

Annual Report 2011



THE
REZIDOR
HOTEL GROUP

The year in brief

- Like-for-like (L/L) RevPAR grew by 3.7%, mainly derived from a 3.2% increase in room rate.
- Eastern Europe (15.0%) led the L/L RevPAR recovery throughout the year followed by Rest of Western Europe (6.1%) and the Nordics (2.8%).
- The Middle East and Africa reported a negative L/L RevPAR growth (–10.9%) due to the political turbulence in the region. Adjusted for the troubled countries, L/L RevPAR for the group increased by 6.3%.
- Revenue grew by 10% to MEUR 864 (786).
- Despite the revenue increase the EBITDA margin was flat over last year, 4.1% (4.0), as it was negatively impacted primarily by the loss of revenue from the Middle East and North Africa and a number of one-offs.
- Loss after tax was MEUR –11.9 (–2.7) and was negatively impacted by write-downs of fixed assets of MEUR 11.6.
- Basic and diluted Earnings Per Share amounted to EUR –0.08 (–0.02).
- Cash flow from operating activities was 14.1 (47.6) and total available cash including unutilised credit facilities was MEUR 104.8 (129.3).
- The Board has recommended paying no dividend for 2011 (EUR 0.00).
- In December, Rezidor announced “Route 2015 Strategy”, a number of initiatives with the aim to improve the EBITDA margin by 6 to 8 percentage points by 2015.
- 2011 was a record year for new signings; 9,600 new rooms were added to the pipeline – all under managed or franchised contracts.
- 5,800 new rooms were added to operations in key location such as Stockholm, Dubai and Moscow.



Rezidor opened its second hotel in Georgia in August 2011 – the Radisson Blu Hotel, Batumi. The new hotel, with its wave-inspired glass façade offers 168 rooms and is located in the center of the city, alongside the famous Batumi Boulevard.

Content

1 | The year in brief

2 | CEO Statement

4 | Chairman's Statement

5 | Rezidor in brief

8 | Board of Directors' Report

15 | Financial Reports

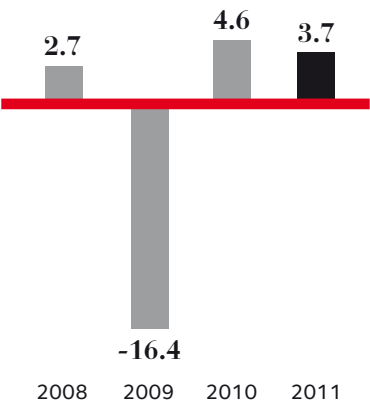
23 | Notes to the Group accounts

51 | Parent Company accounts, incl. Notes

Rezidor opened the Radisson Royal Hotel, Dubai in July 2011, featuring 471 rooms. The hotel is one of Rezidor's flagships in the Middle East and will further strengthen the growing portfolio of young and stylish resorts across Europe, Middle East and Africa.

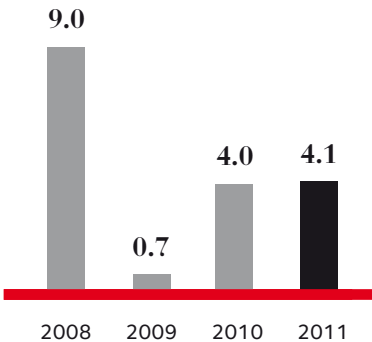


Like-for-like RevPAR growth, %



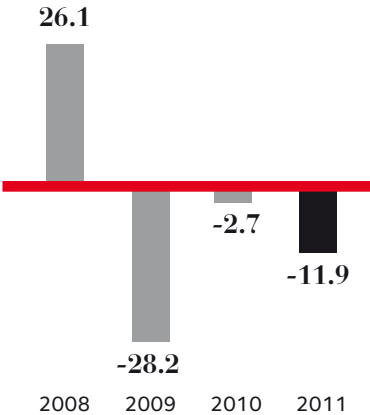
Like-for-like RevPAR grew by 3.7% during the year. The strongest development was seen in Eastern Europe. Adjusted for the three troubled countries in the Middle East and North Africa, like-for-like RevPAR grew by 6.3%.

EBITDA Margin, %



In 2011, the EBITDA margin was negatively impacted mainly by the loss of revenue from the Middle East and North Africa, increased Park Inn marketing costs and higher central costs as a result of the corporate reorganisation.

Profit/loss after tax, MEUR



Loss after tax was negatively impacted by write-downs of fixed assets of MEUR 11.6, as a result of lowered market growth expectations following an intensified asset management review in light of the continuing financial uncertainty.

57 | Auditor's Report

58 | Corporate Governance Report

65 | Auditor's Report on the Corporate Governance Report

66 | Board of Directors

68 | Executive Committee

70 | Responsible Business Review

74 | The Rezidor Share

76 | Annual General Meeting and Financial information

77 | Definitions

CEO Statement: *Route to recovery*

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The political unrest in the Middle East and North Africa, coupled with macro-economic uncertainties in Europe, resulted in lower-than-expected RevPAR growth. However, despite this turbulent environment, the positive momentum was maintained and our like-for-like RevPAR increased by 4%.

The year started with high expectations for the European hotel industry. RevPAR (Revenue Per Available Room) grew in all significant markets and the numbers reflected a good mix between occupancy and rate. However, in the third quarter the pace of growth in the mature Western European and Nordic markets slowed down due to the economic instability in the Euro zone, and the deceleration continued during the last three months of the year.

Eastern Europe, on the other hand, witnessed a great recovery throughout the whole year after being hit hard by the recession in 2009, with Russia and the Baltics as the key performers in the region.

The Middle East and Africa experienced a large drop in RevPAR, due to the political turmoil in the region and the oversupply of hotel rooms in South Africa after the Soccer World Cup in 2010. Adjusted for Bahrain, Egypt and Tunisia, we would have seen RevPAR growth of 6% for the Group as a whole. However, the numbers improved in the third quarter and even more so during the last three months of the year. Some countries in the region, such as UAE and Saudi Arabia, benefited from the turmoil, with strong performance in occupancy levels. Long term, we believe that the Arab Spring will open the door to exciting new business opportunities.

Revenue growth supported by new hotels

Our revenue increased by 10% in 2011, an upswing that came almost entirely from opening a significant number of leased hotels since the beginning of 2010. The new leases, mainly located in the Nordics, performed very well and contributed positively to our EBITDA, although at a lower margin, as they were in their ramp-up phase. On average, we expect our new leases to reach a normal profitability level after two to three years. The loss of fee revenue from the troubled countries in the Middle East and North Africa, some one-off operating costs relating to our

increased Park Inn by Radisson marketing activities, and also organisational restructuring carried out during the year resulted in a modest increase of the EBITDA margin compared with the previous year

Dynamic growth against the odds

Our ambitious expansion continued during 2011, despite the instability that surrounded the industry throughout the year. We added 9,600 new rooms to our pipeline – exceeding our total for 2010. All of these new rooms were under management or franchise contracts, supporting our asset-light strategy to grow through these more profitable and low-risk contract types. We brought nearly 6,000 new rooms on line in key locations, such as Moscow, Dubai and Stockholm.

Our pipeline of 22,000 rooms is one of the strongest in the industry and represents ca 30% of the current number of rooms in operation, compared with an industry average of ca 20%. Our growth has always been organic, which is the cheapest way to grow as there is limited capital involved, and it has been a mix between conversions and new-builds. At this point, the entire pipeline comprises either management or franchise contracts.

In line with our strategy to expand in Emerging Markets, 75% of our upcoming new rooms are in Eastern Europe, the Middle East and Africa, and we intend to maintain our strong focus on further expansion in these exciting and less competitive markets. However, projects in these markets – particularly in Russia and Africa – can sometimes experience delays and cancellations.

Profitability: our most important battle

Looking ahead, it is essential that we sharpen our focus on improving profitability, both in absolute terms and relative to the industry. One of our main challenges has been to improve the performance of our leased hotels in Western Europe – or rather, the Rest of Western Europe, as the hotels in the Nordics

enjoy a very strong position with strong brand awareness and consequently, substantial RevPAR premiums. In Rest of Western Europe, on the other hand, we have not reached critical mass with regards to brand awareness and our hotels do not get the fair share of the market. As a consequence, the EBITDA margin in Rest of Western Europe has not developed in a satisfying way.

In December 2011 we therefore announced “Route 2015” – a raft of initiatives to improve the EBITDA margin by 6 to 8 percentage points by 2015. This will mainly be achieved by placing stronger emphasis on revenue generation, which in turn will primarily come from creating greater synergy with our partner and brand owner Carlson.

Together, we have introduced our enhanced customer loyalty programme, Club Carlson (replacing goldpoints plus). The program is already a proven success with new signings up by 35% year-on-year, now serving 8 million members worldwide. We have reinforced all sales teams in EMEA, Asia and the Americas, and the new organisation will function across all markets, driving the top line in the right direction. The synergy here is obvious: we want to attract more guests from the US and Asia – while Carlson wants more guests from this side of the Atlantic. We’re also working in tandem with Carlson to improve performance in terms of travel intermediaries, brand websites, yield management and purchasing. To facilitate our increased cooperation, we announced in January that Carlson and Rezidor have jointly decided to go to market and do business together as the “Carlson Rezidor Hotel Group”. The goal of the new strategic partnership is to create a greater value for all our shareholders, generate more attractive financial returns for hotel owners and to be perceived by business partners around the world as one global hotel company.

Besides various revenue initiatives, the targeted approach to improve the EBITDA margin includes opening the 22,000 rooms in our

pipeline, as well as making cost savings on purchases and energy. We have also created a separate Asset Management department in order to further optimise our existing portfolio of leased hotels in Western Europe, increase profitability and reduce the leverage of the company.

To ensure success on all of these fronts, we have been re-engineering and strengthening our organisation: we've welcomed three senior executives into the company, whose vast industry experience and drive will prove invaluable as we forge ahead towards the future.

One important area where we have been investing is in marketing our colourful Park Inn by Radisson brand and I'm pleased to see that our efforts have been rewarded with an improved performance in 2011. We also

stepped up maintenance investments in our leased portfolio throughout 2011, making up for holding back during the downturn and helping to ensure we maintain our powerful "new breed" image.

2012: expect the unexpected!

No one knows when the political instability in the Middle East and North Africa will end, or when the macro-economic situation in Europe will stabilise. These factors had a significant impact on our 2011 results and will probably continue to do so in 2012. This current lack of visibility poses obvious problems for companies like ours.

What we do know is that RevPAR recovery in Europe is expected to benefit from the low growth in room supply, which has suffered from tough financing conditions over the last

couple of years. Moreover, in 2009 we saw a drop in L/L RevPAR by over 16%. In 2010 and 2011 we marked up a total increase of 9%, which indicates there is scope for further RevPAR improvement in the years ahead.

With our recently announced "Route 2015" strategy and our strengthened organisation – powered by our special Yes I Can! attitude – I am confident we have taken a number of bold and significant strategic steps to improve the performance and better position Rezidor for dynamic long-term growth and success.



Kurt Ritter
President and CEO



Chairman's Statement

While 2011 has been a volatile year from an economic and geopolitical standpoint in Rezidor's markets, the Board and the management team have been working on strengthening the Company's performance. The Route 2015 strategy announced at the Company's investor day meeting is a comprehensive plan to enhance its profitability.

2011 is a year when Rezidor strengthened its board and management team. The new board members elected at the Annual General Meeting in April 2011 have been great additions to the board, bringing a strong set of competencies. In April 2011, the Board decided to extend the term of Kurt Ritter as the CEO, ensuring continuity of leadership during these turbulent times, and three new executives have joined the Executive Committee in 2011, bringing valuable skills and experiences to the mix.

As a Board, and together with the management team, we agree that our Company has great strengths: (1) we have a strong growth track record and an industry leading pipeline; (2) we have a fresh portfolio of "new breed" hotels; (3) we are recognized as a strong operator and have long lasting relationships with hotels owners; (4) we have a heritage of entrepreneurship and a strong Yes I can! culture; (5) we have a strong management team combining continuity and new talent; (6) we have a well established and recognized tradition of strong governance, high integrity and responsible business; and (7) we have our long standing relationship with Carlson.

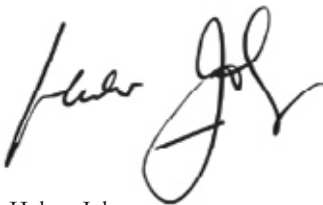
Our main challenge is to enhance our profitability. Our average EBITDA margin in the last 5 years has been around 6% of revenue and our average net income has been 1% of revenue. The board and the management team agree that improving this performance is our main priority.

In the current macroeconomic situation, we have to focus on what we can control ourselves, and our management team feels confident that we will be able to improve our underlying margins over the next few years while continuing to pursue our asset-light growth strategy.

In the context of this margin expansion plan, Rezidor is leveraging the relationship with its main shareholder, Carlson. The partnership with Carlson can help Rezidor capture revenue generation and purchasing opportunities. Carlson has invested significantly in the last few years in revenue generation capabilities, especially in the areas of the web, its loyalty program Club Carlson, global sales capabilities, relationship with key intermediaries (especially Carlson Wagonlit Travel) and revenue optimization tools. These investments can and will be leveraged by Rezidor. The Board of the Company ensures that this strategic partnership is beneficial to Rezidor and is carried out on an arm's length basis.

Rezidor is faced with an economic environment that has a high degree of uncertainty. The restrictive fiscal policies implemented by many governments in Europe are expected to have a deflationary effect. Based on this and the fact that Rezidor's 2011 earnings after tax are negative, the Board of Directors has proposed that there be no dividend paid for the 2011 financial year.

Nevertheless, the Company remains optimistic about its margin expansion and growth opportunities and is focused on improving the levers under its control, and making appropriate adjustments as the economic environment warrants.



Hubert Joly
Chairman of the Board



Rezidor in brief

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

The hotels in our portfolio are operated under three core 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 2011, Rezidor had 325 hotels (ca 71,000 rooms) in operation and 100 hotels (ca 22,000 rooms) under development in 65 countries across EMEA.

Our core brands



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.

HOTEL MISSONI

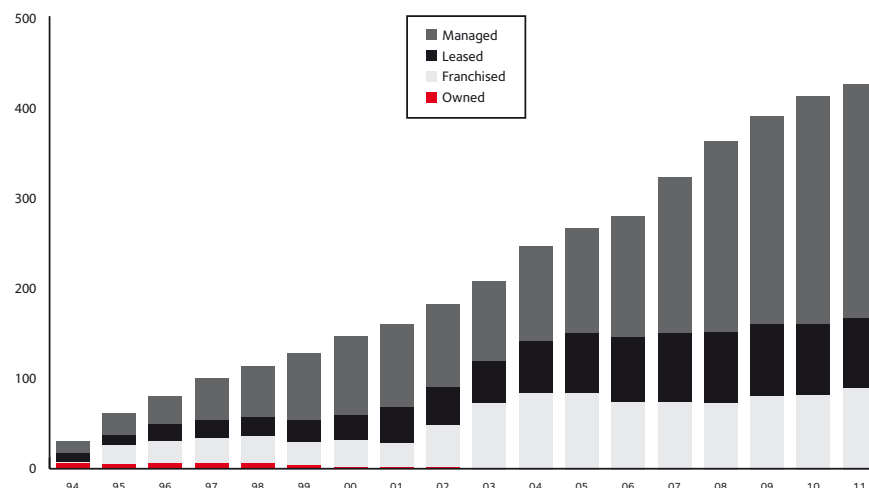
Bold. Passionate. Fashionable

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 22,000 rooms (100 hotels) due to open within the next three to four years. This is one of the strongest in the industry and represents ca 30% of the current number of rooms in operation, compared with an industry average of ca 20%. Radisson Blu has the largest pipeline in Europe and Park Inn by Radisson the second largest in their respective categories. All of the pipeline consists of hotels under fee-based managed and franchised contracts providing a higher profit margin than the existing portfolio. With the opening of these new properties, the Group's EBITDA margin is scheduled to increase 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 hardly any 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, and 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 a strong brand awareness and a substantial RevPAR premium. In the Nordics, lease and franchise contracts are most common. In the

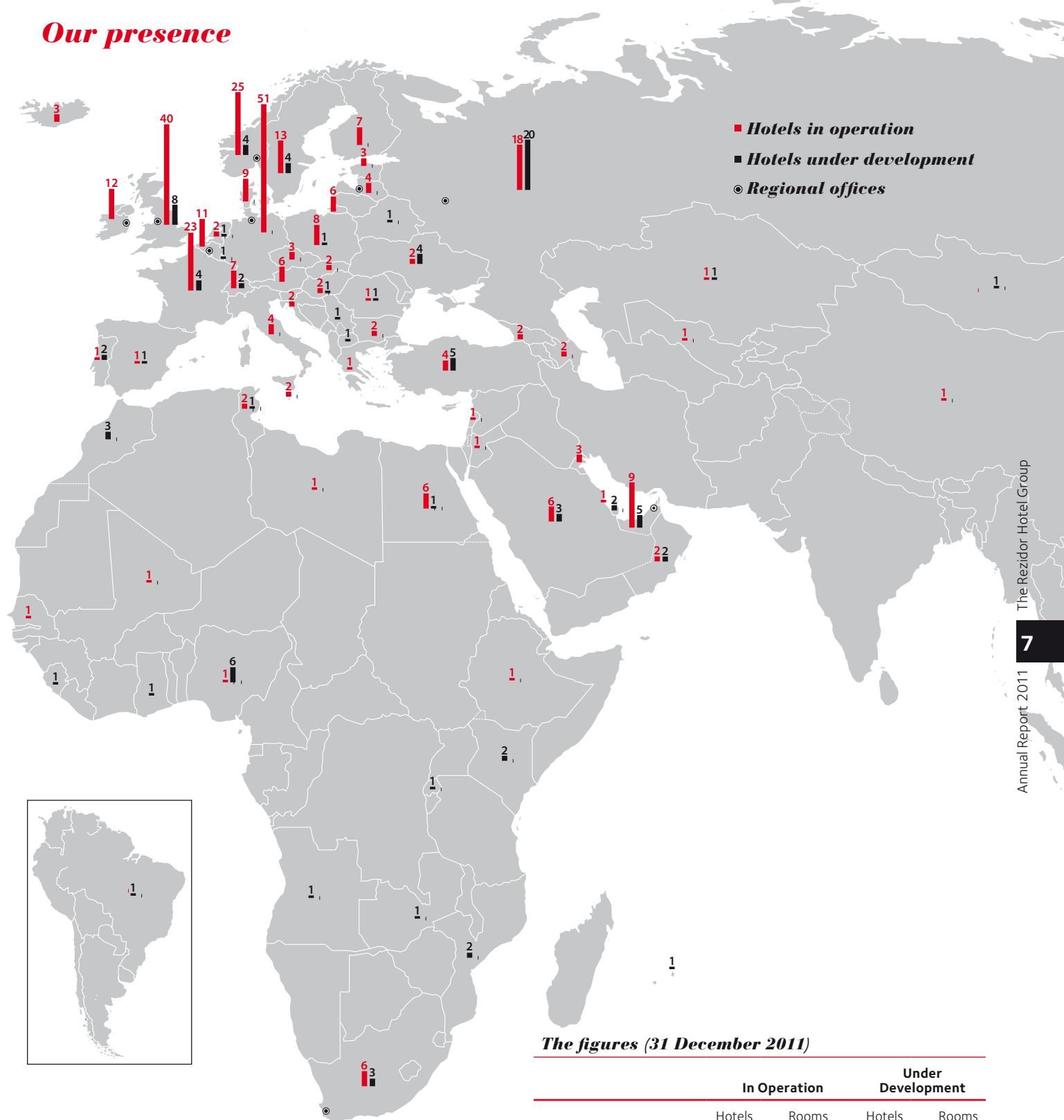
mature markets of Rest of Western Europe (ROWE), we utilize all contract types, including managed, franchise and leased.

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. 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

	Management contracts 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.	Franchise contracts Under a franchise contract, a hotel owner operate the 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.	Lease contracts Under a lease contract, Rezidor leases 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)
Expected EBITDA margin	70–80%	50%	8–15%

Our presence



The figures (31 December 2011)

	In Operation		Under Development	
	Hotels	Rooms	Hotels	Rooms
Nordics	57	13,971	8	1,539
Rest of Western Europe	162	29,940	18	3,536
Eastern Europe	63	16,093	36	7,894
Middle East, Africa & Others	43	10,762	38	9,070
Total	325	70,766	100	22,039

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 2011.

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, Hotel Missoni and Country Inn and Suites. Rezidor develops and licenses the Radisson Blu, Park Inn by Radisson and Country Inn brands in Europe, the Middle East and Africa (EMEA) under Master Franchise Agreements with Carlson, a privately held hospitality and travel company. The licenses from Carlson are in effect until 2052, including Rezidor's extension options. Rezidor has a world-wide license agreement with the fashion house Missoni for the development of the Hotel Missoni brand.

Rezidor and Carlson are working together on several areas, such as the customer loyalty programme Club Carlson, global sales, travel intermediaries, brand websites, revenue optimization tools, key intermediaries, and purchasing. To facilitate this, Carlson and Rezidor have jointly decided to go to market and do business together as the "Carlson Rezidor Hotel Group". The new name was

announced in January 2012. However, the legal status and ownership structure of Carlson and Rezidor remain the same.

Rezidor had nearly 71,000 rooms in operation, in 52 countries across EMEA at the end of the year.

