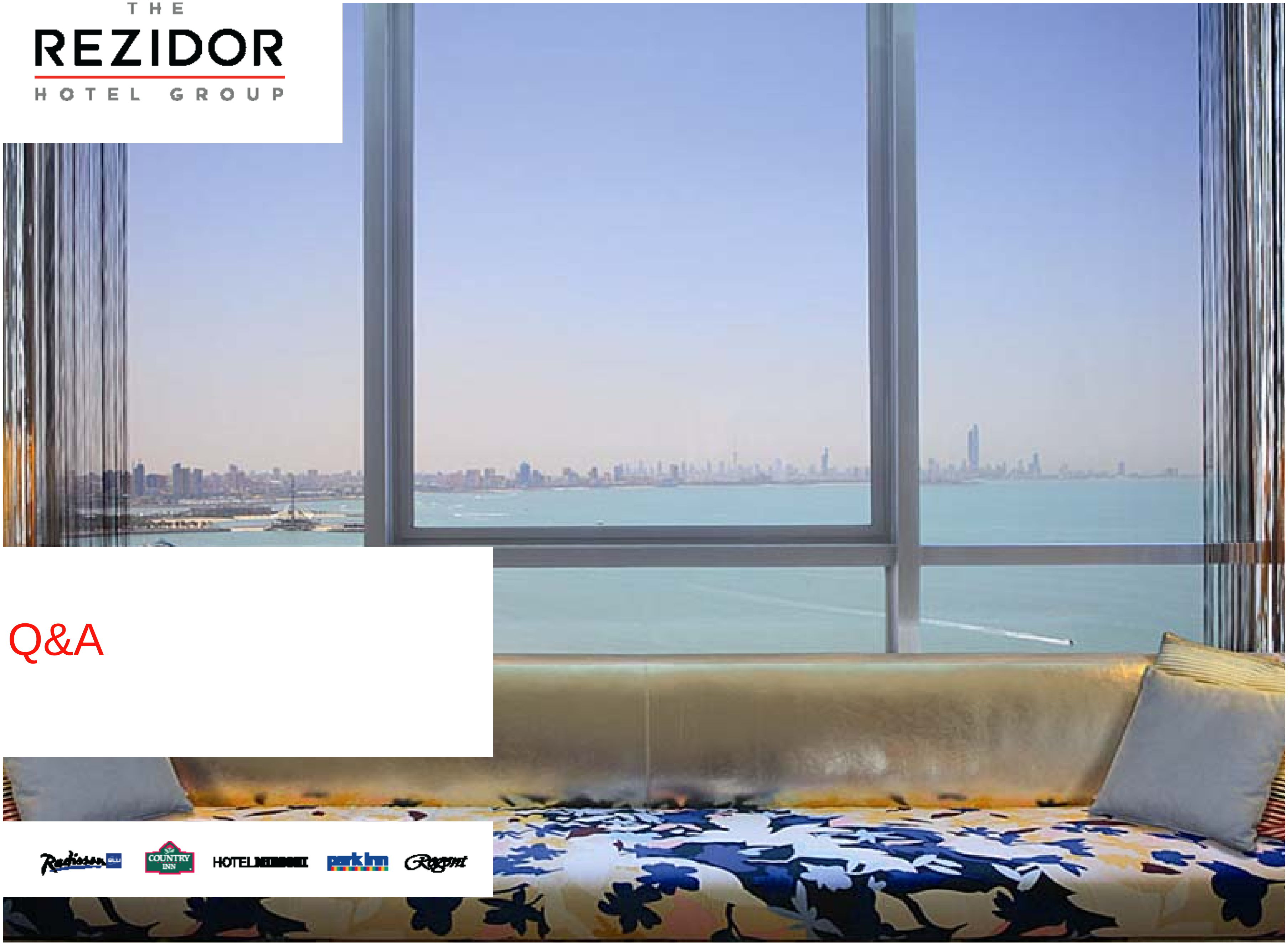
- Increase planned in 2011
- Renovations and refurbishments of several landmark properties:
  - Radisson Blu Scandinavia Oslo
  - Radisson Blu Royal Viking, Stockholm
  - Radisson Blu Royal Brussels
  - Radisson Blu Amsterdam
- Aim to increase market penetration and maintain Radisson Blu as a premier brand

| IN MEUR | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| CAPEX | -24 | -23 | -35 | -46 | -33 |
| Leased hotel revenue | 683 | 592 | 691 | 693 | 631 |
| Maintenance CAPEX as a % of leased revenue | 2.6% | 3.9% | 4.3% | 4.8% | 5.2% |

# 2011 Industry Trends

- Continued steady recovery in almost all markets
- Supply growth in Europe at all time low
- Macroeconomic and political uncertainty in some countries remain
- More demanding comparison base
- Absolute RevPAR is still low – room for further growth

THE REZIDOR HOTEL GROUP



# Q&A