Throughout the global downturn Rezidor has kept its growth pace and momentum. 5,800 new rooms opened during the year in key locations, such as Moscow, Dubai and Stockholm. 1,400 rooms left the system during the year, resulting in a net opening of 4,400 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 ca 71,000 rooms in operation by the end of 2011, 75% were under management or franchise contracts.

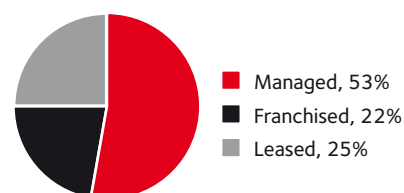
Pipeline

During 2011, Rezidor signed 39 hotel agreements which represent 9,600 rooms. All of these new rooms were under management- or

franchise contracts, supporting Rezidor's asset-light strategy to grow through these more profitable and less risky contract types. The contracted pipeline (i.e. hotel contracts that have entered into full force and effect with no condition precedent) features ca 22,000 rooms which are scheduled to open within the next three to four years. We are expanding through organic growth, which is the most efficient way to grow, through conversions and new-builds. At this point in time, the entire pipeline comprises either management or franchise contracts.

More than 75% of the pipeline is located in the emerging markets of Eastern Europe, the Middle East and Africa. Rezidor intends to maintain its strong focus on further expansion in these markets as they present attractive development opportunities that are fuelled by strong room demand combined with under-supply 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.

Rooms in operation by contract



Rooms under development by contract



In operation as of Dec 31st, 2011	Rezidor total	Radisson Blu	Park Inn by Radisson	Hotel Missoni	Other
Number of hotels	325	209	109	2	5
Number of rooms	70,766	49,590	20,540	305	331
Countries	52	51	28	2	5
Occupancy, % ¹⁾	62.4	64.3	57.7	—	—
RevPar, EUR ¹⁾	63.0	72.3	38.5	—	—

¹⁾ Including leased and managed hotels in operation.

Under development as of Dec 31st, 2011	Rezidor total	Radisson Blu	Park Inn by Radisson	Hotel Missoni	Other
Number of hotels	100	52	43	5	—
Number of rooms	22,039	13,244	7,937	858	—
Countries	38	32	17	5	—

Increase in revenue – not yet reflected in higher margins

The year started with high expectations for the European hotel market. RevPAR grew in all significant markets in the first quarter of the year and the numbers reflected a good mix between occupancy and rate as drivers of the growth. However, in the third quarter the pace of growth in the mature Western European and Nordic markets slowed down due to the economic instability in the Euro zone and the deceleration continued during the last three months of 2011. Eastern Europe, on the other hand, witnessed a significant recovery throughout the whole year after being hit hard by the recession in 2009. However, the political unrest in the Middle East and North Africa that started in the beginning of the year dampened the positive development for our like-for-like portfolio during most of 2011. The contribution from these hotels to revenue and the results was therefore limited. The revenue growth of 10% in 2011 was instead almost entirely coming from the new hotels opened during the year. The performance of these new hotels was in general satisfying and they developed according to plan, but the contribution to operating profit was limited as many of these hotels are in their ramp-up phase. The strong revenue growth for the year was therefore hardly reflected at EBITDA level and the EBITDA margin only noted a minor increase, still below our communicated targets.

Several measures have therefore been launched during the year to improve the performance and the margins, mainly to achieve higher RevPAR by increasing our market

share. Special attention has been paid to the Park Inn by Radisson brand and extra money was spent on different marketing activities aimed at increasing brand awareness and promotions for the brand. A new COO dedicated entirely to the Park Inn by Radisson brand was also appointed during the year. Also other parts of corporate management was strengthened in 2011 and the Executive Committee saw three new members, including a new COO for all hotel operations.

In December 2011 Rezidor announced "Route 2015 Strategy", which lays out a number of initiatives to improve the Group's EBITDA margin. Rezidor will focus on several targeted areas which combined are expected to increase the margins by 6 to 8 percentage points by 2015; assuming that market RevPAR growth will be in line with inflation. One important element is to put stronger emphasis on revenue generation, partly through achieving more synergies with Rezidor's partner and brand owner Carlson.

In addition to different revenue initiatives, the targeted approach to improve Rezidor's EBITDA margin includes growing the Group's fee-based hotel portfolio and cost savings. Rezidor has also established a dedicated Asset Management function in order to optimize the existing portfolio of leased assets, to increase profitability and to reduce the leverage of the company.

RevPAR

All customer segments in Eastern Europe, the Nordics and ROWE noted an increase in occupancy compared to 2011. However, the impact of the events in the Middle East

resulted in only a marginal increase in occupancy (+0.5%) for the group. Combined with a 3.2% increase in AHR, like-for-like RevPAR grew by 3.7% during the period. Adjusted for the three troubled countries in the Middle East and North Africa, like-for-like (L/L) RevPAR for the group grew by 6.3%. The strongest development was seen in Eastern Europe.

The RevPAR development for the year, split into like-for-like growth, FX impact, hotels leaving the system and new openings is presented in the table below.

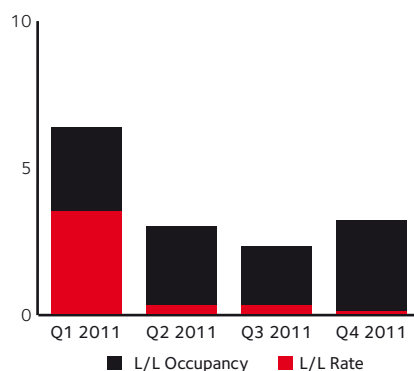
RevPAR development	2011
L/L growth	3.7%
FX impact	-0.3%
Units out	1.7%
New openings	-3.5%
Reported growth	1.6%

Income statement for the period

Total revenue increased by 10.0%, or MEUR 78.5. The change in revenue from operations, split into like-for-like hotels, new hotels, hotels leaving the system and FX, compared to the same period last year is presented in the table below.

Like-for-like rooms revenue grew as a result of the RevPAR increase, primarily due to a healthy growth in ROWE. It was however offset by the negative development in F&B revenue. Like-for-like fee revenue came in just below that of last year, as the negative impact from the political unrest in the Middle East

L/L Occupancy & Rate trend, %



Revenue, MEUR	L/L	New	Out	FX	Change
Rooms Revenue	5.2	40.6	-6.1	9.5	49.2
F&B Revenue	-5.2	26.9	-3.2	4.8	23.3
Other Hotel Revenue	0.2	1.4	-0.4	0.5	1.7
Total Leased Revenue	0.2	68.9	-9.7	14.8	74.2
Fee Revenue	-0.9	7.2	-1.8	-1.0	3.5
Other Revenue	0.8	—	—	0.0	0.8
Total Revenue	0.1	76.1	-11.5	13.8	78.5

and North Africa offset the positive effects from the RevPAR increase. The increase in total revenue was instead mainly attributable to the many new hotels taken into operation, with a substantial contribution coming from the leased hotels. A few hotels leaving the system had a negative impact on revenue, but this was offset by positive FX effects from the weakened EUR.

Due to lower variable salaries this year and some extraordinary pension adjustments last year, personnel costs came in below that of last year in the like-for-like hotels. Also other expenses in these hotels were lower than last year as 2010 saw some extra costs for repair and maintenance. The new leased hotels taken into operation also contributed to increase profit at EBITDAR level, although at a lower margin as they were in their ramp-up phase, offsetting some of the margin improvement from the like-for-like hotels. Central costs increased by MEUR 8.7, mainly as a result of the strengthened corporate organisation and redundancy costs. In addition, MEUR 3.0 outside the normal marketing fund was spent on extra sales and marketing activities for the Park Inn by Radisson brand. The comparison to last year was also negatively impacted by the MEUR 2.5 reversal in 2010 of an accrual related to Rezidor's former loyalty programme. This was only partly offset by the contribution from additional high margin fee business and MEUR 2.9 less in pre-opening expenses. Consequently, despite a MEUR 20.5 increase in EBITDAR, the EBITDAR margin came in 50 bps below that of last year.

Rental expenses increased by MEUR 17.3, almost entirely coming from the new leased hotels, offsetting the effect from leased hotels

leaving the system. However, as a percent of leased hotel revenue, rental expenses noted a minor decline, reflecting the fixed rent structure in ROWE and the fact that a couple of hotels have reached their contractual cap on fixed rent, thereby switching to a lower variable rent. In addition, costs for shortfall guarantees for management contracts went down by MEUR 5.2 due to improved performance and the fact that some hotels have reached their contractual cap on the guarantees. The EBITDA margin therefore noted a modest increase of 10 bps to last year and EBITDA grew by MEUR 3.6.

Fixed assets of MEUR 11.6 were written down during the year, compared to the MEUR 0.5 in net expense from write-downs and reversal of write-downs recognised in 2010. These write-downs were related to leased hotels in ROWE, mainly in the UK, and were primarily the result of lowered market growth expectations following the financial uncertainty and a review of the hotel portfolio as a result of an intensified asset management focus.

Last year's results were positively impacted by the capital gain of MEUR 3.9 from the sale of the Regent business, compared to a modest capital gain this year of MEUR 0.4 from the sale of one of the lease contracts in the Nordics.

The net financial expenses were lower than in the same period last year, mainly due to substantial negative exchange differences last year and a one-off financial income of MEUR 0.6 in Q1 this year.

The tax line benefitted from the MEUR 11.7 capitalisation of deferred tax assets in the third quarter following a review of the likelihood to utilise tax losses carry forward in one country. However, due to the revised market growth expectations, MEUR 8.5 of the deferred tax assets in the UK were written down in the fourth quarter. Together with the effect of not recognising any deferred tax income on a majority of the write-downs of fixed assets, this gave rise to the high effective tax rate for the year.

The Nordics

In the Nordics, like-for-like RevPAR improved by 2.8% with moderate growth in both occupancy (+1.5%) and AHR (+1.3%). The biggest occupancy growth was noted in the first quarter and continued, albeit at slower

pace, in the second quarter with slight declines in the third and fourth quarter, partially a result of renovations, lower business group and flight delay volumes. The AHR development was relatively stable throughout the year. Denmark like-for-like RevPAR led the way in the Nordics with a growth of 7.0% driven almost equally by AHR and occupancy. In Sweden (+2.0%) and Norway (+1.6%), the growth was primarily coming from AHR.

Leased hotel revenue grew by MEUR 55.3. Revenue in like-for-like hotels noted a weak development due to the relatively modest RevPAR growth, further negatively impacted by the fact that a couple of leased hotel underwent major renovations during the year. In addition, F&B revenue decreased due to a softened demand for conferences. The growth in leased hotel revenue was instead coming from the new leased hotels and was moreover positively impacted by FX due to the weakened EUR. One leased hotel also left the system during the year, leading to a modest revenue loss. The impact from the weak revenue development in like-for-like leased hotels was compensated by substantially lower costs in these hotels. This was mainly due to some exceptionally high costs last year for variable salaries, repair and maintenance and to pension adjustments. The new hotels developed according to plan, but were still in their ramp-up phase during the year with margins below those of the like-for-like hotels. However, due to the lower costs this year and the positive impact from one loss-making hotel leaving the system, both EBITDA and the EBITDA margin for the segment noted an increase.

Fee revenue from managed and franchised hotels grew as a result of the RevPAR increase and higher incentive fees from a profit sharing arrangement. EBITDA for managed and franchised hotels increased as consequence. The margins were in line with those of last year.

Rest of Western Europe

Rest of Western Europe noted an increase of 6.1% in like-for-like RevPAR, driven by both a higher occupancy (+2.9%) and AHR (+3.1%). Like in the Nordics, occupancy witnessed the strongest development in H1 and slowed as the year progressed, but unlike the Nordics, all four quarters noted a growth. AHR development followed a similar pattern as occupancy. The strongest performing regions

MEUR	Jan-Dec 2011	Jan-Dec 2010
Revenue	864.2	785.7
EBITDAR	274.6	254.1
EBITDA	35.1	31.5
EBIT	-7.7	3.9
Profit/loss after Tax	-11.9	-2.7
EBITDAR Margin %	31.8%	32.3%
EBITDA Margin %	4.1%	4.0%
EBIT Margin %	-0.9%	0.5%

were France (+8.8%), the Benelux (+7.7%) and Switzerland (+7.4%). No region came in below that of last year.

Leased hotel revenue was helped by the positive RevPAR development as well as the ramp-up of leased hotels taken into operation in 2010. F&B revenue noted a weaker development, largely because of the outsourcing of a major restaurant operation mid 2010. It was however partly offset by the development for the meetings and events business due to a somewhat stronger event year. FX had a positive effect on revenue, but it was more than offset by the impact of one leased hotel leaving the system. The revenue increase in like-for-like leased hotels was accompanied by a good flow through at EBITDA level despite accrual for onerous lease contracts of MEUR 2.2. The development was supported by lower variable salaries this year. The leased hotels opened in 2010 by and large performed according to plan, but reported a loss at EBITDA level for the full year as they are in their ramp-up phase. Due to the development in the like-for-like leased hotels and impact from one loss-making hotel leaving the system, EBITDA and EBITDA margin improved. However, EBITDA for leased hotel was still negative.

The increase in RevPAR could not offset the negative impact on fees from some renegotiated contracts and some hotels that have left the system. As a consequence, fee revenue from managed and franchised hotels was in line with that of last year. EBITDA and EBITDA margin for managed hotels saw a substantial increase, mainly as a result of lower shortfall guarantees. However, EBITDA and EBITDA margin for franchised hotels noted a small decrease due to higher marketing expenses.

Eastern Europe

The strongest growth in like-for-like RevPAR was seen in Eastern Europe (+15.0%), with a double-digit growth in all four quarters. In Q1, the growth was primarily occupancy driven, but the following quarters more the result of increased AHR. The strongest performing regions were Turkey (+34.3%) and the Baltics (+23.8%), but also Russia and Poland experience double-digit RevPAR growths.

The RevPAR increase was reflected in higher fee revenue from managed and franchised hotels, but also hotels that were added

to the system in the last two years contributed to the revenue increase. EBITDA increased accordingly and the EBITDA margin was relatively stable.

The Middle East, Africa and Others

Like-for-like RevPAR in the Middle East, Africa and Others fell by 10.9% as the AHR increase (+2.0%) could not compensate for the dramatic decline in occupancy (-12.6%). The drop was the result of the political unrest in the Middle East and North Africa. Excluding Egypt, Bahrain and Tunisia, like-for-like RevPAR grew by 4.1%. The comparison to last year was also negatively impacted by the football World Cup in South Africa in 2010. Despite the negative development in many of the countries in this segment, other countries witnessed a strong growth in like-for-like RevPAR, with, for example, the UAE having a growth of 14.5% and Saudi Arabia a growth of 12.0%.

As a result of the RevPAR drop and the unrest in the Middle East and North Africa, revenue from managed hotels fell by MEUR 4.3. EBITDA was further negatively impacted by higher provisions for doubtful accounts and by costs related to rental payments for a management contract in South Africa due to certain contractual arrangements. As a consequence, the EBITDA margin for the segment decreased compared to last year.

Balance sheet end of 2011

Compared to year-end 2010, non-current assets only noted a minor increase. The capitalisation of deferred tax assets was offset by the impact of write-downs of fixed assets. Net working capital, excluding cash and cash equivalents, but including current tax assets and liabilities, at the end of the period was MEUR -61.7 (-72.7 at year-end 2010). The change is mainly explained by an increase in accrued income and prepaid expenses due to the new leased hotels and more prepaid rent this year.

Cash and Cash Equivalents went down from MEUR 26.7 at year-end 2010 to MEUR 9.8 and bank overdrafts increased from zero at year-end 2010 to MEUR 7.9, as the cash flow from operating activities could not meet the cash outflow from investing activities.

Compared to year-end 2010, Equity including non-controlling interests decreased by

MEUR 10.5, mainly due to the loss for the period.

Following an intensified portfolio management as a result of the focus to increase profitability of the leased business in ROWE, MEUR 3.1 of the assets and MEUR 6.8 of the liabilities were classified as held for sale.

Cash flow from the period

Cash flow from operating activities amounted to MEUR 14.1 in 2011, a negative deviation of MEUR 33.5 to the same period last year. This was to a large extent explained by the negative development in working capital.

Cash flow from change in working capital amounted to MEUR -5.3, which was MEUR 27.1 worse than in the same period last year. The negative development was mainly explained by the substantial drop in short-term liabilities due to the settlement of the unusually large accruals recorded at the end of 2010.

Cash flow from investing activities amounted to MEUR -39.6, compared to MEUR -12.4 during the same period last year. The difference was mainly related to increased investments in leased hotels consistent with the ongoing refurbishment programme. The cash flow from investing activities in 2010 also included MEUR 10.6 from the sale of the Regent business.

The total credit facilities available for use by the end of the quarter amounted to MEUR 106.8. MEUR 3.9 was used for bank guarantees and MEUR 7.9 was used for overdrafts, leaving MEUR 95.0 available for use. At the end of December 2011, Rezidor had MEUR 9.8 in cash and cash equivalents. Effective 1st June 2011, Rezidor favourably renegotiated the terms of its banking structure including the existing long-term credit facility with its main bank, a leading Nordic institution. The tenor of its committed overdraft facility and credit line ranges between one and four years, combined with customary covenants.

Net interest bearing assets amounted to MEUR 15.3 (39.0 at year-end 2010). The drop compared to last year was mainly explained by the lower net cash. 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 1.9 (26.7 at year-end 2010).

Other important developments

In April 2011, the Board of Directors announced that the employment contract for the President and CEO, Kurt Ritter, has been extended by three years until February 2015. The terms of his employment agreement remain otherwise materially unchanged.

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 and 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 operates 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 does not 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 majority shareholder of 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 in 2011 was 86.7, the same as 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 conse-

quently 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 credit-worthy 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 or higher.

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. Effective 1st June 2011, Rezidor favourably renegotiated the terms of its banking structure including the existing long-

term credit facility with its main bank, a leading Nordic institution. The tenor of its committed overdraft facility and credit line ranges between one and four years, 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.

Euro Zone Risk

Rezidor's functional currency is Euro. A majority of the company's cash needs are in Euro and its credit lines are denominated in the same currency, which mitigates the currency risk. Rezidor's financial exposure in the currently volatile Euro zone countries, such as Greece, Spain and Portugal is also very limited.

Several of Rezidor's cash generating legal entities are non-Euro based, in stable Western European countries such as Norway, Sweden, and Switzerland. The leased hotels in those markets have an inherent hedge as the revenues and the costs are in local currencies. The surplus cash, which is non-Euro, is pooled at the group level and helps finance our Euro needs from time to time, mainly through short-term currency swaps. Consequently, volatility stemming from the current uncertain market and economic conditions in some of the Euro zone countries creates limited financial exposure to the company's cash and credit balances.

Market Risks

Apart from interest rate risks and currency risks, which are described above, the Company is also subject to price risk related to changes in fair value of the investments in other shares and participations. These investments, normally the result of equity financing in early stages of certain hotel projects, are classified as available-for-sale investments with changes in fair value recognised in other comprehensive income. The Company is also subject to price risk from changes in fair value on FX swaps, classified as held for trading, with fair value recognised through profit or loss.

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) is together with the US accounting standards setting body working on a new accounting standard in which all future lease

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

Share Capital

The share capital amounts to TEUR 10,000, corresponding to 150,002,040 registered shares, of which 3,681,138 were held by the Company, leaving 146,320,902 shares outstanding as of December 31st 2011. 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. In total, 3,694,500 shares were bought back for an amount of TEUR 13,292, corresponding to 2.46% of total registered shares. In 2011, 13,362 of these shares were transferred to the participants of the 2008 share based incentive programme, leaving 3,681,138 shares held by the company as of December 31st 2011, corresponding to 2.45% of the number of registered shares.

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. On 13th April 2011, the Board of Directors was again authorised by the Annual General Meeting to decide on the acquisition and transfer of the Company's own shares. The purpose of the authorisation is to secure delivery of shares in the share based incentive programmes and to cover social security pertaining to these programmes as well as 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 2011.

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	-27,904
Net profit for the year	27,373
Total	196,766

The Board of Directors recommends the Annual General Meeting 2012 no dividend to be paid for the financial year 2011.

Responsible Business

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

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

The programme encompasses 3 key pillars: Reducing our negative impact on the environment; Taking responsibility for the health and safety of employees and guests; Respecting social and ethical issues in the company and the community.

Each hotel has a Responsible Business Coordinator working closely with the General Manager to guide employees on how to achieve the programme objectives. All employees have been trained on Responsible Business since 2002.

In 2011 Rezidor was named one of the World's Most Ethical Companies by the Ethisphere Institute for the second year in a row.

Priorities of Rezidor's Responsible Business programme are: achieve 100% eco-labelling by 2015 up from the current 55%, continuously increase hotels' participation in our yearly Responsible Business Action Month above the 80% reached in 2011 and the Think Planet! energy savings initiative targeting a 25% energy consumption reduction by 2016.

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 in 2011 and has no known major environmental related debts.

The Responsible Business Report includes a more complete description of Rezidor's Responsible Business programme.

Compensation to key management approved by the AGM 2011

At the Annual General Meeting on April 13th 2011, the presented proposal from the Board of Directors for determining the principles for compensation to the company's 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 2011 included eight persons, of which one is the CEO. The compensation consists 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 are prepared by the Board of Directors' Compensation Committee and 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 2012 for compensation to key management

The Board of Directors' 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. The Rezidor Hotel Group'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 nine persons, including the CEO.

The compensation shall consist of a balanced mix of base remuneration, variable remuneration, pension, a share-based incentive component and may include 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 authorized to deviate from the principles for compensation of the Company key management if certain circumstances are at hand in a specific case.

Base Remuneration

The base remuneration 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. Four of the members of the Executive Committee are paid, in addition to the base remuneration, 10% in lieu of participation in a group pension plan, except for the

CEO (see Note 10). Other Executive Committee members participate in different group pension plans (defined contribution plans or defined benefit plans).

Variable Remuneration

The basis for the annual variable remuneration scheme for 2012 for the Executive Committee is based on group consolidated profitability (75%) and personal performance objectives (25%). The maximum annual variable remuneration for the Executive Committee (other than for the CEO, see below) varies depending on target achievement and may for 2012 amount to between 45% and 100% of annual base remuneration depending on the executive's role.

For the 2012–2014 performance period, there will be no equity based performance plan proposed to the Annual General Meeting on 25 April 2012 but instead an exceptional cash-based variable remuneration plan. Participation includes the same group of executives who have participated in the share based incentive programs. The award opportunity is a cash amount dependent on criteria like market practices, individual performance and the executive's role. For the members of the Executive Committee the award can vary and be up to 60% of their base salary. Actual amounts granted to the individuals are dependent on achieving performance targets for the Company's EPS in 2012. Vested awards must be held for a further two years and are subject to further performance and employment criteria. Once amounts are released to executives after the two year holding period, participants are required to invest 50% of award, net of taxes, in Company shares to be held until at least the end of 2015.

Conditions for Termination and Termination Payments

For members of the Executive Committee the contracted notice period for termination of their agreements and associated severance payments is between three and fifteen months or in some cases three months per period of five years of seniority. In case of dispute, the applicable law could lead to severance payments exceeding the contracted amount and may exceed two years annual remuneration. Regarding termination of the 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 Director's report for the Group. The financial position of the Parent Company is dependent on the financial position and development of the subsidiaries.

Corporate Governance Report

The Corporate Governance Report 2011 is presented on page 58–64 and is available on the Company's website www.rezidor.com.



In May 2011 Rezidor Hotel Group opened the Park Inn Brussels Midi in Belgium. The hotel has 142 rooms and is located adjacent to the Gare du Midi train station. This opening brings Rezidor's Belgian portfolio to 11 hotels with more than 1,600 rooms in operation and under development.

Financial Reports

FIVE YEAR SUMMARY

MEUR (except stated otherwise)	2011	2010	2009	2008	2007
Income statement					
Revenue	864.2	785.7	677.2	784.8	785.2
EBITDAR	274.6	254.1	210.1	275.7	280.5
EBITDA	35.1	31.5	4.9	70.9	86.5
EBIT	-7.7	3.9	-25.0	42.9	63.2
Financial income & expense, net	-1.0	-3.7	-0.7	0.7	0.7
Profit/loss for the year	-11.9	-2.7	-28.2	26.1	45.7
Balance sheet					
Balance sheet total	373.8	377.8	352.9	384.0	412.6
Total equity attributable to equity holders of the parent	164.7	175.1	166.5	184.1	201.3
Total investments (tangible and intangible investments)	37.9	24.3	31.3	37.3	45.8
Cash flow					
Cash flow from operating activities	14.1	47.6	-6.1	61.9	75.7
Cash flow from investing activities	-39.5	-12.4	-23.5	-36.4	-28.9
Cash flow from financing activities	8.5	-13.4	7.9	-46.2	-46.3
Financial key figures⁴⁾					
EBITDAR Margin, %	31.8	32.3	31.0	35.1	35.7
EBITDA Margin, %	4.1	4.0	0.7	9.0	11.0
EBIT Margin, %	-0.9	0.5	-3.7	5.5	8.1
Return on capital employed, %	Neg	Neg	Neg	20.8	27.1
Return on equity, %	Neg	Neg	Neg	13.5	27.2
Operational key figures⁴⁾					
Number of hotels ¹⁾	325	312	286	260	237
Number of rooms ¹⁾	70,766	66,375	60,646	54,700	49,296
Number of employees ³⁾	5,230	4,947	5,007	5,592	5,572
Occupancy % ²⁾	62	62	60	65	70
RevPAR EUR ²⁾	63	62	58	74	77
Share related key figures⁴⁾					
Basic average number of shares	146,315,374	146,307,540	146,307,540	147,502,253	149,836,224
Diluted average number of shares	147,034,833	147,448,368	146,307,540	147,502,253	149,836,224
Basic earnings per share, EUR	-0.08	-0.02	-0.19	0.18	0.31
Diluted earnings per share, EUR	-0.08	-0.02	-0.19	0.18	0.31
Proposed dividend per share, EUR	—	—	—	—	0.10

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

2) Including managed and leased hotels in operation.

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

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

CONSOLIDATED STATEMENT OF OPERATIONS

TEUR (except for share related data)	Notes	For the Year Ended December 31	
		2011	2010
Revenue	7, 8, 37	864,213	785,715
Costs of goods sold for Food & Beverage and other related expenses	9	–65,452	–58,907
Personnel cost and contract labour	10	–303,120	–278,947
Other operating expenses	11	–207,513	–180,692
Insurance of properties and property tax	12	–13,551	–13,116
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)		274,577	254,053
Rental expense	13	–242,145	–224,861
Share of income in associates and joint ventures	21, 22	2,639	2,266
Operating profit before depreciation and amortisation and gain on sale of shares and tangible assets (EBITDA)		35,071	31,458
Depreciation and amortisation	19, 20	–31,578	–30,976
Write-downs and reversal of write-downs	6, 19, 20	–11,583	–532
Gain on sale of shares and intangible and tangible assets	14	423	3,961
Operating profit/loss (EBIT)	7	–7,667	3,911
Financial income	15	1,439	831
Financial expense	15	–2,409	–4,531
Profit/loss before tax		–8,637	211
Income tax expense	16	–3,268	–2,865
Loss for the year		–11,905	–2,654
Attributable to:			
Owners of the Company		–11,905	–2,481
Non-controlling interests		2	–173
		–11,903	–2,654
Basic average number of shares outstanding	18	146,315,374	146,307,540
Diluted average number of shares outstanding	18	147,034,833	147,448,368
Loss per share after allocation to (EUR)			
Basic	18	–0.08	–0.02
Diluted ¹⁾	18	–0.08	–0.02
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME			
Loss for the year		–11,905	–2,654
Other comprehensive income:			
Exchange differences on translation of foreign operations		1,284	11,627
Change in fair value of available-for-sale financial assets	15	–1,000	–1,704
Tax on exchange differences recognised directly in equity		–36	268
Other comprehensive income for the year, net of tax		248	10,191
Total comprehensive income for the year		–11,657	7,537
Total comprehensive income attributable to:			
Owners of the Company		–11,603	7,710
Non-controlling interests		–54	–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	
		2011	2010
ASSETS			
Non-current assets			
Intangible assets			
Licenses and related rights	19	47,494	48,666
Other intangible assets	19	26,152	29,994
		73,646	78,660
Tangible assets			
Fixed installations in leased properties	20	35,400	36,263
Machinery and equipment	20	62,189	64,990
Investments in progress	20	11,826	7,462
		109,415	108,715
Financial assets			
Investments in associated companies	21	3,435	3,421
Investments in joint ventures	22	1,213	1,145
Other shares and participations	23	7,233	6,681
Pension funds, net	24	9,227	9,811
Other long-term interest-bearing receivables	25	12,770	11,848
Other long-term non-interest-bearing receivables	25	255	450
		34,133	33,356
Deferred tax asset	16	31,579	27,378
		248,773	248,109
Current assets			
Inventories		4,739	4,824
Accounts receivable	26	39,006	39,324
Current tax assets	16	7,044	3,950
Other current interest-bearing receivables	27	1,260	1,161
Other current non-interest-bearing receivables	28	56,622	50,395
Other short term investments	29	3,507	3,308
		112,178	102,962
Cash and cash equivalents	30	9,779	26,708
		9,779	26,708
Assets classified as held for sale	31	3,096	—
		3,096	—
Total current assets		125,053	129,670
Total assets		373,826	377,779

		As of December 31	
	Notes	2011	2010
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	32	10,000	10,000
Other paid in capital		120,302	120,302
Reserves		16,525	16,223
Retained earnings including profit for the year		17,870	28,580
Equity attributable to owners of the Company		164,697	175,105
Non controlling interests		1	55
Total equity		164,698	175,160
Non-current liabilities			
Deferred tax liabilities	16	15,721	17,679
Retirement benefit obligations	24	2,150	2,592
Provisions	34	1,249	1,004
Other long-term interest-bearing liabilities	35	6,902	7,656
Other long-term non-interest-bearing liabilities		4,348	3,547
		30,370	32,478
Current liabilities			
Accounts payable		34,181	33,652
Current tax liabilities	16	9,514	11,993
Other current interest bearing liabilities	35	7,878	—
Other current non-interest-bearing liabilities	36	120,376	124,496
		171,949	170,141
Liabilities directly associated with assets held for sale	31	6,809	—
		6,809	—
Total liabilities		209,128	202,619
Total equity and liabilities		373,826	377,779
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 equityowners of the parent	Non-controlling interests	Total Equity
			Foreign currency translation reserve	Fair value reserve –available for sale financial assets				
Equity as of Dec. 31, 2009	10,000	120,302	3,080	2,994	30,142	166,518	215	166,733
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
Equity as of Dec. 31, 2010	10,000	120,302	14,933	1,290	28,580	175,105	55	175,160
Long-term incentive plan	—	—	—	—	1,195	1,195	—	1,195
Total comprehensive income for the period	—	—	1,302	–1,000	–11,905	–11,603	–54	–11,657
Equity as of Dec. 31, 2011	10,000	120,302	16,235	290	17,870	164,697	1	164,698

The accumulated costs related to the equity-settled share-based incentive programmes amount to TEUR 3,333 (2,138) and are recognised in retained earnings.

CONSOLIDATED STATEMENT OF CASH FLOWS

TEUR	For the Year Ended December 31		
	Notes	2011	2010
OPERATIONS			
Operating profit/loss (EBIT)		-7,667	3,911
<i>Adjustments for non cash items:</i>			
Depreciations, amortisations and write-downs	19, 20	43,161	31,508
Gain/loss on sale of shares and tangible assets and disposals	14	125	-3,961
Change in pension assets/liabilities		143	1,986
Share of income in associated companies and joint ventures	21, 22	-2,639	-2,266
Exchange differences and other adjustments for non cash items		1,092	6,842
Interest received	15	816	722
Interest paid	15	-879	-757
Dividend from associated companies	21, 22	1,746	2,014
Other financial items	15	-1,481	-3,540
Tax paid		-15,036	-10,665
Cash flows from operations before change in working capital		19,381	25,794
<i>Change in:</i>			
Inventories		-95	-450
Current receivables		-8,775	-9,341
Current liabilities		3,577	31,620
Change in working capital		-5,293	21,829
Cash flow from operating activities		14,088	47,623
INVESTMENTS			
Purchase of intangible assets	19	-1,430	-377
Purchase related to investments in progress	20	-18,633	-8,807
Purchase of machinery and equipment	20	-12,511	-12,934
Purchase fixed installations	20	-5,308	-1,943
Purchase of shares and participations	23	-1,569	—
Loans to associated companies	27	-100	-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		-461	-273
Total investments		-40,012	-22,505
Disposals of shares			
Net proceeds from sale of shares in subsidiaries	14, 17	485	10,093
Cash flow from investing activities		-39,527	-12,412
FINANCING			
Overdraft facilities		7,878	-12,660
Lease incentives and other long term liabilities		596	545
Loan repayment		—	-1,330
Total external financing		8,474	-13,445
Transactions with non-controlling interests			
Dividends/share buy back to non-controlling interests		—	-641
Cash flow from financing activities		8,474	-14,086
Cash flow for the year		-16,965	21,125
Translation difference in cash and cash equivalents		36	345
Cash and cash equivalents, January 1		26,708	5,238
Cash and cash equivalents, December 31		9,779	26,708

Notes to the Group accounts

Note 1	General Information
Note 2	Adoption of New and Revised International Financial Reporting Standards
Note 3	Accounting Principles
Note 4	Financial Risk Management
Note 5	Critical Judgements and Estimates
Note 6	Key Sources of Estimation Uncertainty
Note 7	Segment Disclosures
Note 8	Revenue
Note 9	Cost of Goods Sold Food & Beverage and Other Related Expenses
Note 10	Payroll Cost, Number of Employees, Etc
Note 11	Other Operating Expenses
Note 12	Insurance of Properties and Property Tax
Note 13	Rental Expense
Note 14	Gain on Sale of Shares and Intangible and Tangible Assets
Note 15	Financial Items
Note 16	Income Taxes
Note 17	Sold and Acquired Operation
Note 18	Earnings per Share
Note 19	Other Intangible Assets
Note 20	Tangible Assets
Note 21	Investments in Associated Companies
Note 22	Investments in Joint Ventures
Note 23	Other Shares and participations
Note 24	Pension Funds, Net
Note 25	Other Long-Term Receivables
Note 26	Accounts Receivable
Note 27	Other Current Interest Bearing Receivables
Note 28	Other Current Non-Interest Bearing Receivables
Note 29	Other Short-Term Investments
Note 30	Cash and Cash Equivalents
Note 31	Assets classified as held for sale
Note 32	Share Capital
Note 33	Share-Based Payments
Note 34	Provisions
Note 35	Borrowings
Note 36	Other Current Non-Interest Bearing Liabilities
Note 37	Related Parties
Note 38	Assets Pledged, Contingent Liabilities and Committed Investments
Note 39	Leasing Commitments
Note 40	Management Contract Commitments
Note 41	Auditors' Fees
Note 42	Post Balance Sheet Events
Note 43	Group Companies and Legal Structure

Note 1

GENERAL INFORMATION

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

Rezidor is an international hospitality company which currently has 425 hotels in operation or under development in 67 countries. Rezidor operates under the brands Radisson Blu Hotels & Resorts, Park Inn by Radisson, Hotel Missoni and Country Inn & Suites. Further information of the activities of the Company is described in Note 7.

The Annual Report as of December 31, 2011 was approved by the Board of Directors of Rezidor Hotel Group AB (publ) on March 23, 2012. The Annual Report is subject to approval by the Annual General Meeting on April 25, 2012.

Note 2

ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all of the new, revised and amended Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and IFRS Interpretations Committee that are relevant to its operations and effective for accounting periods beginning on January 1st 2011 and which were endorsed by the European Commission prior to the release of these financial statements. The new, revised and amended Standards and Interpretations are listed below:

New and revised Standards and Interpretations effective for 2011 Standards

Amendments to IAS 24 Related Party Disclosures (Revised definition and partial exemption for government-related entities)
Amendments to IAS 32 Financial Instruments: Classification (Classification of Rights Issues)
Improvements to IFRSs issued 2010

Interpretations

Amendments to IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (Prepayments of a Minimum Funding Requirement)
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

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

New and revised Standards and Interpretations in issue not yet effective

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

STANDARD/INTERPRETATION EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER

Amendments to IFRS 7 Financial Instruments: Disclosures	
(Transfers of Financial Assets)	1 July 2011 or later
IFRS 9 Financial Instruments and subsequent changes to IFRS 9 and IFRS 7*	1 January 2015 or later
IFRS 10 Consolidated Financial Statements*	1 January 2013 or later
IFRS 11 Joint Arrangements*	1 January 2013 or later
IFRS 12 Disclosure of Interests of Other Entities*	1 January 2013 or later
IFRS 13 Fair Value Measurement*	1 January 2013 or later
Amendments to IAS 1 Presentation of Financial Statements (Presentation of Items of Other Comprehensive Income)*	1 July 2012 or later
Amendments to IAS 12 Income taxes (Deferred Tax: Recovery of Underlying Assets)*	1 January 2012 or later
Amendments to IAS 19 Employee benefits*	1 January 2013 or later
Amendments to IAS 27 Consolidated and Separate Financial Statements*	1 January 2013 or later
Amendments to IAS 28 Investments in Associates and Joint Ventures *	1 January 2013 or later
Amendments to IFRS 7 Financial Instruments: Disclosures (Offsetting Financial Assets and Financial Liabilities)*	1 January 2013 or later
Amendments to IAS 32 Financial Instruments: Presentation (Offsetting Financial Assets and Financial Liabilities)*	1 January 2014 or later
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine*	1 January 2013 or later

* Not yet endorsed by the EU.

The above new and amended standards and interpretations have not yet been applied by the Group.

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income, which means that the corridor approach is eliminated. Unrecognised actuarial gains and losses at the effective date will be recognised directly in equity as a changed accounting principle. At 31 December 2011 the company had 18 313 TEUR in unrecognised actuarial losses (note 24). When the company adopts the amended IAS 19 it will also cease to apply UFR 4 Accounting for special employer's contribution and tax on returns from pension funds, which has been withdrawn by the Swedish Financial Reporting Board. The company will instead account for special employer's contribution and tax on returns on pension funds in accordance with IAS 19, which implies that the actuarial assumptions made in the calculation of defined benefit plans also shall include taxes on pension benefits.

The company is currently analysing the impact of the application of the above new or amended standards and 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 income or expense. Exchange differences on operating items are recognised in operating profit. Exchange differences on financial items are recognised in the income statement as financial income or expense.

Translation of financial statements of foreign subsidiaries

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

The main exchange rates affecting the financial statements are:

Country	Currency	Year-end rate Dec. 31		Average rate Jan. 1—Dec. 31	
		2011	2010	2011	2010
Denmark	DKK	7.43	7.45	7.46	7.45
Sweden	SEK	8.92	8.98	9.03	9.54
Norway	NOK	7.74	7.81	7.80	8.01
United Kingdom	GBP	0.83	0.86	0.87	0.86

INCOME STATEMENT

Revenue recognition

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

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net

of discounts and sales related taxes. The following is a description of the composition of revenues of the Group.

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

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

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

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

Customer Loyalty programme

A Customer loyalty programme, Club Carlson (previously named goldpoints plus) is used by the Company to provide customers with incentives to buy room nights. On 28th October 2007, Carlson Group took over the responsibility for the goldpoints plusSM 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.

Cost of goods sold

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

Leasing

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

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

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

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

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

Personnel cost

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

Other operating expenses

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

Rental expenses

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

Financial income and expenses

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

Taxation

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

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

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

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

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

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

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

BALANCE SHEET

Licences and other rights and Other intangible assets

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

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

Property, plant and equipment

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

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

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

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

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

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

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

Impairment of tangible and intangible assets excluding goodwill

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money.

Notes to the Group accounts

Cont. Note 3

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss. When an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is immediately recognised in profit or loss.

Assets classified as held for sale

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

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

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

Inventories

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

Financial instruments

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

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

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

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

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

Receivables

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

Other short-term investments

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

Accounts payable

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

Other interest- and non-interest-bearing liabilities

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

Provisions

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

Retirement benefit obligations

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

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

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

Share-based payment transactions

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

CASH FLOW STATEMENT

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

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

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

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

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

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

Note 4 FINANCIAL RISK MANAGEMENT

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

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

INTEREST RATE RISKS

Cash flow risks

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 0.1, based on the loans and receivables outstanding on December 31, 2011.

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

CURRENCY RISKS

The Company has operations in a vast number of countries with many different currencies and is therefore exposed to currency exchange rate fluctuations. The most important foreign currencies are the Swedish Krona (SEK), the Norwegian Krone (NOK), the Danish Krone (DKK), the U.S. Dollar (USD) 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 does not adjust prices.

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

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

Translation exposure

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

A sensitivity analysis shows that if the EUR would fluctuate by 5% against other currencies in the Group, excluding DKK which is virtually pegged to the EUR, the effect on the consolidated

equity would be approximately MEUR 3.2, based on the equity at year-end 2011, and MEUR 31.8 on total revenue, MEUR 1.8 on EBITDA and MEUR 0.5 on net income, based on the income statement for 2011.

CREDIT RISKS

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

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

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

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

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

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

TEUR	As of Dec.31	
	2011	2010
Carrying amount		
Other long-term interest-bearing receivables	12,770	11,848
Other long-term non-interest-bearing receivables	255	450
Accounts receivables	39,006	39,324
Other current non-interest bearing receivables	15	7
Other current interest-bearing receivables	1,260	1,161
Other short-term investments	3,507	3,308
Cash and cash equivalents	9,779	26,708
Maximum credit exposure	66,592	82,806

LIQUIDITY RISKS

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

Rezidor has secured appropriate overdraft and credit facilities through a long term agreement with a leading European Bank with solid credit ratings. The banking structure provides a cross-border cash pool in which a majority of the cash flows within the Group is concentrated. Through this bank agreement, the Company has also secured combined overdraft and guarantee facilities with varied terms for a total amount of TEUR 105,000. In addition, the Group has credit facilities of TEUR 1,800 granted by other banks. The tenor of the committed credit facilities range between one and four years and are combined with customary covenants. The Group has not pledged any assets or given any guarantees to secure these facilities. At year-end, TEUR 7,878 was used as overdraft (nothing at year-end 2010) and TEUR 3,894 (4,223) for bank guarantees. Cash and cash equivalents amounted to TEUR 9,779 (26,708), of which 7,862 (25,412) was coming from bank deposits and TEUR 1,917 (1,296) from petty cash in the hotels.

Notes to the Group accounts

Cont. Note 4

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, 2011, the Company had a TNOK 29,828 to GBP swap with a maturity shorter than two weeks.

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

TEUR	As of Dec.31	
Mature within 1 year	2011	2010
Accounts payables	34,181	33,652
Other current interest-bearing liabilities	7,878	—
	42,059	33,652
Mature after 1 year		
Other long-term interest-bearing liabilities	83	89
Other long-term non-interest-bearing liabilities	4,348	3,547
	4,431	3,636
Undefined maturity		
Other long-term interest bearing liabilities	6,902	7,567
	6,902	7,567

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

MARKET RISKS

Apart from interest rate risks and currency risks, which are described above, the Company is also subject to price risk related to changes in fair value of the investments in other shares and participations. These investments, normally the result of equity financing in early stages of certain hotel projects, are classified as available-for-sale investments with changes in fair value recognised in other comprehensive income. The Company is also subject to price risk from changes in fair value on FX swaps, classified as held for trading, with fair value recognised through profit or loss. The fair value change on FX swaps outstanding on December 31st, 2011, was TEUR 15. The real exposure to the Company is, however, limited as the contracts mature within one week.

FAIR VALUE

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

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

As of Dec. 31 2011	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss (held for trading)	—	15	—	15
Available-for-sale financial assets	—	—	7,233	7,233
Total	—	15	7,233	7,248

Assets measured at fair value based on Level 3	Available-for-sale financial assets	Total
Opening balance as of Jan. 1 2011	6,681	6,681
In other comprehensive income (exchange differences)	—17	—17
Loss reported in other comprehensive income	—1,000	—1,000
Investments	1,569	1,569
Closing balance as of Dec. 31 2011	7,233	7,233

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)	2011	2010
Other current non-interest bearing receivables	15	7
	15	7

Loans and receivables

Other long-term interest-bearing receivables	12,770	11,848
Other long-term non-interest-bearing receivables	255	450
Accounts receivables	39,006	39,324
Other current interest-bearing receivables	1,260	1,161
Other short-term investments	3,507	3,308
Cash and cash equivalents	9,779	26,708
	66,577	82,799

Available-for-sale financial assets

Other shares and participations	7,233	6,681
	7,233	6,681

Financial liabilities measured at amortised cost

Other long-term interest-bearing liabilities	6,902	7,656
Other long-term non-interest-bearing liabilities	4,348	3,547
Accounts payables	34,181	33,652
Other current interest-bearing liabilities	7,878	—
	53,309	50,527

CAPITAL STRUCTURE

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

FINANCIAL RISK MANAGEMENT – PARENT COMPANY

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

Note 5 CRITICAL JUDGEMENTS AND ESTIMATES

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

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

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

Note 6 KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Impairment testing

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

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

Discount rates used	2011	2010
UK	8.3%	8.6%
Euro zone excl. Spain	7.7%	7.8%
Spain	11.6%	11.8%
Sweden	7.6%	8.1%
Switzerland	6.7%	6.7%
Norway	8.3%	8.9%

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

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

The expected cash flows for each unit take into account the budgeted figures for 2012 and the projected figures for 2013–2015 in Rezidor's internal long-range plan. The long term growth in revenues, costs and profit margins follow similar development pattern as the change in local consumer price index in line with the historical growth rates experienced in those regions except when justified otherwise by other factors. Such factors include ongoing higher than inflation improvement in market RevPAR, building up of revenues due to renovation works carried out to maintain the hotels at a certain standard, revenue turnaround and cost restructuring programmes, and impact of rebranding of one or more properties.

When required, write-downs have been performed. During the year, write-downs of TEUR 11,602 (2,713) of fixed assets related to leased hotels in ROWE, mainly in the UK; were recognised as a result of impairment tests. The impairments were primarily the result of lowered market growth expectations. The assets have been written-down to the calculated value in use. No reversals of write-downs were recognised during the year, whereas TEUR 2,181 was reversed in 2010 (mainly attributable to the sold Regent business).

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

Assessment of onerous contracts in management and lease agreements

A similar method as for impairment is applied to test if management contracts or lease agreements are onerous and, if applicable, a provision is recorded. During the year, TEUR 2,150 (865) was recognised as provisions for onerous lease contracts and TEUR 500 (TEUR 1,874) was recognised as provisions for onerous management contracts with shortfall guarantees. TEUR 802 (0) of provisions from prior years for onerous management contracts with shortfall guarantees was reversed. Provisions for management contracts with shortfall guarantees are recognised as guarantee payments under rental expenses in the income statement. Portfolio management, a revision of plans and projections for loss-making hotels or a setback in the economic recovery, with major implications on the performance of the company's hotels, may lead to a renewed assessment.

Deferred tax assets

Deferred tax is recognised for temporary differences between stated and taxable income and for deferred tax receivables attributable to unutilised tax losses carry forward. The valuation of tax losses carry forward and ability to utilise tax losses carry forward is based on estimates of future taxable income. The assumptions used in estimating the future taxable income are based on those used in the impairment tests. During the year, a one-off capitalisation of TEUR 11,719 (9,310) was recognised and TEUR 8,386 (5,157) was written down, both following reviews of the likelihood to utilise tax losses carry forward. Portfolio management, a revision of plans and projections for loss-making hotels or a setback in the economic recovery, with major implications on the performance of the company's hotels, could trigger a need for further assessment of the recoverability of accumulated tax losses carry forward and therefore also on the carrying value of deferred tax assets. Furthermore, changes in tax rules and regulations, for example a reduction of the income considered taxable or the right to deduct expenses, can also trigger a need for further assessment of the recoverability of the tax losses carry forward and the related deferred tax assets.

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-makers, primarily the CEO, the Executive Committee and the Board of Directors.

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

- The Nordics including Denmark, Finland, Iceland, Norway and Sweden;
- The Rest of Western Europe including Austria, Belgium, France, Germany, Greece, Ireland, Italy, 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, Serbia, Slovakia, Turkey, Ukraine, and Uzbekistan; and
- Middle East, Africa and Other including Angola, Bahrain, Brazil, China, Egypt, Ethiopia, Ghana, Jordan, Kenya, Kuwait, Lebanon, Libya, Mali, Mauritius, Mongolia, Morocco, Mozambique, Nigeria, Oman, Rwanda, Qatar, Saudi Arabia, Senegal, Sierra Leone, South Africa, Tunisia, the United Arab Emirates and Zambia.

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

- **Leased contractual arrangements:**
Under Rezidor's lease agreements, Rezidor leases hotel buildings from property owners and is entitled to the benefits and carries the risks associated with operating of the hotel. The Company derives revenue primarily from room sales and food and beverage sales in restaurants, bars and banqueting. The main costs arising under a lease agreement are costs related to rent paid to the lessor, personnel costs and other operating expenses. Rent payments to lessor typically include a variable rent (as % of hotel revenue) with an underlying minimum fixed rent (for more details see Note 39). Under some lease agreements, the company also reimburses the owner of the hotel property for property taxes and property insurance. Under Rezidor's lease agreements, the company is responsible for maintaining the hotels Furniture, Fixtures and Equipment (FFE) in good repair and condition over the term of the lease agreement.
- **Managed contractual arrangements:**
Under management agreements, the Company provides management services for third-party hotel proprietors. Revenue is primarily derived from base fees determined as a percentage of total hotel revenue and incentive management fees defined as a percentage of the gross operating profit or adjusted gross operating profit of the hotel operations. In addition, the company collects marketing fees based on total rooms revenue or on total revenue, and reservation fees are based on the number of reservations made. Under some management agreements, Rezidor may offer the hotel proprietor a minimum guaranteed result, as further described in Note 40. Under a management agreement, the hotel proprietor is responsible for all investments in and costs of the hotel, including the funding of periodic maintenance and repair, as well as for insurance of the hotel property. The employees that operate the hotels are, in general, employees of the hotel proprietor.
- **Franchised contractual arrangements:**
Under franchise agreements, the company authorises a third-party hotel operator or property owner to operate the hotel under one of the brands in the Company's portfolio. Accordingly, under such agreements, the Company neither owns, leases nor manages the hotel. The Company derives revenue from brand royalties or from licensing fees which, under most of the franchise agreements, are based on a percentage of total room revenue generated by a hotel. In addition, the Company collects marketing fees based on total room revenue and reservation fees based on the number of reservations made. In order to gain access to different concepts and programmes associated with the brand, the hotel owners normally have to pay additional fees. Currently, franchise agreements for the Missoni brand are not allowed.
- **Other** represents complementary Group revenue from administrative activities, but also includes the share of income from associates and joint ventures.

REVENUE

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

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

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

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

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

Notes to the Group accounts

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, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	%	Dec. 31, 2010	%
For the year ended												
Leased	373,387	318,123	383,744	364,796	—	—	—	—	757,131	87.6%	682,921	86.9%
Managed	5,350	4,709	25,391	25,782	28,978	23,711	16,848	21,098	76,567	8.9%	75,300	9.6%
Franchised	5,149	4,586	8,425	7,616	1,653	807	—	—	15,227	1.8%	13,009	1.7%
Other	12,171	11,145	3,067	3,111	—	—	50	230	15,288	1.8%	14,486	1.8%
Total	396,057	338,563	420,627	401,307	30,631	24,518	16,898	21,327	864,213	100.0%	785,715	100.0%

Group's total revenue

864,213 785,715

SEGMENTATION – EBITDA

TEUR	Nordics		Rest of Western Europe		Eastern Europe		Middle East, Africa and Other		Central costs		Total	
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
For the year ended												
Leased	40,821	32,394	-7,272	-13,646	—	—	—	—	—	—	33,549	18,748
Managed	3,648	3,102	8,634	5,398	19,757	17,247	9,534	15,452	—	—	41,573	41,199
Franchised	2,767	2,419	3,104	3,535	866	377	—	—	—	—	6,737	6,331
Other ¹⁾	1,191	4,216	13	114	22	4	808	915	—	—	2,034	5,249
Central costs	—	—	—	—	—	—	—	—	-48,822	-40,069	-48,822	-40,069
Total	48,427	42,131	4,479	-4,599	20,645	17,628	10,342	16,367	-48,822	-40,069	35,071	31,458

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, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
For the year ended												
Leased	27,569	20,171	-31,080	-24,825	—	—	—	—	—	—	-3,511	-4,654
Managed	3,602	3,029	8,442	5,112	19,463	17,364	9,399	15,235	—	—	40,906	40,740
Franchised	2,702	2,320	2,974	3,363	847	359	—	—	—	—	6,523	6,042
Other ¹⁾	-2,594	1,849	-999	-916	22	4	808	915	—	—	-2,763	1,852
Central costs	—	—	—	—	—	—	—	—	-48,822	-40,069	-48,822	-40,069
Total	31,279	27,369	-20,663	-17,266	20,332	17,727	10,207	16,150	-48,822	-40,069	-7,667	3,911

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

EBIT for leased hotels in Rest of Western Europe was negatively impacted by write-downs of tangible and intangible fixed assets amounting to TEUR 11,583 (2,713) as a result of impairment testing, as further outlined in note 6. In 2010, reversals of write-downs from prior years of TEUR 2,181 positively impacted EBIT for leased hotels in Rest of Western Europe.

RECONCILIATION OF PROFIT/LOSS FOR THE PERIOD

TEUR	Dec. 31, 2011	Dec. 31, 2010
For the year ended		
Total operating profit/loss (EBIT) for report able segments	-7,667	3,911
Financial income	1,439	831
Financial expense	-2,409	-4,531
Group's total profit/loss before tax	-8,637	211

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, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
For the year ended										
Share of income in associates	1,809	1,347	—	—	-14	4	844	916	2,639	2,267
Gain/loss on sale of shares and tangible assets	423	—	—	3,631	—	330	—	—	423	3,961
Total	2,232	1,347	—	3,631	-14	334	844	916	3,062	6,228

SEGMENTATION – BALANCE SHEET

TEUR	Nordics		Rest of Western Europe		Eastern Europe		Middle East, Africa and Other		Total	
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
For the year ended										
ASSETS	153,230	136,674	161,373	182,007	23,856	20,998	35,367	38,101	373,826	377,779
Leased	147,140	130,748	149,147	168,736	7,249	7,385	17,857	18,587	321,393	325,456
Managed	1,802	1,971	7,451	8,072	13,457	13,129	17,021	19,212	39,731	42,384
Franchised	2,520	2,666	4,514	5,180	3,046	476	—	—	10,080	8,321
Other	1,768	1,289	261	19	104	8	489	302	2,622	1,618
Group's total assets									373,826	377,779
LIABILITIES	95,955	101,978	108,721	91,157	660	5,620	3,792	3,864	209,128	202,619
Group's total liabilities									209,128	202,619

SEGMENTATION – INVESTMENTS ¹⁾

TEUR	Nordics		Rest of Western Europe		Eastern Europe		Middle East, Africa and Other		Total	
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
For the year ended										
Leased	23,479	12,192	14,323	11,651	40	10	74	208	37,916	24,061
Managed	—	—	—	—	—	—	—	—	—	—
Franchised	—	—	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—	—	—	—
Total	23,479	12,192	14,323	11,651	40	10	74	208	37,916	24,061
Group's total investments									37,916	24,061

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, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
For the year ended										
Depreciation and amortisation	18,353	15,648	13,036	15,025	120	181	69	122	31,578	30,976
Write-downs and reversal of write-downs	—	—	11,583	532	—	—	—	—	11,583	532
Group's total depreciation and amortisation									43,161	31,508

EBIT for leased hotels in Rest of Western Europe was negatively impacted by write-downs of tangible and intangible fixed assets amounting to TEUR 11,583 (2,713) as a result of impairment testing, as further outlined in note 6. In 2010, reversals of write-downs from prior years of TEUR 2,181 positively impacted EBIT for leased hotels in Rest of Western Europe. The classes of assets to which these write-downs and reversal of write-downs belong, can be found in note 19 and 20. Revenue in Sweden, where the Parent Company has its place of business, amounted to TEUR 156,701 (115,626). Non-current assets in Sweden amounted to TEUR 757,116 (757,466).

SEGMENTATION – REVPAR AND OCCUPANCY ¹⁾

For the year ended	Radisson Blu		Park Inn by Radisson		Rezidor	
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
RevPAR, EUR	72.3	70.5	38.5	37.5	63.0	62.0
Occupancy, %	64.3	63.9	57.7	58.0	62.4	62.3

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
As of Dec. 31, 2011 – In operation										
Leased	28	7,498	49	10,188	—	—	—	—	77	17,686
Managed	6	1,894	63	10,278	57	14,762	43	10,762	169	37,696
Franchised	23	4,579	50	9,474	6	1,331	—	—	79	15,384
Total Rezidor	57	13,971	162	29,940	63	16,093	43	10,762	325	70,766
As of Dec. 31, 2010 – In operation										
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
Total Rezidor	56	12,945	160	29,406	60	15,071	36	8,953	312	66,375

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

TEUR	For the Year Ended Dec. 31	
	2011	2010
Rooms revenue	492,052	442,862
F&B Revenue	241,474	218,170
Other hotel revenue	23,598	21,887
Hotel revenue	757,124	682,919
Fee revenue	91,794	88,310
Other revenue	15,295	14,486
Total revenue	864,213	785,715

Specification of fee revenue

Management fees	28,583	27,812
Incentive fees	24,604	25,251
Franchise fees	6,688	5,831
Other fees	31,920	29,416
Total	91,794	88,310

- 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	
	2011	2010
Cost of Food	39,015	35,333
Cost of Beverage	12,330	11,625
Cost of other income	7,436	5,390
Cost of other goods sold	5,987	5,513
Cost of tel, fax, internet	684	1,047
Total	65,452	58,907

Note 10 PAYROLL COST, NUMBER OF EMPLOYEES, ETC

Payroll cost TEUR	For the Year Ended Dec. 31	
	2011	2010
Salaries	201,708	193,001
Social security	34,701	34,421
Pension costs	6,740	8,409
Sub-total	243,149	235,831
Other personnel costs (other benefits in kind)	59,971	43,116
Total	303,120	278,947

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

TEUR 15,041 (14,420) of the total salaries and remuneration in 2011 was related to board members, managing directors and other senior officers within the Group, of which TEUR 2,607 (4,335) was variable salary. TEUR 725 (557) 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	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Denmark	13,498	12,969	499	426	1,053	937	15,050	14,332	2,096	1,320	17,147	15,652
Norway	57,417	56,305	8,072	7,794	2,340	4,652	67,829	68,751	10,504	8,894	78,333	77,645
Sweden	26,575	19,525	7,392	6,453	1,406	1,146	35,373	27,125	7,443	2,569	42,816	29,694
United Kingdom	23,441	23,539	1,955	1,923	439	422	25,835	25,884	8,032	7,378	33,867	33,262
Germany	24,284	25,103	4,920	4,812	—	—	29,204	29,916	10,421	9,313	39,625	39,229
France	13,896	13,662	5,144	4,846	—	—	19,040	18,508	2,928	2,372	21,968	20,880
Belgium	20,124	22,460	3,779	5,671	1,261	1,092	25,164	29,224	10,933	5,310	36,098	34,533
Other	22,471	19,437	2,941	2,496	242	159	25,654	22,092	7,612	5,960	33,266	28,052
Total	201,708	193,001	34,701	34,421	6,740	8,409	243,149	235,831	59,971	43,116	303,120	278,947

The average number of employees in Rezidor's companies during 2011 was 5,230 (4,947) and is split as follows:

	For the Year Ended Dec. 31,			
	2011		2010	
	Men	Women	Men	Women
Denmark	117	142	139	112
Norway	510	623	487	661
Sweden	285	359	187	293
United Kingdom	556	571	558	581
Germany	412	461	375	446
France	251	238	235	231
Belgium	123	125	138	112
Other	229	228	217	174
Total	2,483	2,747	2,336	2,611
Total men and women	5,230		4,947	

	For the Year Ended Dec. 31,			
	2011		2010	
	Men	Women	Men	Women
Members of the Board of Directors ¹⁾	7	3	7	2
Executive Committee (including CEO) ²⁾	7	1	6	1

- 1) These numbers of members relate only to the members of the Board of Directors of the Parent Company elected at the Annual General Meeting of shareholders on 13 April 2011.
- 2) The 2011 numbers of members are average number for the year ended Dec 31. The Executive Committee had seven members until February 2011, eight members between February and June 2011 and as from then nine members.

Remuneration to the external members of the Board of Directors of the Parent Company ¹⁾

TEUR	For the Year Ended Dec. 31,	
	2011	2010
Urban Jansson	23	68
Hubert Joly	57	42
Benny Zakrisson	16	46
Trudy Rautio	49	46
Barry W. Wilson	44	42
Göte Dahlin	43	42
Wendy Nelson	42	31
Staffan Bohman	30	—
Anders Moberg	27	—
Elizabeth Bastoni	28	—
	359	317

- 1) TEUR 245 of the total remuneration to members of the Board of Directors in 2011 is attributable to the remuneration approved by the Annual General Meeting on April 13th, 2011 for the period beginning after that Meeting and ending on the next Annual General Meeting in 2012.

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

TEUR	For the Year Ended Dec. 31,	
	2011	2010
Base remuneration	6,051	3,697
Variable remuneration	1,072	3,174
Post employment compensation ²⁾	2,171	1,618
Pension costs to Executive Committee:		
Defined contribution plan	610	493
Defined benefit plan	43	40
Housing and company cars for the Executive Committee	575	491

- 1) The table above shows the gross amounts. Eight members of the Executive Committee are remunerated on a net basis. Apart from the impact of changes in the agreed upon remuneration levels, the gross remuneration may also differ from year to year due to special tax treatment rules in Belgium. Regarding number of persons in the Executive Committee, see above.
- 2) The base remuneration for 2011 includes a one-off redundancy cost of TEUR 1,261.
- 3) As regards the post employment compensation, see comments to the table for the CEO.

The variable remuneration of the members of the Executive Committee are subject to accruals each year. The basis for the annual variable remuneration scheme for 2011 for the members of 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 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 remuneration. The related variable remuneration costs recorded in the P&L as of the end of the year represent the best estimate made at the balance sheet dates. The final variable remuneration payment is dependent on certain factors that will finally be known at a date subsequent to the release of the financial statements. Therefore, variable remuneration accrued in a specific year may be adjusted in subsequent periods as a result of the final parameters (like the final profitability of the company) deviating from the assumptions made at the balance sheet dates. For members of the Executive Committee the contracted notice period for termination of their agreements and associated severance payments is between three and fifteen months or in some cases three months per period of five years of seniority. In case of dispute, the applicable law could lead to severance payments exceeding the contracted amount and may exceed two years annual remuneration. Remuneration to the CFO (Deputy President) was comprised in 2011 (2010) of: remuneration TEUR 689 (576), variable remuneration TEUR 28 (453), pension TEUR 167 (160), housing and company car TEUR 80 (76).

The remuneration for the CEO is as follows:

Remuneration – CEO TEUR	For the Year Ended Dec. 31,	
	2011	2010
Base remuneration ¹⁾	1,432	1,325
Variable remuneration	555	2,064
Post employment compensation ²⁾	2,171	1,618
Pension	395	252
Housing and company cars	223	198

- 1) The net base remuneration for the CEO amounted to TCHF 1,153 (1,098) and the increase between 2011 and 2010 was 5%, corresponding to the contractual minimum annual increase, as further outlined below. Furthermore, the gross remuneration differs from year to year due to special tax treatment rules in Belgium. The increase in gross remuneration exceeding 5% was the result of these special tax rules and the effect of exchange rates and has no effect on the net contracted remuneration in CHF. The gross remuneration in EUR increased in 2011 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 107 (97).
- 2) As further outlined below, the CEO was entitled to a post employment compensation upon retirement corresponding to three times the annual base remuneration for 2010 plus a fixed amount of TEUR 422. The costs for this post employment compensation have been expensed over the remaining term of his employment and the net amount has not changed since 2009. The increase between 2011 and 2010 is related to the appreciation of the CHF versus the EUR and the fact that the gross remuneration 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 107 (97) 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: upon the expiry of the CEO's employment agreement or in the event of the CEO's 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 remuneration plus a fixed amount of EUR 422,000.

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 base remuneration 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 remuneration of the CEO remained at 5% and with January 1st 2010 as the first annual revision. The CEO is, as from 1 January 2009, entitled to a variable remuneration of maximum of 75% of his annual base remuneration based on achievement of pre-set targets for the consolidated profitability of Rezidor, the company growth targets and strategic objectives. The variable remuneration may reach 150% of the CEO's annual base remuneration if higher targets are achieved and 200% of such remuneration if stretched goals are achieved. The annual variable remuneration for years 2009 and 2010 was earned and paid in two portions: (i) 50% paid latest by May 1st each year, and (ii) 50% was due and payable on March 1st, 2012. The CEO is also 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 remuneration until the termination of his employment. In the event of termination of the CEO's contract, 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 remuneration for 2008 and further defer the payment of the total amount owed to him upon the expiry of the original employment agreement, until February 28th, 2012 when a lump sum payment was due to him corresponding to three (3) times the annual base remuneration for 2010 plus a fixed amount of EUR 422,000.

Notes to the Group accounts

Cont. Note 10

On April 15th, 2011 the Board secured an extension of the term of the CEO's employment until February 28th, 2015. Under the contract which was signed in April 2011, the CEO's pension age is 68. The remuneration of the CEO which from January 1st, 2010 consisted of an annual net remuneration of CHF 1.098.168 was according to the contract for the extended term increased as of January 1st, 2011 with a 5% increase. Starting January 1st, 2012 the annual base remuneration will be reviewed and the CEO will be considered for annual base remuneration increases, including the CPI annual increase pursuant to Belgian law. Based on preset targets the variable remuneration remains 75% of annual base remuneration if targets are achieved and may reach 150% of the CEO's annual base remuneration if higher targets are achieved and 200% of such remuneration if stretched goals are achieved. The variable remuneration for 2011 and each fiscal year thereafter shall be due and payable annually in arrears.

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 2010 and 2011. In addition, the CEO and the rest of the Executive Committee would have been awarded 326,786 and 414,356 shares respectively in the 2009 programme. However, by December 31st, 2011, it was clear that the 2009 programme would not meet the performance criteria as further outlined in Note 33, but as the vesting period had not ended that day the shares were not formally forfeited by that day.

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

	As of Dec. 31,	
	2011	2010
CEO	619,829	646,615
The rest of the Executive Committee	814,737	941,853
Total	1,434,566	1,588,468

Note 11 OTHER OPERATING EXPENSES

TEUR	For the Year Ended Dec. 31	
	2011	2010
Royalty fees and other costs to Carlson Group	11,387	10,027
Energy costs	29,596	29,494
Supplies	14,832	14,680
Marketing expenses	57,989	49,317
External fees	11,686	9,797
Laundry and dry cleaning	16,698	15,423
Contract services and maintenance	12,508	11,463
Administration costs	12,132	10,042
Communication, travel and transport	10,690	9,102
Operating equipment	4,498	4,277
Rentals and licences	4,670	3,912
Property operating expenses	7,983	7,464
Other Expenses	12,843	5,694
Total	207,513	180,692

Note 12 INSURANCE OF PROPERTIES AND PROPERTY TAX

TEUR	For the Year Ended Dec. 31	
	2011	2010
Property & Miscellaneous taxes	11,895	11,517
Building insurance	1,655	1,599
Total	13,551	13,116

Note 13 RENTAL EXPENSE

TEUR	For the Year Ended Dec. 31	
	2011	2010
Fixed rent ¹⁾	199,062	184,342
Variable rent ²⁾	33,372	25,637
Guarantee payments ³⁾	9,711	14,882
Total	242,145	224,861

- 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	
	2011	2010
Sales price of shares	487	10,659
Net assets of sold entity	64	6,640
Sales cost	—	-58
Total net gain on sale of shares and intangible and tangible assets	423	3,961

The gain on sale of shares and intangible and tangible assets in 2011 was related to the sale of one leased operation in Sweden. The capital gain in 2010 are related to the sale of the Regent business.

Note 15 FINANCIAL ITEMS

TEUR	For the Year Ended Dec. 31	
	2011	2010
Interest income from external financial institutions	465	212
Interest income from other loans and receivables	332	497
Other financial income	642	122
Financial income	1,439	831
Interest expense to external financial institutions	-398	-229
Interest expense from other loans and payables	-481	-529
Fair value change derivatives	—	-126
Other financial expense	-1,239	-1,136
Foreign currency exchange losses	-291	-2,511
Financial expense	-2,409	-4,531
Financial income and expenses, net	-970	-3,700

TEUR 567 of other financial income in 2011 was related to the waiver of accrued interest expenses on a long-term loan. Other financial expenses are related to bank charges and similar items.

Net gain/loss per category of financial assets and liabilities

TEUR	For the Year Ended Dec. 31	
	2011	2010
Financial assets at fair value through profit and loss (held for trading)	21	-126
Loans and receivables and financial liabilities measured at amortised cost	-991	-3,574
Total	-970	-3,700
Available-for-sale financial assets	-1,000	-1,704
Recognised in the statement of comprehensive income	-1,970	-5,404

All interest income and expense in 2011 and 2010 is related to financial assets and liabilities measured at amortised cost. No interest income in 2011 and 2010 was recognised on impaired financial assets.

Note 16 INCOME TAXES**Income tax recognised in profit or loss**

TEUR	For the Year Ended Dec. 31	
	2011	2010
Tax expense(+)/income(-) comprises:		
Current tax expense(+)/income(-)	8,482	15,207
Adjustments recognised in the current year in relation to the current tax of prior years	807	31
Deferred tax expense(+)/income(-) relating to the origination and reversal of temporary differences	-15,463	-17,530
Write-downs of deferred tax assets	9,442	5,157
Total tax expense/(income)	3,268	2,865

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

TEUR	For the Year Ended Dec. 31	
	2011	2010
Profit/loss before tax from continuing operations	-8,637	211
Income tax income(-)/expense(+) calculated at the local tax rate	-2,470	-2,383
Effect of revenue that is exempt from taxation	-289	-3,123
Effect of expenses that are not deductible in determining taxable profit	3,090	3,974
Effect of tax concessions (research and development and other allowances)	2	-204
Effect of changes in the expected manner of recovery of assets	-357	581
Effect of revaluations of assets for taxation purposes	—	-185
Effect of tax losses and tax offsets not recognised as deferred tax assets	6,075	5,140
Effect of previously unrecognised deferred tax attributable to tax losses, tax credits or temporary differences of prior years	-12,149	-9,310
Effect on deferred tax balances due to the change in income tax rate	428	294
Write-downs of deferred tax assets	9,442	5,157
Effect of withholding taxes	-1,485	3,135
Other	174	-242
Sub total	2,461	2,834
Adjustments recognised in the current year related to the current tax of prior years	807	31
Income tax expense recognised in profit or loss	3,268	2,865

Tax expense recognised directly in equity:

Translation of foreign operations	-36	-268
Total	-36	-268

The average effective tax rate was -38% (1,357). The average tax rate was mainly negatively impacted by the effect of not recognising deferred tax income on a majority of the write-downs of fixed assets.

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

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

Notes to the Group accounts

Cont. Note 16

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

2010	Opening balance	Charged to income	Charged to Equity	Acquisitions/disposals	Exchange differences	Closing balance
Temporary differences						
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
	-26,739	4,664	—	—	-772	-22,848
Unused tax losses and credits						
Tax losses	24,597	7,708	—	—	241	32,546
	24,597	7,708	—	—	241	32,546
Total	-2,142	12,372	—	—	-531	9,698

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

	As of Dec. 31	
TEUR	2011	2010
Deferred tax assets	31,579	27,378
Deferred tax liabilities	-15,721	-17,679
Total	15,858	9,698

UNRECOGNISED DEFERRED TAX ASSETS

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

	As of Dec. 31	
TEUR	2011	2010
Tax losses	22,225	20,372
Temporary differences	4,316	1,766
Total	26,541	22,138

The unrecognised tax losses have no expiry date.

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

Deferred tax assets attributable to tax losses carry forward are recognised to the extent it is probable, based on convincing evidence, that future taxable profits will be available against which the unused tax losses can be utilised. When assessing the probability of utilisation, the amount of taxable temporary differences relating to the same taxation authority as the tax losses carry forward are taken into account as well as the projected future taxable profits, taking into account among other things, the caps on fixed rent obligations. The projected future taxable profits are estimated based on budgets and long range plans, taking into account the expiry of contracts. The deferred tax assets attributable to tax losses carry forward are mainly found in Germany, Belgium, Sweden and to some extent in the UK. Portfolio management, a revision of plans and projections for loss-making hotels or a setback in the economic recovery with major implications on the performance of the company's hotels, could trigger a need for further assessment of the recoverability of tax losses carry forward and therefore also on the carrying value of deferred tax assets.

Note 17 SOLD AND ACQUIRED OPERATIONS

Disposed subsidiaries TEUR	For the Year Ended Dec. 31	
	2011	2010
Fixed assets	122	4,048
Current assets	18	3,947
Cash and bank	2	508
Current liabilities	-78	-1,863
Net assets disposed of	64	6,640
Capital gain	423	4,019
Sales price	487	10,659
Transaction cost	—	-58
Net contribution	487	10,601
Cash and bank in disposed operations	-2	-508
Total cash flow from disposed operations	485	10,093

The assets and liabilities of the disposed operations in 2011 relate to one leased operation in Sweden. The numbers for 2010 are all related to the Regent business sold that year.

Acquired subsidiaries TEUR	For the Year Ended Dec. 31	
	2011	2010
Non-current assets	—	165
Current assets	—	527
Cash and bank	—	1,326
Non-current liabilities	—	-60
Current liabilities	—	-651
Net assets in acquired operations	—	1,307
Cash and bank in acquired operations	—	1,326
Cash flow from acquired operations during the year	—	1,326
Additional purchase price related to acquisitions prior years	—	—
Additional purchase price related to prior years not paid	—	—
Payment of acquisitions from prior years	—	—
Cash flow from acquisitions prior years	—	—
Total cash flow during the year from acquired operations	—	1,326
Total		

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 cash equivalents of the South African company.

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	
	2011	2010
Loss for the year attributable to equity holders of the parent (TEUR)	-11,905	-2,481
Weighted average number of ordinary shares for the purposes of basic earnings per share	146,315,374	146,307,540
Total basic earnings per share	-0.08	-0.02

TEUR	For the Year Ended Dec. 31	
	2011	2010
Weighted average number of ordinary shares used in the calculation of basic earnings per share	146,315,374	146,307,540
Contingently issuable shares	719,459	1,140,828
Weighted diluted average number of ordinary shares	147,034,833	147,448,368

The basic earnings per share is calculated by dividing the earnings attributable to the equity holders of the parent company by a weighted average number of ordinary shares during the period, excluding those shares bought back and held by the parent company. Since the number of shares is antilutive 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 2009, 2010 and 2011, are entitled to a certain amount of shares at the end of the vesting periods (further described in note 33 Share Based Payments) if certain performance criteria are met, including growth in earnings per share and total shareholder return relative to a defined peer group. The maximum number of shares that can be awarded is 2,947,835. No shares would have been awarded had the vesting period ended on 31 December, 2011.

Note 19 OTHER INTANGIBLE ASSETS

TEUR	Other intangible assets	Licenses and related rights	Total
Cost			
Balance as of Jan. 1, 2010	42,473	54,878	97,350
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
Balance as of Jan. 1, 2011	43,523	54,900	98,423
Investments	1,427	3	1,430
Disposed operation	-71	-1	-72
Effect of foreign currency exchange differences	88	-3	85
Balance as of Dec. 31, 2011	44,967	54,899	99,866
Accumulated amortisation and impairment			
Balance as of Jan. 1, 2010	-9,620	-5,058	-14,678
Amortisation expense	-3,084	-1,183	-4,267
Reclassified from held for sale	-503	-53	-556
Additions through business combinations	-703	—	-703
Disposed operation	587	63	650
Reclassification	-73	—	-73
Effect of foreign currency exchange differences	-133	-1	-134
Balance as of Jan. 1, 2011	-13,529	-6,232	-19,761
Amortisation expense	-2,795	-1,175	-3,970
Impairment write-down	-2,580	—	-2,580
Disposals	—	2	2
Effect of foreign currency exchange differences	89	—	89
Balance as of Dec. 31, 2011	-18,815	-7,405	-26,220
Carrying amount			
As of Dec. 31, 2010	29,994	48,666	78,660
As of Dec. 31, 2011	26,152	47,494	73,646

TEUR 46,903 (48,073) of the carrying amount of 'Licences and other related rights' is related to the contractual rights associated with the master franchise agreements with the Carlson Group. These rights were renegotiated in 2005 and in exchange for the new terms, the Carlson Group received 25% of the shares in Rezidor. This was achieved through a contribution in kind, where the value of the renegotiated terms was estimated to be TEUR 55,000. This amount is being amortised over the length of the contract, which expires in 2052.

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

Note 20 TANGIBLE ASSETS

TEUR	Fixed installation	Machinery and equipment	Investments in progress	Total
Cost				
Balance as of Jan. 1, 2010	125,611	211,797	3,439	340,847
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
Balance as of Jan 1, 2011	135,207	226,811	7,461	369,479
Investments	5,308	12,511	18,633	36,452
Disposed operation	—	-170	—	-170
Disposals	-1,505	-13,853	-6	-15,364
Reclassification	993	13,293	-14,286	0
Effect of foreign currency exchange differences	1,296	2,791	27	4,114
Balance as of Dec. 31, 2011	141,299	241,383	11,829	394,511
Accumulated depreciations and impairment				
Balance as of Jan. 1, 2010	-87,198	-145,178	—	-232,376
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
Balance as of Jan 1, 2011	-98,944	-161,821	—	-260,765
Reclassified from held for sale	1,608	13,254	—	14,862
Disposed operation	—	46	—	46
Depreciation expense	-7,070	-20,538	—	-27,608
Impairment write-down	-771	-8,232	—	-9,003
Effect of foreign currency exchange differences	-678	-1,891	—	-2,569
Balance as of Dec. 31, 2011	-105,855	-179,182	—	-285,037
Carrying amount				
As of Dec. 31, 2010	36,263	64,990	7,462	108,715
As of Dec. 31, 2011	35,444	62,201	11,829	109,474
Less assets held for sale	-44	-12	-3	-59
Total reported as of Dec. 31, 2011	35,400	62,189	11,826	109,415

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

Note 21 INVESTMENTS IN ASSOCIATED COMPANIES

TEUR	Ownership (%) as of Dec. 31, 2010	Ownership (%) as of Dec. 31, 2011	Carrying value as of Dec. 31, 2010	Share of income	Dividends	Exchange difference	Carrying value as of Dec. 31, 2011
Nordrus Hotel Holding A/S	26.08%	26.08%	228	-14	—	—	214
Al Quesir Hotel Company S.A.E	20.00%	20.00%	3,142	36	—	-14	3,164
Afrinord Hotel Investment A/S	20.00%	20.00%	52	5	—	—	57
Total			3,422	27	—	-14	3,435

Summarised financial information for associated companies

TEUR	As of and for the Year Ended Dec. 31	
	2011	2010
Total assets	23,848	23,929
Total liabilities	13,844	11,244
Net assets	10,004	12,685
Group's share in net assets	3,435	3,422
Revenue	3,254	6,596
Profit/loss after tax	149	869
Group's share in net profit	27	170

Note 22 INVESTMENTS IN JOINT VENTURES

TEUR	Ownership (%) as of Dec. 31, 2010	Ownership (%) as of Dec. 31, 2011	Carrying value as of Dec. 31, 2010	Share of income	Dividends	Reclassification	Exchange difference	Carrying value as of Dec. 31, 2011
Casino Denmark A/S	50.00%	50.00%	—	—	—	—	—	—
Casino Denmark K/S	50.00%	50.00%	1,145	1,809	-1,745	—	4	1,213
Total			1,145	1,809	-1,745	—	4	1,213

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	
	2011	2010
Total assets	36,042	33,119
Total liabilities	12,606	11,389
Net assets	23,436	21,730
Group's share in net assets	11,718	10,865
Revenue	24,461	23,824
Profit after tax	4,323	2,694
Group's share in net profit	2,162	1,347

TEUR 10,505 (9,720) of the Group's share of net assets and TEUR 803 (750) 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, 2010	Ownership (%) as of Dec. 31, 2011	Carrying value as of Dec. 31, 2010	Investments	Revaluation	Exchange difference	Carrying value as of Dec. 31, 2011
Doricus Enterprise Ltd	13.41%	13.41%	4,153	—	—	-11	4,142
First Hotels Co K.S.C.C	1.82%	1.82%	2,017	—	-1,000	-5	1,012
Timmendorf mbH & Co Beteiligungs KG	18.67%	18.67%	307	—	—	-1	306
Mongolianord GmbH	—	20.00%	—	1,569	—	—	1,569
Others	—	—	204	—	—	—	204
Total			6,681	1,569	-1,000	-17	7,233

Note 24 PENSION FUNDS, NET**Pension obligations recognised in the Group balance sheet**

TEUR	As of Dec. 31	
	2011	2010
Pension funds over funded	9,227	9,811
Pension funds under funded	-2,150	-2,592
Total	7,077	7,219

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	
	2011	2010
Discount rate		
Norway	2.60%	3.60%
Belgium	4.75%	4.00%
Sweden	2.50%	3.75%
Expected return on Plan assets	3.88%	4.33%
Expected rate of salary increase	3.75%	4.00%
Other (local government rate in Norway)	3.25%	3.75%

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

TEUR	As of Dec. 31	
	2011	2010
Current service cost	-2,740	-3,090
Interest cost on obligation	-2,106	-2,387
Expected return on plan assets	2,241	2,124
Actuarial losses(-)/gains(+) recognised in the year	-717	-2,601
Contribution from plan participants	66	68
Losses(-)/gains(+) arising from curtailments or settlements	—	327
Pension costs for defined benefit plans	-3,256	-5,559

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	
	2011	2010
Present value of defined benefit obligation	62,646	60,063
Fair value of plan assets	-51,410	-47,664
Sub total	11,236	12,399
Deficit/(Surplus)	11,236	12,399
Net actuarial gains and losses not recognised	-18,313	-19,618
Net asset arising from defined benefit obligation	-7,077	-7,219

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

TEUR	As of Dec. 31	
	2011	2010
Opening defined benefit obligation	60,063	53,171
Current service cost	2,740	3,090
Interest cost	2,106	2,387
Actuarial losses (+)/gains(-)	-423	6
Exchange differences on foreign plans	545	3,318
Benefits paid	-2,385	-1,909
Closing defined benefit obligation	62,646	60,063

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

TEUR	As of Dec. 31	
	2011	2010
Opening fair value of plan assets	47,664	43,268
Expected return on plan assets	2,241	2,124
Actuarial gains/losses	686	-1,519
Exchange differences on foreign plans	472	2,672
Contributions from the employer	2,108	2,518
Contributions from plan participants	75	140
Benefits paid – premium payments	-1,836	-1,539
Closing fair value of plan assets	51,410	47,664

Historic information:

TEUR	As of Dec. 31				
	2011	2010	2009	2008	2007
Total present value of defined benefit obligations	62,646	60,063	53,171	45,732	42,630
Fair value of plan assets	-51,410	-47,664	-43,268	-35,433	-36,520
Deficit	11,236	12,399	9,903	10,299	6,110

The major categories of plan assets at the balance sheet:

TEUR	As of Dec. 31	
	2011	2010
Equity instruments	23%	20%
Debt instruments	57%	57%
Property	14%	16%
Other	6%	7%

In 2011 the experience adjustments on plan liabilities and plan assets amounted to TEUR -1,930 (2010: -4,259, 2009: 534) and TEUR 686 (2010: 1,382, 2009: -2,247) respectively. The expected contributions by the employer in 2012 amount to TEUR 2,233 (2010: 1,959, 2009: 3,605).

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 3,484 (2,850).

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 2011. Pension plans that are safeguarded through insurance in Alecta according to ITP are therefore reported as a defined contribution plan under the alternative rules in IAS 19 paragraph 30. Premiums during the year to Alecta amounted to TEUR 1,123 (825). Alecta's surplus can be passed on to the insurance-takers and/or the insured. At the end of 2011 Alecta's surplus in the form of the collective consolidation level was 113% (146). 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, 2011

Loan from	Counterpart	Nominal loan amount in TEUR	Currency	Nominal value in TEUR	Impairment and exchange losses in TEUR	Amortised cost in TEUR	Duration and interest rates
Rezidor Riga Hotel A/S	Polar Bek Daugave Ltd. Riga Hotel	1,225	USD	1,145	-2	1,143	Undefined duration -10,08%
SIHKA A/S	Rezidor Royal Hotel Beijing Co. Ltd	16,152	USD	12,477	-1,972	10,505	Undefined duration
Rezidor Hotel ApS Denmark	Orchard Hotels A.S	200	EUR	204	—	204	15/10/2011 – Euribor 3M +1,5%
Rezidor Hotels UK Ltd	New Hotel JSC	756	EUR	811	—	811	13,88%
Rezidor Group	Other	112	EUR	107	—	107	Various interest bearing deposits
Total of interest-bearing				14,744	-1,974	12,770	

Rezidor Group	Other			293	—	293	Non-interest bearing
Total of non-interest-bearing				293	—	293	
Total long-term receivables				15,037	-1,974	13,063	

Less assets held for sale				-38	—	-38	Non-interest bearing
Total reported long-term receivables				14,999	-1,974	13,025	

As of Dec. 31, 2010

Loan from	Counterpart	Nominal loan amount in TEUR	Currency	Nominal value in TEUR	Impairment and exchange losses in TEUR	Amortised cost in TEUR	Duration and interest rates
Rezidor Riga Hotel A/S	Polar Bek Daugave Ltd. Riga Hotel	1,225	USD	1,059	—	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
Total of interest-bearing				14,189	-2,341	11,848	

Rezidor Group	Other			450	—	450	Non-interest bearing
Total of non-interest-bearing				450	—	450	
Total long-term receivables				14,639	-2,341	12,298	

Note 26 ACCOUNTS RECEIVABLES

TEUR	As of Dec. 31	
	2011	2010
Accounts receivables before allowance for doubtful accounts	45,539	45,521
Allowance for doubtful accounts	-5,902	-6,197
Accounts receivables net of allowance for doubtful accounts	39,637	39,324
Less assets held for sale	-631	—
Total reported accounts receivables net of allowance for doubtful accounts	39,006	39,324

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

As of Dec. 31, 2010	Accounts receivables before allowance for doubtful accounts	Provision for doubtful accounts	Accounts receivables net of allowance for doubtful accounts
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
Total overdue	25,815	-6,138	19,676
Total ledger	45,521	-6,197	39,324

TEUR	As of Dec. 31	
	2011	2010
Balance at the beginning of the year	-6,197	-5,470
Amounts written off during the year	-825	533
Amounts recovered during the year	197	48
Increase/Decrease in allowance recognised in profit or loss	960	-1,163
Translation difference	-37	-145
Balance at the end of the year	-5,902	-6,197

No collaterals are held as security for accounts receivables outstanding.

Note 27 OTHER CURRENT INTEREST-BEARING RECEIVABLES

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

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

No collateral was held as security for these receivables. Nothing was past due at year-end 2011 and 2010.

Note 28 OTHER CURRENT NON-INTEREST-BEARING RECEIVABLES

TEUR	As of Dec. 31	
	2011	2010
Prepaid expenses		
Prepaid Rent	16,723	15,134
Prepaid Heating	140	108
Prepaid Property tax	1,157	1,008
Prepaid Interest	25	116
Prepaid Other	13,474	9,298
	31,519	25,664
Accrued Income		
Accrued Income – Fees	8,231	6,970
Accrued Income – Other	3,525	3,062
	11,756	10,032
Fair value change on FX swaps	15	7
Other current non-interest-bearing receivables	15,528	14,692
Total	58,818	50,395
Less assets held for sale	-2,196	—
Total reported other current non-interest-bearing receivables	56,622	50,395

Note 29 OTHER SHORT-TERM INVESTMENTS

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

Note 30 CASH AND CASH EQUIVALENTS

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

TEUR	As of Dec. 31	
	2011	2010
Bank accounts	7,862	25,412
Cash on hand	1,917	1,296
Total cash and cash equivalents	9,779	26,708

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

Note 31 ASSETS CLASSIFIED AS HELD FOR SALE

The assets, and the related liabilities, classified as held for sale at year-end 2011 all relate to leased hotels in ROWE. During the year, TEUR 608 (909) of fixed assets in these hotels was written down and TEUR 2,150 (865) was recognised as provision for onerous lease contracts. These costs were all reported before the decision was taken to formally report these hotels as assets held for sale. The sale is expected to take place within 12 months from the balance sheet day. The manner and structure of the expected sale is subject to the outcome of the discussions with the buyer. The accumulated provisions for onerous lease contracts recorded by the end of 2011, TEUR 3,015, are recognised as other current non-interest-bearing liabilities in the table to the right, as they are expected to be settled within 12 months together with the sale.

TEUR	As of Dec. 31	
	2011	2010
Tangible fixed assets	59	—
Financial assets	38	—
Inventories	172	—
Accounts receivables	631	—
Other current non-interest-bearing receivables	2,196	—
Total assets	3,096	—

TEUR	As of Dec. 31	
	2011	2010
Provisions	37	—
Accounts payables	1,003	—
Other current non-interest-bearing liabilities	5,769	—
Total liabilities	6,809	—

Note 32 SHARE CAPITAL**ISSUED CAPITAL**

TEUR	Share capital 2011	Other paid in capital 2011	Share capital 2010	Other paid in 2010
Opening balance as of Jan. 1,	10,000	120,302	10,000	120,302
Dividend paid	—	—	—	—
Closing balance as of Dec. 31,	10,000	120,302	10,000	120,302

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

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

SHARE BUY-BACK

Following the authorisation at the Annual General Meeting in May 2007, Rezidor bought back 1,025,000 shares in 2007 at an average price of SEK 45.00 and 945,200 shares in 2008 at an average price of SEK 33.51 per share. On 23rd April, 2008, the Annual General Meeting gave the Board of Directors a renewed authorisation to decide on the acquisition of the Company's own shares on the NASDAQ OMX Stockholm until the next Annual General Meeting. Following this new authorisation, the company bought back 1,724,300 shares in 2008 at an average price of SEK 27.36. The authorisations at the Annual General Meetings in 2007 and 2008 to buy back shares were given to secure delivery of shares to the participants in the share based incentive programmes and to cover social security costs pertaining to these programmes as well as to ensure that the group has a more efficient capital structure. In total, 3,694,500 shares were bought back for TEUR 13,292, representing 2.46% of the number of registered shares and a quota value of TEUR 246.3. On 16th April, 2010, the Annual General Meeting approved that all 3,694,500 shares are to be used for the share based incentive programmes. In 2011, 13,362 of these shares were transferred to the participants of the 2008 programme, leaving 3,681,138 shares held by the company as of December 31st, 2011, representing 2.45% of the number of registered shares. The weighted numbers of shares held by the company in 2011 and 2010 was 3,686,666 and 3,694,500 respectively. On April 13th, 2011 the Board of Directors was again authorised by the Annual General Meeting to decide on the acquisition and transfer of the Company's own shares. The purpose of the authorisation is to secure delivery of shares to the participants in the share based incentive programmes and to cover social security costs pertaining to these programmes and to give the Board of Directors an increased capacity to act in respect of organising the capital structure of the company. At the end of 2011, the authorisations had not been used and no shares were consequently bought back in 2011.

TEUR	As of Dec. 31	
	2011	2010
Number of registered shares	150,002,040	150,002,040
Number of own shares held by the company	-3,681,138	-3,694,500
Number of shares outstanding	146,320,902	146,307,540

DIVIDEND PER SHARE

In accordance with the recommendation from the Board of Directors to the Annual General Meeting in 2011, the Annual General Meeting decided to not pay any dividend to the shareholders in 2011. The Board of Directors recommends the Annual General Meeting 2012 no dividend to be paid for the financial year 2011.

Note 33 SHARE-BASED PAYMENT

LONG-TERM EQUITY-SETTLED PERFORMANCE-BASED INCENTIVE PROGRAMMES

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

THE 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 was 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, 2011, the maximum number of performance shares that may be awarded after the full vesting period was 1,008,951.

6 members of the Executive Committee participate in the programme entitling them to a maximum total of 741,142 shares, of which the CEO is entitled to a maximum of 326,786 shares. Above that, 19 other members of management participate in the programme, entitling them to 267,809 shares in total.

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 was limited to 100 per cent of the 2010 base salary before taxes (base salary) for the CEO and the CFO, to 60% of the base salary for the COO, the Chief Development Officer, to 45% of the base salary for other participants within top management and to 30% of the base salary for the rest of the participants. As of December 31st, 2011, the maximum number of performance shares that may be awarded after the full vesting period was 880,884.

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

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

Fair value at grant date for the incentive programme is recognised as an expense over the vesting period, adjusted for the number of participants that are expected to remain in service.

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

THE 2011 PROGRAMME

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

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

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

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

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

SUMMARY OF MAXIMUM NUMBER OF SHARES THAT CAN BE AWARDED

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

Plan	At the end of 2010	Granted in 2011	Forfeited during 2011	Awarded during 2011	At the end of 2011
2008 plan	636,319	—	-622,957	-13,362	—
2009 plan	1,131,108	—	-122,157	—	1,008,951
2010 plan	960,535	—	-79,651	—	880,884
2011 plan	—	1,084,000	-26,000	—	1,058,000
Total	2,729,962	1,084,000	-850,765	-13,362	2,947,835

In May 2011, the vesting period for the 2008 programme ended, resulting in the allotment of 13,362 shares to participants in the programme. Based on the TSR and EPS performance until December 31st, 2011, no shares related to the 2010 and 2011 programmes would have been awarded had the vesting period ended on that day. By December 31st, 2011, it was clear that the performance criteria of the 2009 programme would not be met, but as one of the vesting conditions is continued employment until the end of the vesting period (May 1st, 2012), the shares were not formally forfeited.

TOTAL COSTS

The net costs recognised in the income statement during the period in accordance with IFRS 2 amounted to TEUR 1,195 (877). The reversal of accruals for social security charges attributable to the 2009 programme lead to a net income for social security charges related to the incentive programmes of TEUR 478 (TEUR 573 recognised as a cost in 2010).

Note 34 PROVISIONS

TEUR	Provisions for employee benefits and payroll	Provisions for legal case	Other provisions	Total
Balance as of Jan. 1, 2010	312	300	211	823
Additional provisions recognised	126	—	185	311
Reductions arising from payments	-18	-7	-37	-62
Reclassification	-66	—	-1	-67
Balance as of Dec. 31, 2010	354	293	358	1,004
Additional provisions recognised	42	7	213	263
Reductions arising from payments	—	—	3	3
Reclassification	—	—	16	16
Balance as of Dec. 31, 2011	395	300	591	1,286
Less assets held for sale				-37
Total reported as of Dec. 31, 2011				1,249

Note 35 BORROWINGS

TEUR	Current As of Dec. 31,		Non-current As of Dec. 31,	
	2011	2010	2011	2010
Unsecured – at amortised cost				
Bank overdrafts	7,878	—	—	—
Other loans	—	—	6,902	7,656
Total	7,878	—	6,902	7,656

TEUR 6,819 (7,567) of other non-current loans is related to the financing of renovation investments in a German hotel under a management contract. Rezidor has not received any cash in connection with this loan, but has assumed an obligation for the financing of a portion of the renovation works as part of the management agreement. An intangible asset corresponding to the rights granted through the management agreement has been recognised at the same time. Interest costs amounting to TEUR 406 (interest rate 5.8%), incurred during the renovation period, were capitalised in 2009. In 2011, accrued interest of TEUR 567 was waived and reported as a financial income (note 15). As from 2011, the loan runs with an interest rate of 4.5%. The repayment of the non-current part of the loan is linked to the amount of fees collected from this hotel.

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

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

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

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

	As of Dec. 31, 2010		
	TCHF	TEUR	Total
Bank overdrafts	—	—	—
Other loans	—	7,656	7,656
Total	—	7,656	7,656

The average interest rates paid were as follows:

TEUR	For the Year Ended Dec. 31	
	2011	2010
Bank overdrafts	1.21%	0.76%
Other loans	4.50%	5.80%

All liabilities to financial institutions are repayable within one year.

SPLIT OF BANK OVERDRAFT

TEUR	As of Dec. 31	
	2011	2010
Bank overdraft facilities granted	106,800	106,800
Utilisation of bank overdraft: in guarantees	-3,894	-4,223
Utilisation of bank overdraft: in cash	-7,878	—
Bank overdraft facilities unutilised	95,028	102,577

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

Note 36 OTHER CURRENT NON-INTEREST-BEARING LIABILITIES

TEUR	As of Dec. 31	
	2011	2010
Prepayments from customers	9,075	9,326
Accrued expenses & prepaid income	98,262	97,266
Other short term non-interest-bearing liabilities	18,808	17,903
Total	126,145	124,496
Less assets held for sale	-5,769	—
Total reported other current non-interest-bearing liabilities	120,376	124,496

SPECIFICATION OF ACCRUED EXPENSES AND PREPAID INCOME

TEUR	Opening Balance as of Jan. 1, 2011	Utilisation	Additions	Release	Translation	Closing balance as of Dec. 31, 2011
Vacation pay including social costs	14,861	-7,857	9,793	-524	513	16,786
Accrual for overtime including social costs	545	-472	688	-72	111	800
Accrual for bonus including social costs	11,669	-10,736	7,555	-80	237	8,645
Accrual for energy costs	4,212	-3,625	3,412	-144	591	4,446
Accrued rent	15,998	-8,955	8,158	-190	634	15,645
Other accrued expenses	45,856	-36,488	38,850	-1,433	1,176	47,961
Prepaid income	4,126	-2,328	2,177	-34	38	3,979
Total	97,267	-70,461	70,633	-2,477	3,300	98,262

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	
	2011	2010	2011	2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Carlson Inc	—	275	11,387	10,027	—	275	722	708
Carlson Inc (Club Carlson)	1,317	1,181	4,697	3,866	—	—	—	—
Recharged third party costs	—	—	2,483	2,116	—	—	—	—
Carlson Travel Agencies	—	—	632	688	—	—	228	121

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.

The business relationship with Carlson mainly consists of operating costs related to the use of the brands and for the use of the renovation system of Carlson. Rezidor is also paying commissions to a network of travel agencies, partly owned by Carlson. In addition, Carlson operates a customer loyalty programme, Club Carlson, to provide customers with incentives to buy room nights. Loyalty points earned when guests have stayed at hotels are charged by Carlson to these hotels. Similarly, when points have been redeemed at hotels, these hotels are reimbursed by Carlson. Including all contract types (leased, managed and franchised), Carlson charged TEUR 14,504 (12,270) during the year for points earned and reimbursed TEUR 4,155 (3,928) for points redeemed. However, only transactions involving leased hotels (presented in the table above) have an impact on Rezidor's consolidated accounts. Carlson furthermore recharges costs that it has incurred from third parties, mainly internet-based reservation channels, to the hotels to which these costs are related. Including all contract types (leased, managed and franchised), Carlson recharged costs TEUR 6,164 (5,274) during the year. Only costs recharged to leased hotels (presented in the table

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.

above) have an impact on Rezidor's consolidated accounts. Carlson and Rezidor are also cooperating in various other areas, such as global sales, brand websites, revenue optimisation tools and purchasing. These other areas do not, however, always lead to direct transactions between the two companies. All transactions are done at an arms' length basis. Any new agreement or transaction with Carlson deemed material require the approval of the Board of Directors of Rezidor.

JOINT VENTURES AND ASSOCIATED COMPANIES

TEUR	As of Dec. 31	
	2011	2010
Loans due from joint ventures and associated companies	10,505	9,720
Revenue (Management Fees) from joint ventures and associated companies	364	824

More information about shares in joint ventures and associates and the loans to the entities is disclosed in Note 21, 22 and 25. TEUR 3,136 (3,061) 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	
	2011	2010
Assets pledged		
Securities on deposit	3,507	3,308
Total assets pledged	3,507	3,308
Contingent liabilities		
Miscellaneous guarantees provided	3,894	4,223
Total guarantees provided	3,894	4,223

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 Addis Ababa, Ethiopia, through a loan agreement of TEUR 3,000, of which the Company's contribution was TEUR 600. The remaining commitment is consequently TEUR 6,350. 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, 2011.

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 34.5 as compensation for the alleged wrongful termination of negotiations in 2001 of a management agreement to be entered into upon finalisation of the acquisition as well as after the completion of the full renovation of a hotel in Bruges, Belgium. The claim is in respect of wasted time, costs and the profit Stonehaven would have obtained from the management agreement had it been entered into. On October 30th, 2009 the Commercial Court of Brussels dismissed all of Stonehaven's claims. On December 28th, 2009 Stonehaven appealed the decision. In its appeal it has restated its claim as already presented before the Commercial Court of Brussels. Rezidor believe, based on legal advice and opinions provided by the company's external legal counsel, that the claim is without merit. Accordingly Rezidor have not included any provision in the accounts to cover this claim, or for the costs of defence.

Notes to the Group accounts

Cont. Note 38

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

Note 39 LEASING COMMITMENTS

Under Rezidor's lease agreements, Rezidor lease hotel buildings from property owners or other partners and are entitled to the benefits and carry the risks associated with operating the hotel. Typically, Rezidor's lease agreements include a variable rent clause under which Rezidor are obligated to pay a variable rent based on a percentage of the total revenue generated by a hotel ("variable rent"). The majority of Rezidor's lease agreements also include a minimum rent payment obligation which is independent of the revenue generated by the hotel ("fixed rent"). The fixed rent is typically adjusted annually to take into account changes in a defined consumer price index. Generally, under contracts containing variable and fixed rent clauses, Rezidor pay the higher of the two to the lessor. To limit Rezidor's financial exposure in the company's lease contracts, Rezidor typically limit the "shortfall" amount by which the fixed rent exceeds the variable rent to an amount corresponding to two to three years' aggregate fixed rent payment obligations ("cap"). If cumulative shortfall payments reach this cap, the fixed rent payment obligation ceases and the lessor receives only the variable rent. At year end 2011, Rezidor had 77 leasing contracts for hotels in operation and under development that had some financial commitments, compared to 80 such contracts in 2010. 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	2011 Number of leasing agreements expiring	Year	2010 Number of leasing agreements expiring
2012	0	2011	0
2013–2014	5	2012–2014	4
2015–2019	11	2015–2019	11
2020–2024	21	2020–2024	24
2025–2029	14	2025–2029	14
2030–2034	23	2030–2034	23
2035–2039	2	2035–2039	3
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, 2011 are shown in the following table. For further information regarding rent payments, please refer to Note 13.

FUTURE MINIMUM LEASE PAYMENTS

TEUR	2011	2010
Within 1 year	199,734	192,795
1–5 years	769,069	978,365
After 5 years	1,824,577	1,911,771
Total	2,793,380	3,082,931

FUTURE MINIMUM SUB LEASE INCOME

Revenue from sub leases recognised in 2011 amounted to TEUR 2,611 (4,019). The expected future sub lease payments to be received from all fixed rent agreements are shown in the table below:

TEUR	2011	2010
Within 1 year	6,721	3,918
1–5 years	28,435	15,212
After 5 years	1,492	2,498
Total	36,648	21,628

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 29 management contracts in 2011, as compared to 41 in 2010. The management contracts containing such financial risk for the group will expire as presented in the table below:

Year	2011 Number of management agreements expiring	Year	2010 Number of management agreements expiring
2012	0	2011	0
2013–2014	2	2012–2014	4
2015–2019	4	2015–2019	5
2020–2024	6	2020–2024	7
2025–2029	12	2025–2029	14
2030–2034	3	2030–2034	6
2035–2039	1	2035–2039	4
2040–2045	1	2040–2045	1

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

TOTAL MAXIMUM FUTURE CAPPED GUARANTEE PAYMENTS

TEUR	2011	2010
Total	82,914	109,506

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 2011, Rezidor paid TEUR 9,711 (14,882 in 2010) as shortfalls under its management agreements with guarantees (see Note 13).

Note 41 AUDITORS' FEES

Group TEUR	For the Year Ended Dec. 31	
	2011	2010
Deloitte		
Audit assignments	1,174	1,265
Other audit related assignments	220	97
Tax assignments	123	93
Other assignments	181	148
Total Deloitte	1,698	1,603
Other audit firms		
Audit assignments	—	13
Other audit assignments	—	24
Tax assignments	458	65
Other assignments	20	183
Total other audit firms	478	285
Grand Total	2,176	1,888

Fees paid to Deloitte for other assignments include fees related to support in Rezidor's internal audit work. These fees amounted to TEUR 103 (35).

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, 2011		As of Dec. 31, 2010	
		Ownership %	Share capital	Ownership %	Share capital
Belgium					
Rezidor Finance S.A.	Brussels	100	MEUR 0.1	100	MEUR 0.1
The Rezidor Hotel Group S.A.	Brussels	100	MEUR 0.1	100	MEUR 0.1
Rezidor Hotel Brussels EU SPRL	Brussels	100	MEUR 4.5	100	MEUR 4.5
GH Holding S.A. (dormant)	Brussels	100	MEUR 0.1	100	MEUR 0.1
Rezidor Hotel Brussels S.A.	Brussels	100	MEUR 85.2	100	MEUR 7.3
Rezidor Park Belgium S.A.	Brussels	100	MEUR 0.1	100	MEUR 0.1
Cyprus					
Doriscus Enterprises Limited	Limassol	13.41	MEUR 19.8	13.41	MEUR 19.8
China					
Rezidor Royal Hotel Beijing Co., Ltd	Beijing	50	MRMB 33.4	50	MRMB 33.4
Denmark					
Rezidor Hotels ApS Danmark	Copenhagen	100	MDKK 212.0	100	MDKK 212.0
Rezidor Falconer Center A/S	Frederiksberg	100	MDKK 1.2	100	MDKK 1.2
Rezidor International Hotels Management A/S	Copenhagen	100	MDKK 2.0	100	MDKK 2.0
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 Russia A/S	Copenhagen	100	MEUR 0.7	100	MEUR 0.7
Rezidor Loyalty Management A/S	Copenhagen	100	MEUR 0.1	100	MEUR 0.1
Rezidor Cornerstone A/S	Copenhagen	100	MDKK 2.4	100	MDKK 2.4
Rezidor Hotel Management & Development A/S	Copenhagen	100	MDKK 2.5	100	MDKK 2.5
Rezidor Hospitality A/S	Copenhagen	100	MEUR 83.0	100	MEUR 83.0
Casino Denmark A/S	Copenhagen	50	MDKK 1.0	50	MDKK 1.0
Casino Copenhagen K/S	Copenhagen	50	MDKK 1.0	50	MDKK 1.0
Nordrus Hotels Holdings A/S	Copenhagen	26.08	MDKK 5.7	26.08	MDKK 5.7
Africa Joint Venture Holding A/S	Copenhagen	100	MDKK 0.5	100	MDKK 0.5
Afrinord Hotel Investments A/S	Copenhagen	20	MEUR 0.3	20	MEUR 0.3
Egypt					
Al Quesir Hotel Company S.A.E	Al Quesir City	20	MEGP 68	20	MEGP 68
France					
Rezidor Resort France S.A.S.	Nice	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hospitality France S.A.S.	Nice	100	MEUR 2.4	100	MEUR 2.4
Rezidor Hotels France S.A.S.	Nice	100	MEUR 2.5	100	MEUR 2.5
Royal Scandinavia Hotel Nice S.A.S.	Nice	100	MEUR 2.4	100	MEUR 2.4
Royal Scandinavia Hotel Marseille S.A.S.	Marseille	100	MEUR 0.0	100	MEUR 0.0
Rezidor Park France S.A.S.	Nice	100	MEUR 0.0	100	MEUR 0.0
Rezidor Lyon S.A.S.	Lyon	100	MEUR 0.0	100	MEUR 0.0
Rezidor Aix Les Bains S.A.S.	Aix Les Bains	100	MEUR 0.0	100	MEUR 0.0
Rezidor Park Nancy S.A.S.	Nancy	100	MEUR 0.0	100	MEUR 0.0
Rezidor Park Mâcon S.A.S.	Mâcon	100	MEUR 0.0	100	MEUR 0.0

Notes to the Group accounts

Cont. Note 43

	Registered in	As of Dec. 31, 2011		As of Dec. 31, 2010	
		Ownership %	Share capital	Ownership %	Share capital
Rezidor Park Lyon-Ouest S.A.S.	La Tour de Salvagny	100	MEUR 0.0	100	MEUR 0.0
Rezidor Park Arcachon S.A.S.	Arcachon	100	MEUR 0.0	100	MEUR 0.0
Rezidor Park Orange S.A.S.	Orange	100	MEUR 0.0	100	MEUR 0.0
Rezidor Les Loges S.A.S.	Aix Les Bains	100	MEUR 0.0	100	MEUR 0.0
SARL Régence Plage	Nice	100	MEUR 0.0	100	MEUR 0.0
Germany					
Rezidor Hotels Deutschland GmbH	Hamburg	100	MEUR 0.2	100	MEUR 0.2
Rezidor Hotel Dresden GmbH	Hamburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Rügen GmbH	Hamburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Hannover GmbH	Hamburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Hamburg Airport GmbH	Hamburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Köln GmbH	Hamburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Wiesbaden GmbH	Hamburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Berlin GmbH	Hamburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Karlsruhe GmbH	Hamburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Frankfurt am Main GmbH	Hamburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Frankfurt Airport GmbH	Frankfurt am Main	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Stuttgart GmbH	Stuttgart	100	MEUR 0.0	100	MEUR 0.0
Rezidor Shared Services Centre Deutschland GmbH	Duisburg	100	MEUR 0.8	100	MEUR 0.8
Park Inn München Frankfurter Ring GmbH	Munich	100	MEUR 0.0	100	MEUR 0.0
Park Inn München Ost GmbH	Munich	100	MEUR 0.0	100	MEUR 0.0
Rezidor Düsseldorf Media Harbour Hotel GmbH	Hamburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Park Deutschland GmbH	Duisburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Park Nürnberg GmbH	Nürnberg	100	MEUR 0.0	100	MEUR 0.0
Timmendorf mbH & Co Beteiligungs KG	Timmendorfer Strand	18.67	MEUR 0.3	18.67	MEUR 0.3
Mongolia Nord GmbH	Frankfurt	14.28	MEUR 0.0	—	—
Italy					
Rezidor Hotel Milan S.r.l.	Milan	100	MEUR 0.0	100	MEUR 0.0
Kuwait					
First Hotels Company KSCC	Safat	1.82	MKWD 40.0	1.82	MKWD 40.0
Latvia					
Rezidor Baltics SIA	Riga	100	MLVL 0.0	100	MLVL 0.0
Mongolia					
Munkh-Evseg LLC	Ulaanbaatar	14.28	MEUR 11.1	—	—
Netherlands					
Rezidor Hotel Amsterdam B.V.	Amsterdam	100	MEUR 0.0	100	MEUR 0.0
Norway					
Rezidor Hospitality Norway AS	Oslo	100	MNOK 102.0	100	MNOK 102.0
Rezidor Hotels Norway AS	Oslo	100	MNOK 11.0	100	MNOK 11.0
Rezidor Shared Service Center AS	Oslo	100	MNOK 0.1	100	MNOK 0.1
Rezidor Park Norway AS	Oslo	100	MNOK 0.1	100	MNOK 0.1
South Africa					
Rezidor Hotel Group Southern Africa Ltd	Cape Town	74	MZAR 0.0	74	MZAR 0.0
RHW Management Southern Africa (Pty) Ltd	Cape Town	74	MZAR 0.0	74	MZAR 0.0
Spain					
Rezidor Hotel Madrid S.L.U	Madrid	100	MEUR 0.0	100	MEUR 0.0
Sweden					
Rezidor Hotel Holdings AB	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
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
Switzerland					
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
Turkey					
Maçka Otelcilik Anonim Sirketi (dormant)	Istanbul	56.33	MTL 0.1	56.33	MTL 0.1
United Kingdom					
Rezidor Hotels UK Ltd.	Manchester	100	MGBP 32.2	100	MGBP 32.2
Rezidor Hotel Manchester Ltd.	Manchester	100	MGBP 0.0	100	MGBP 0.0
Rezidor Hotel Leeds Ltd.	Manchester	100	MGBP 0.0	100	MGBP 0.0
Rezidor Hotel Edinburgh Ltd.	Manchester	100	MGBP 0.0	100	MGBP 0.0
Rezidor Hotel Stansted Airport Ltd.	Manchester	100	MGBP 0.0	100	MGBP 0.0
Rezidor Lifestyle Glasgow Ltd. (dormant)	Manchester	100	MGBP 0.0	100	MGBP 0.0
Rezidor Hotel Management Ltd.	Manchester	—	—	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

PARENT COMPANY, STATEMENT OF OPERATIONS

TEUR	Notes	For the Year Ended December 31	
		2011	2010
Revenue	2	2,996	3,318
Personnel cost	3	-1,820	-3,391
Other operating expenses	4,5	-14,509	-13,981
Operating loss before depreciation and amortisation		-13,333	-14,054
Depreciation and amortisation expense	8, 9	-119	-120
Operating loss		-13,452	-14,174
Financial income	6	40,658	4,101
Financial expense	6	-900	-4,286
Profit/loss before tax		26,306	-14,359
Income tax	7	1,067	4,625
Profit/loss for the period		27,373	-9,734
PARENT COMPANY, STATEMENT OF COMPREHENSIVE INCOME			
Profit/loss for the period		27,373	-9,734
Other comprehensive income		27,373	-9,734
Total comprehensive income for the period		27,373	-9,734

As mentioned in note 2 to the Group accounts, group contribution received by the Parent Company is as from 2011 recognised as financial income in the income statement (previously recognised directly in equity). The comparative numbers have been updated accordingly.

PARENT COMPANY, BALANCE SHEET STATEMENTS

		As of December 31	
TEUR	Notes	2011	2010
ASSETS			
Fixed assets			
Other intangible assets	8, 10	173	—
Machinery and equipment	9	128	155
Investments in progress	10	—	33
Shares in subsidiaries	11	234,433	233,238
Deferred tax asset	7	8,429	7,362
		243,163	240,788
Current assets			
Inventories		—	1
Accounts receivable		16	3
Receivables group companies	12	11,052	4,469
Income tax receivable		37	179
Other receivables		10	30
Prepaid expenses and accrued income	13	249	286
Cash and cash equivalents		—	1
		11,364	4,969
Total assets		254,527	245,757
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		-27,904	-19,365
Net profit/loss for the year		27,373	-9,734
		196,766	168,198
Total equity		206,766	178,198
Liabilities			
Current liabilities			
Accounts payable		79	123
Liabilities group companies	14	46,399	65,622
Accrued expenses and prepaid income	16	1,150	1,600
Other liabilities		133	214
		47,761	67,559
Total liabilities		47,761	67,559
Total equity and liabilities		254,527	245,757
Contingent liabilities		None	None
Pledged assets		None	None

PARENT COMPANY, STATEMENT OF CHANGES IN EQUITY

TEUR	Share capital	Share premium reserve	Retained earnings	Net loss for the year	Total Equity
Equity as of Dec. 31, 2009	10,000	197,297	-12,199	-8,043	187,055
Allocation of last year's result	—	—	-8,043	8,043	—
Long term incentive plan	—	—	877	—	877
Net loss for the period	—	—	—	-9,734	-9,734
Equity as of Dec. 31, 2010	10,000	197,297	-19,365	-9,734	178,198
Allocation of last year's result	—	—	-9,734	9,734	—
Long term incentive plan	—	—	1,195	—	1,195
Net loss for the period	—	—	—	27,373	27,373
Equity as of Dec. 31, 2011	10,000	197,297	-27,904	27,373	206,766

For information on share capital, please see note 32 of the consolidated financial statements. As mentioned in note 2 to the Group accounts, group contribution received by the Parent Company is as from 2011 recognised as financial income in the income statement (previously recognised directly in equity). The comparative numbers have been updated accordingly.

PARENT COMPANY, STATEMENT OF CASH FLOW

TEUR	Notes	For the Year Ended December 31	
		2011	2010
OPERATIONS			
Loss Before Interest and Taxes		-13,452	-14,173
<i>Adjustments for non cash items:</i>			
Depreciation and amortisation	8, 9	119	120
Dividend received	6	29,667	—
Interest paid/ received	6	-567	-340
Other financial items	6	-333	-3,947
Tax received		142	945
Cash flows from operations before change in working capital		15,576	-17,395
Change in:			
Inventories		1	—
Current receivables		4,452	-1,344
Current liabilities		2,457	2,277
Change in working capital		6,910	933
Cash flow from operating activities		22,486	-16,462
INVESTMENTS			
Purchase of machinery and equipment	9	-233	-53
Cash flow from investing activities		-233	-53
FINANCING			
Change in interest bearing liabilities and cash pool accounts		-22,254	16,515
Cash flow from financing activities		-22,254	16,515
Cash flow for the year		-1	0
Cash and cash equivalents, January 1		1	1
Cash and cash equivalents, December 31		0	1

Notes to the Parent Company

Note 1	General Information
Note 2	Revenue Distribution
Note 3	Personnel
Note 4	Other Operating Expenses
Note 5	Auditors' Fees
Note 6	Financial Income and Expenses
Note 7	Tax
Note 8	Intangible Assets
Note 9	Tangible Fixed Assets
Note 10	Investment in progress
Note 11	Shares in Subsidiaries
Note 12	Receivables Group Companies
Note 13	Prepaid expenses and accrued income
Note 14	Liabilities Group Companies
Note 15	Credit Facilities
Note 16	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

TEUR	For the Year Ended Dec. 31	
	2011	2010
External revenue	76	89
Revenue from group companies	2,920	3,229
Total Revenue	2,996	3,318

Note 3 PERSONNEL

Payroll cost TEUR	For the Year Ended Dec. 31	
	2011	2010
Salaries	1,392	1,761
Social security	128	1,343
Pension costs	175	211
Other personnel costs (other benefits in kind)	125	76
Total	1,820	3,391

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 107 (TEUR 97) (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 359 (TEUR 357). 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 2011 was 21 (32).

Average number of employees

	As of Dec. 31			
	2011		2010	
	Men	Women	Men	Women
Sweden	7	14	9	23

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

Note 4 OTHER OPERATING EXPENSES

TEUR	For the Year Ended Dec. 31	
	2011	2010
External service fees	1,163	1,184
Other external expenses	2,158	848
Expenses from group companies	10,850	11,716
Rent	338	233
Total	14,509	13,981

Note 5 AUDITOR'S FEES

TEUR	For the Year Ended Dec. 31	
	2011	2010
Deloitte		
Audit assignments	352	265
Other audit assignments	18	52
Other assignments	9	3
Total Deloitte	379	320

Other audit firms

Tax assignments	268	61
Other assignments	—	—
Total other audit firms	268	61
Grand total	647	381

Note 6 FINANCIAL INCOME AND EXPENSES

TEUR	For the Year Ended Dec. 31	
	2011	2010
Group contribution	10,991	4,101
Dividend received	29,667	—
Financial income	40,658	4,101
Interest expenses to group companies	—567	—340
Foregin currency exchange losses	—331	—3,941
Other financial expenses	—2	—5
Financial expense	—900	—4,286
Financial income and expenses, net	39,758	—185

Note 7 TAX

TEUR	For the Year Ended Dec. 31	
	2011	2010
Deferred income tax	1,067	5,706
Recorded tax	1,067	5,706

Reconciliation of effective tax

TEUR	2011	%	2010	%
Profit/loss before tax	26,306		—18,460	
Tax at the domestic income tax rate of 26.3%	—6,918	26.3	4,855	26.3
Exchange difference on tax losses denominated in SEK	69		1,008	
Tax effect of revenue that is exempt from taxation	7,916		—	
Tax effect of expenses that are not deductible in determining taxable income	—		—157	
Recorded tax	1,067	4.1	5,706	30.9

Deferred tax in the balance sheet

Attributable to tax losses carried forward	8,429	7,362
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Note 8 INTANGIBLE ASSETS

TEUR	As of Dec. 31	
	2011	2010
Balance as of Jan. 1	—	—
Investments	143	—
Reclassification	33	—
Balance as of Dec. 31	176	—
Accumulated depreciations and impairment		
Balance as of Jan. 1	—	—
Depreciations expense	–3	—
Closing accumulated depreciation	–3	—
Balance as of Dec. 31	173	—

Note 9 TANGIBLE FIXED ASSETS

TEUR	As of Dec. 31	
	2011	2010
Balance as of Jan. 1	527	509
Investments	90	20
Disposals	–55	–2
Balance as of Dec. 31	562	527
Accumulated depreciations and impairment		
Balance as of Jan. 1	–372	–255
Depreciations expense	–116	–120
Disposals	54	3
Closing accumulated depreciation	–434	–372
Balance as of Dec. 31	128	155

Note 10 INVESTMENT IN PROGRESS

TEUR	As of Dec. 31	
	2011	2010
Acquisition value as of Jan. 1	33	—
Investments	—	33
Reclassification	–33	—
Balance as of Dec. 31	0	33

Note 11 SHARES IN SUBSIDIARIES

TEUR	As of Dec. 31	
	2011	2010
Opening book value	233,238	232,361
Investments in subsidiaries (Rezidor Hotel Holdings AB)	1,195	877
Closing book value	234,433	233,238

The increase in the book value in 2011 and 2010 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	234,433

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

Note 12 RECEIVABLES GROUP COMPANIES

TEUR	As of Dec. 31	
	2011	2010
Receivables group companies, cash pool	—	—
Other	11,052	4,469
Total	11,052	4,469

Note 13 PREPAID EXPENSES AND ACCRUED INCOME

TEUR	As of Dec. 31	
	2011	2010
Prepaid rent	72	53
Other	177	233
Total	249	286

Note 14 LIABILITIES GROUP COMPANIES

TEUR	As of Dec. 31	
	2011	2010
Liabilities group companies, cash pool	41,501	63,242
Interest-bearing liabilities to group companies	—	—
Other	4,898	2,380
Total	46,399	65,622

Note 15 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 16 ACCRUED EXPENSES

TEUR	As of Dec. 31	
	2011	2010
Vacation pay including social costs	263	279
Salaries and remuneration	257	604
Other accrued expenses	630	717
Total	1,150	1,600

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 pre-

pared 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 23 March 2012

Hubert Joly
Chairman of the Board

Anders Moberg
Board Member

Emil Bäckström
Employee Representative

Elizabeth Bastoni
Board Member

Wendy Nelson
Board Member

Göran Larsson
Employee Representative

Staffan Bohman
Board Member

Trudy Rautio
Board Member

Kurt Ritter
President and CEO

Göte Dahlin
Board Member

Barry Wilson
Board Member

Our audit report was submitted on
23 March 2012
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

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Rezidor Hotel Group AB (publ) for the financial year 1 January - 31 December 2011. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 8-56.

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

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit proce-

dures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

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

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2011 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act, and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2011 and of their financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Rezidor Hotel Group AB (publ) for the financial year 1 January-31 December 2011.

Responsibilities of the Board of Directors and the Managing Director

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

Auditor's responsibility

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

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

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

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

Opinions

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

Stockholm, March 23, 2012
Deloitte AB

Thomas Strömberg
Authorized Public Accountant

Corporate Governance Report

Corporate governance practices refer to the decision-making systems through which owners, directly or indirectly, control a company. Good corporate governance rests on three pillars – active owners, an involved and well constructed Board and efficient operating processes. This requires an organisation that has a clear division of responsibility, effective internal controls and an expressed risk management process. Good corporate governance creates value by ensuring an effective decision making process that is in line with the company's strategy and steers the company toward established business goals.

Rezidor is incorporated under the laws of Sweden with a public listing at NASDAQ OMX Stockholm since November 28, 2006. Reflecting this, the corporate governance of Rezidor Hotel Group AB ("Rezidor") is based on Swedish legislation and regulations, primarily the Swedish Companies Act and the Swedish Annual Accounts Act, but also the Listing Agreement with the Stockholm Stock Exchange, the Swedish Code of Corporate Governance, the Articles of Association and other relevant rules. This Corporate Governance Report for the 2011 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. On behalf of Rezidor's shareholders, the Board is responsible for the organisation and the management of the Company. It is headed by Hubert Joly, 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 resource for the Board's committees to verify the effectiveness of internal controls. The Board appoints the CEO, who is charged with carrying out the day-to-day management of the Company in accordance with the directions of the Board. The CEO is responsible for leading the work conducted by the Executive Committee. The CEO's administration of the Company, as well as the annual report is audited by Rezidor's auditor. The picture below illustrates how governance is organised at Rezidor.

Ownership structure

At year-end 2011, Rezidor had 3,684 shareholders according to the register of shareholders maintained by Euroclear Sweden AB. Institutional owners dominate the ownership structure. The nine largest shareholders owned shares corresponding to 83.6% of the votes and capital. Carlson, a privately held hospitality and travel company, represents the largest single shareholder and hold 50.03% of the total number of registered shares. Rezidor's share capital amounted to EUR 10,000,000, distributed among 150,002,040

READ MORE ON OUR WEBSITE

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

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

shares. The number of shares outstanding after deducting the number of shares owned by Rezidor was 146,320,902 at year end 2011. Each share entitles the holder to one vote and all shares carry equal rights to participate in the company's profits and assets.

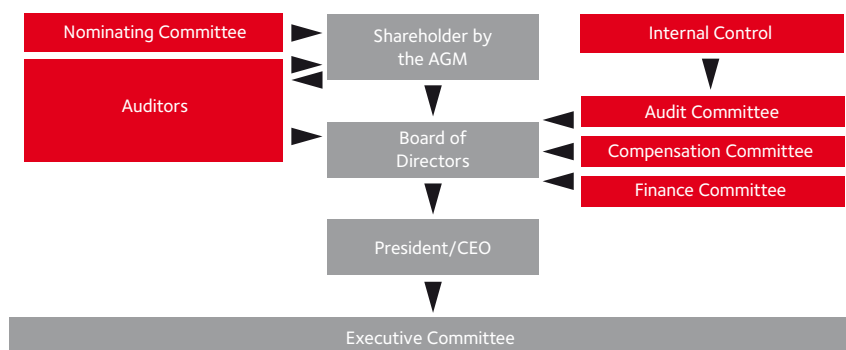
Annual General Meeting

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 AGM and vote for their total share holdings. Shareholders who cannot participate in person may be represented by proxy.

The AGM is held in Swedish. Due to Rezidor's international ownership and in order to allow non-Swedish speaking shareholders to participate, the meeting is simultaneously interpreted to English and all of the information materials for the meeting are also available in English. Decisions at the AGM usually require a simple majority vote. However, for certain items of business taken up at the AGM, the Swedish Companies Act requires that a proposal is approved by a higher percentage of the shares and votes represented at the AGM.

The AGM is informed about Rezidor's development over the past fiscal year and decides on a number of central issues, such as changes to Rezidor's Articles of Association,

Corporate governance at Rezidor



the election of auditor, discharging the members of the Board of Directors from liability for the fiscal year, remuneration of the Board of Directors, fees to the auditors, decisions on the number of Board members, election of the members of the Board of Directors for the period up to the close of the next AGM and decision on any dividends.

Annual General Meeting 2011

Rezidor's AGM in 2011 was held at Stockholm Waterfront Congress Centre on April 13. The AGM was attended by 129 shareholders, personally or by proxy, representing 76.32% of the total number of shares and votes of the Company. The persons proposed for re-election and new election to the Board attended the AGM, as well as the two employee Board representatives. Also present were the CEO, key executives, Rezidor's auditor as well as the members of the Nominating Committee. All documents required for the 2011 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 2010 and that the distributable funds are brought forward.
- The following members were re-elected: Hubert Joly (also elected as Chairman), Göte Dahlin, Wendy Nelson, Trudy Rautio and Barry W Wilson. Elizabeth Bastoni, Staffan Bohman and Anders Moberg were elected as new members of the Board of Directors.
- It was decided that the total remuneration to the Board of Directors elected at the AGM would amount to 367,000 EUR, to be allocated as shown in the table on page 62.

- A partly revised long-term, performance-based incentive programme for 2011 was adopted
- The Board of Directors received authorisation until the AGM 2012 to decide on acquisitions of a certain portion of the Company's shares.

Annual General Meeting 2012

The 2012 AGM will take place on April 25, 2012 at the Radisson Blu Strand Hotel, Nybrokajen 9 in Stockholm. Shareholders who wish to participate must be recorded in the shareholders' register maintained by Euroclear Sweden AB, on April 19, 2012 and also notify Rezidor of their intention to attend no later than by 16.00 p.m. CEST on April 19, 2012.

Nominating Committee

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

Members

In accordance with the decision made by the 2011 AGM, the Nominating Committee for the

AGM on April 25, 2012 has been established. Based on the list of shareholders per August 31, 2011 the Chairman of the Board of Directors, Hubert Joly, 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 24, 2011.

The Nominating Committee had one meeting in 2011, attended by all members, and during which minutes were taken. The Nominating Committee's proposals will be presented in the notice of the AGM and on Rezidor's website. The members of the Nominating Committee did not receive any compensation for their work in the committee.

Board of Directors

Under the Swedish Companies Act, the Board of Directors shall be elected by the shareholders and is ultimately responsible for the organisation and the management of the company. The Articles of Association provide that the Board of Directors shall consist of not less than three – and not more than fifteen – members. Further, under the Swedish Companies Act, the CEO and at least half of the members of the Board of Directors of a company must be residents of a country within the European Economic Area, unless the Swedish Companies Registration Office grants an exemption from this requirement. In order to fulfil the residency requirements Rezidor was granted an exemption on March 8, 2011 for Barry W Wilson to be reelected as a member of the Board.

Each year, the Board of Directors specifies its way of working in written Rules of Procedure clarifying the Board's responsibilities. The Rules of Procedure regulate the internal division of duties between the Board and its committees, including the role of the Chairman, the Board's decision-making procedures, its meeting schedule, procedures governing the convening, agenda and minutes of meetings, as well as the Board's evaluation on accounting, auditing matters and financial reporting. In addition, the Board of Directors has established separate written work plans for the Audit Committee, the Compensation Committee and the Finance Committee.

The Rules of Procedure also governs how the Board will receive information and

The 2012 Nominating Committee

Member	Representing	Number of shares August 31, 2011	Share of votes August 31, 2011 (based on number of registered shares)
William Van Brunt, Chairman	Carlson	75,044,733	50.03%
Peter van Berlekom	Nordea Investment Funds	16,292,000	10.86%
Jan Andersson	Swedbank Robur Fonder AB	10,018,508	6.68%

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 oper-

ations and planning managerial succession.

Apart from the activities of the Audit, Compensation and Finance Committees, there has been no allocation of work among the directors.

The Board shall be assisted by a Secretary, who is not a member of the Board. The General Counsel of Rezidor, Marianne Ruhngård, was the Secretary at all Board meetings and all committee meetings during 2011.

The Chairman of the Board

At the 2011 AGM Hubert Joly was elected as the Chairman of the Board of Directors.

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 accor-

dance 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 Executive Committee.

Members of the Board of Directors

Pursuant to the Articles of Association, the Board of Directors shall be elected at the AGM and serve for a term expiring at the next AGM. The members of the Board of Directors may be removed from office through a resolution of shareholders, and vacancies on the Board may likewise only be filled by a resolution of shareholders. At present, the Board of Directors is composed of eight directors elected by the shareholders at the AGM, including the Chairman, and two employee representatives elected by the Swedish labour organisation "Hotell- och Restaurang Facket". The directors biographies can be found on page 66 in the Annual Report.

Board committees' work 2011

	Audit Committee	Compensation Committee	Finance Committee
Members	Staffan Bohman, Chairman Göte Dahlin Trudy Rautio	Elizabeth Bastoni, Chairman Anders Moberg Barry W Wilson	Trudy Rautio, Chairman Barry W Wilson Wendy Nelson
Number of meetings	8	4	7
Work in 2011	<ul style="list-style-type: none"> • reviewing of financial reports • reviewing of auditor's observations from audit work and audit guidelines • reviewing of the company's risk situation, review of irregularities and whistle blowing cases • reviewing of internal control results and approval of internal control plan for 2012 • evaluating adequacy of safety & security function and internal control • evaluating of auditor's work and decision about thresholds to be applied for non-audit work by auditors 	<ul style="list-style-type: none"> • developing of a long term share based incentive program • evaluating the Management Incentive Compensation (MIC) for 2010 and achievement of strategic objectives for the executive committee • developing of a MIC plan for 2011 and target setting • assessing the capabilities of the executive committee members • reviewing and approving 2011 compensation for executive committee members and recommending CEO compensation for Board approval • reviewing and approving strategic objectives for 2011 for the executive committee members 	<ul style="list-style-type: none"> • reviewing hotel projects against defined criteria and evaluating post implementation reports of approved hotel projects • monitoring of the company's liquidity situation and credit facilities • evaluating and review of Finance Policy, including project policy • reviewing of the company's tax situation • reviewing and assessment of financial targets • evaluating insurance coverages and risk management issues

Work of the Board in 2011

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 2011, 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 2012 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 2011, the Board has been working in accordance with the adopted Rules of Procedure. The main activities during 2011 were as follows:

- adopting a budget for 2012 and a business plan for 2012–2015 and approving amendments to the finance policy
- discussing and approving of certain hotel projects and investments 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 by Radisson brand and monitoring progress of activities
- approving of a strategic partnership with Carlson Hotels under the joint name Carlson Rezidor Hotel Group
- designing and implementing a share related, long-term incentive programme for key management
- evaluating internal controls
- evaluating activities in relation to defined focus hotels

The Board liaises with the auditors regarding plans for the audit procedure and reviews what measures to take based on the auditors' reporting. Major business areas 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 9 March 2011 relating to the AGM 2011 and the Swedish Code of Corporate Governance, the following assessment is made regarding the independency of the members of the Board. Göte Dahlin, Barry W. Wilson, Staffan Bohman and Anders Moberg are independent Directors in relation to the Company and the Management as well as in relation to major shareholders. Hubert Joly, Trudy Rautio, Elizabeth Bastoni and Wendy Nelson are independent Directors in relation to the Company and the Management but are not independent in relation to major shareholders, as they are related to Carlson.

Employee Board representatives

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

Evaluation of the Board

Pursuant to the rules of procedure, and in accordance with the requirements of the Swedish Code of Corporate Governance, the Chairman of the Board initiates an annual evaluation of the performance of the Board. The 2011 Board evaluation consisted of an anonymous questionnaire that was answered by each Board member. The questionnaire was divided into a number of sections covering topics such as the atmosphere of cooperation within the Board, its range of expertise and the methods the Board utilised to carry out its tasks as well as a section which addresses the role of the Chairman. The results of the 2011 evaluation have also been compared with the results from previous Board evaluations so as to identify if any area deviates from results from previous years. The objective of the evaluation is to provide insight into the Board members' opinions about the performance of the Board and the role of the Chairman and identify measures that could make the work of

the Board more effective. A secondary objective is to form an overview of the areas the Board believes should be afforded greater scope and where additional expertise might be needed within the Board. The Chairman of the Board has presented the results of the evaluation to the Board as well as to the Nominating Committee.

Board Committees

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

Remuneration of the Board

The amount of remuneration granted to the Board of Directors, including the Chairman, is determined by a resolution at the AGM. Compensation for the work of the members of the Board of Directors elected by the shareholders was taken by a resolution by the shareholders at the 2011 AGM. The members of the Board are not entitled to any benefits upon ceasing to serve as a member of the Board. The Board members' attendance and also the annual fees to the Chairman and the other Board members for the Board and Committee work are shown in the table on page 62.

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 2011 consisted of nine persons (including the CEO).

Remuneration of the members of the Executive Committee

The remuneration granted to the CEO and the other members of the Executive Committee consists of a mix of a fixed remuneration, an annual variable remuneration based on the outcome of financial and individual performance objectives, a long term share-based incentive programme, a pension and other benefits. The general components and more details can be found in the guidelines for remuneration of key executives which were approved by the 2011 AGM.

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

Remuneration of the Executive Committee ¹⁾

TEUR	Base salaries	Variable salaries	Post employment compensation	Pension	Housing and company car	Total
Kurt Ritter (CEO)	1,432	555	2,171	395	223	4,776
The Executive Committee (incl. CEO)	6,051	1,072	2,171	653	575	10,522

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

Share-related Incentive Programmes

The Annual General Meetings in 2009, 2010 and 2011 approved proposals for a long-term share related performance-based incentive programme ("performance based share programmes") to be offered to executives within Rezidor. All three programmes run for a three year period. The objectives of the performance based share programmes are to offer a competitive remuneration package that helps align executives with shareholder interests; the proportion of remuneration linked to company performance increases and that it encourages executive share ownership. In order to implement the performance based share programmes in a cost efficient and flexible manner, the Board of Directors was authorised by the AGMs to decide on acquisitions or sale of its own shares on the NASDAQ OMX Stockholm 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 Rezidor's financial statements being prepared in compliance with legislation, applicable accounting standards and other requirements for listed companies.

The CEO and the CFO review and assure the quality of all financial reporting including financial statements, interim reports and the

Attendance record and Board remuneration in 2011

	Attendance record				Fees				Total
	Board	Audit Committee	Compensation Committee	Finance Committee	Board	Audit Committee	Compensation Committee	Finance Committee	
Hubert Joly	100%	n/a	n/a	n/a	65,000	n/a	n/a	n/a	65,000
Elizabeth Bastoni	86%	n/a	100%	n/a	36,000	n/a	6,000	n/a	42,000
Staffan Bohman	100%	100%	n/a	n/a	36,000	9,000	n/a	n/a	45,000
Göte Dahlin	80%	100%	n/a	n/a	36,000	6,500	n/a	n/a	42,500
Anders Moberg	100%	n/a	100%	n/a	36,000	n/a	4,000	n/a	40,000
Wendy Nelson	100%	n/a	n/a	100%	36,000	n/a	n/a	4,000	40,000
Trudy Rautio	100%	100%	n/a	100%	36,000	6,500	n/a	6,000	48,500
Barry W. Wilson	100%	n/a	100%	71%	36,000	n/a	4,000	4,000	44,000
Göran Larsson	100%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Emil Bäckström	100%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total					317,000	22,000	14,000	14,000	367,000

annual financial statements, press releases with financial content and presentation material issued to the media, owners and financial institutions.

With respect to the communication with the auditors, the auditors are present at the Board meeting where Rezidor's year-end Financial Report is approved.

Auditors

Auditors in Swedish limited companies are elected by the AGM and tasked with auditing the company's financial reporting and administration of the company by the board and the CEO. At the 2009 AGM 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 Atlas Copco, Mekonomen and Karolinska Development.

The auditors follow an audit plan that incorporates the comments and concerns of the audit committee, and report their observations to the audit committee during the course of the audit and to the Board in conjunction with the establishment of the 2011 Annual Report. The auditor attended five out of eight meetings of the Audit Committee during the year. On one occasion the Board met with Rezidor's auditor without the CEO or anyone else from the Management present. Deloitte submits an audit report regarding Rezidor Hotel Group AB, the Group and an overwhelming majority of subsidiaries. During 2011, the auditors have had consulting assignments outside the audit, mainly concerning issues related to the interpretation of IFRS, questions regarding internal control and IT-related areas; none of which impact the auditors independence.

The auditors receive a fee based on approved invoiced amounts for their work in accordance with a decision of the AGM. For information about the auditors' fee in 2011, 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 2011. 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 2011 and 2012 has been approved by the Board. The process is managed from the Rezidor corporate office in Brussels. The process includes internal audit training as well as preparation and distribution of accounting and control policies and procedures.

This report supplements the Annual Report. It has been audited by the Rezidor's auditors. The Internal control over financial reporting is described below in five components that jointly form the basis for Rezidor's control structure.

Control Environment

The control environment forms the basis of internal control. The control environment includes the culture that the company communicates and operates from in a number of areas. Rezidor's values include reliability and 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 Manager must certify that he/she is not engaged in any conflict of interest. The whistleblower procedure, which was implemented in 2008, gives the employees the possibility to report on issues related to the Code of Business Ethics.

Rezidor's Board of Directors has appointed an Audit Committee with the objective of 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 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 background checks.

Risk Assessment

Company management performs an annual risk assessment with regard to financial reporting. The external auditors provide feedback and may suggest additional considerations for the 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, inventories and equipment, receivables, bank relations and processes, legal requirements regarding operational licensing and insurance. The internal audit of these processes includes, as applicable, segregation of duties, authorisation for payment, contract handling, cost control, registration of revenues and follow-up routines. The annual plan for internal audit is developed based on 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 fraud mitigation program and controls, and these procedures are known throughout the company.

The specific internal audits of hotels, regional offices and corporate office are pri-

marily 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 audits on a three year rotating basis in order to verify the information. A number of hotels are also visited on a surprise basis in order to follow up on implementation of the recommendations from the internal audit teams. In depth audits in target areas such as Treasury, Financial Reporting, Purchasing, Process for payment of Travel Agent Commissions and Contracts and Contract Management for Outsourced Services are also carried out in selected hotels.

Information and communication

Employees' individual responsibilities for maintaining internal control have been clearly communicated 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 operational and financial information on a monthly basis to the Executive Committee. Management receives the operational and financial information they require, and the company has procedures for adapting to changing information needs as the competitive and/or regulatory environment evolves. The information systems are regularly evaluated, and the company has established strategic plans related to future upgrades and information system needs.

The results from the internal audits are communicated throughout the organisation in order to benchmark and improve internal

control procedures. The yearly audit plans and results of the audits are submitted periodically to the Executive Committee of the Group and to the Audit Committee.

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

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

A system, with the support of an external company, 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 three years.

Monitoring

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

A group including Executive Committee members, Area Vice Presidents and the Internal Audit Team meets on a regular basis to review and follow up on the results from the various internal audits carried out. These reviews include the results from specific internal audits of the financial reporting from corporate and regional offices as well as from leased hotels.

The Executive Committee and the Board monitor Rezidor's operations and financial reporting on a regular basis. The Audit Committee and the Board review reports from external auditors, internal audits and other internal control activities. The company – as well as the individual hotels, regional offices and corporate office – follow up in relation to such recommendations and/or action plans.

Auditor's Report on the Corporate Governance Report

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

It is the Board of Directors who is responsible for the corporate governance report for the year 2011 included in the printed version of this document on pages 58–64, and that it has been prepared in accordance with the Annual Accounts Act.

We have read the corporate governance report and based on that reading and our

knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the corporate governance report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

In our opinion, the corporate governance report has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Stockholm, March 23, 2012

Deloitte AB

Thomas Strömberg
Authorized Public Accountant

The Board of Directors

HUBERT JOLY

Chairman since 2011 (board member 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.

ELIZABETH BASTONI

Board member since 2011

Nationality: American

Born: 1965

Education: Bachelor of Arts degree from Providence College in Rhode Island and French Civilization Studies at the Sorbonne University in Paris.
Shares: 0

Elizabeth Bastoni is Executive Vice President Human Resources of Carlson Inc since February 2011. She previously served as Head of Global Compensation, Benefits and Mobility for The Coca-Cola Company in Atlanta, GA, USA from 2005 to 2010 and before that she worked at Thales in Paris, France as VP Professional Development, Remuneration and Benefits from 2000 to 2005.

STAFFAN BOHMAN

Board member since 2011

Nationality: Swedish

Born: 1949

Education: M.Sc. in Economics and Business Administration, Stockholm School of Economics and Stanford Graduate School of Business, USA.
Shares: 20,000

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

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 TB Holding AB and Svensk Inredning Viking AB. His previous experience has seen him act as a board member for Veidekke ASA, Faberge AB, AP Fastigheter AB, Merita Fastigheter Oy, Avantor ASA and Oslo Areal ASA. Up until his retirement in 2001, he was CEO of the real estate holding company, Nordisk Renting AB that owned a property portfolio valued at approximately SEK 20 billion and which included, amongst others, 12 Radisson Blu Hotels.

ANDERS MOBERG

Board member since 2011

Nationality: Swedish

Born: 1950

Shares: 0

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

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.

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 2011

Urban Jansson (born 1945) was elected as Chairman of the Board in 2006 and resigned in conjunction with the 2011 AGM.

Benny Zakrisson (born 1959) was elected as member of the Board in 2005 and resigned in conjunction with the 2011 AGM.



HUBERT JOLY



ELIZABETH BASTONI



STAFFAN BOHMAN



GÖTE DAHLIN



ANDERS MOBERG



WENDY NELSON



TRUDY RAUTIO



BARRY W WILSON



EMIL BÄCKSTRÖM



GÖRAN LARSSON

The Executive Committee

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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 Kuwait, Singapore, Vienna and Oslo. 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 1995 and took the company multi-brand in 2002. 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. He received several Lifetime Achievement Awards, and holds two honorary doctorates.

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

Executive 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.

MICHAEL FARRELL

Senior Vice President Human Resources

Nationality: British

Born: 1956

Year of Appointment & Employment: 2011

Education: University College Dublin and is also a graduate in Business Administration from the VWA Johann Wolfgang Goethe University in Frankfurt. Shares: 0

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

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.

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 2011 as Senior Vice President Park Inn by Radisson and now leads the development and management of Rezidor's fast growing midmarket brand. 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.

WOLFGANG M NEUMANN

Executive Vice President & Chief Operating Officer

Nationality: Austrian

Born: 1962

Year of Appointment: 2011

Year of Employment: 2011

Education: Insead Management School (France), Cornell University (USA) and at the Hotel & Tourism Management Institute Klessheim (Austria).

Shares: 0

Wolfgang M. Neumann joined Rezidor in 2011 as the Executive Vice President & Chief Operating Officer. Prior to Rezidor served as the Chief Executive Officer for Arabella Hospitality Group in Munich, Germany and he has spent more than 20 years with Hilton International.

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 Maastricht, The Netherlands

Shares: 4,914

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. 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.



KURT RITTER



KNUT KLEIVEN



PUNEET CHHATWAL



MICHAEL FARRELL



OLIVIER JACQUIN



ERIC DE NEEF



WOLFGANG M. NEUMANN



MARIANNE RUHNGÅRD



EUGÈNE STAAL

Responsible Business Review

In 2011 Rezidor was again named as one of the World's Most Ethical Companies. The Rezidor Group strongly believes in Responsible Business and operates in a way that is respectful of human rights, socially equitable and environmentally sustainable.

Responsible Business has a long tradition at Rezidor. Our first environmental policy dates back to 1989. We were one of the first international hotel groups to develop our own company-wide Responsible Business program. Since 2009, Rezidor has been a member of the United Nations' Global Compact. Today, we have a comprehensive, award-winning and industry leading Responsible Business practice which is based on three main pillars:

Pillar 1

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

Pillar 2

Social and ethical issues in the company and the community

Pillar 3

Reducing our impact on the environment

1. Taking responsibility for the health and safety of our guests and employees
2. Respect for social and ethical issues in the company and community
3. Reducing our impact on the environment.

Business program. It also shows how Rezidor aligns its reporting criteria with the Global Reporting Initiative (GRI) and the United Nations Global Compact.

Responsible Business Governance

Rezidor is a rapidly growing company which operates 325 hotels in 65 countries under various contract types. As such, we recognize the need for a solid Responsible Business governance structure in order to ensure the effective implementation and follow-up of the Rezidor Responsible Business Program in all hotels and at all levels of management (see below).

At the operational level, our hotels and General Managers are provided with several tools which enable them to manage their social and environmental responsibilities and achieve the set objectives. Each hotel creates its own personalized Responsible Business Action Plan based on the corporate objectives. Hotel Responsible Business Teams are guided by the Responsible Business Manual; a continuously updated intranet that contains information about policies, reporting requirements, best practice examples, certification and awards, and other useful resources. The intranet also contains our Safety and Security self-audited risk management tool, TRIC=S.

About Our Responsible Business Report

Rezidor's Responsible Business Report describes the most relevant sustainability aspects of our operations to the company's key stakeholders: shareholders; customers; employees; property owners; suppliers; authorities; environmental groups; and the communities in which we operate. Together with our financial accounts, our Responsible Business Report (available at www.responsiblebusiness.rezidor.com) enables these stakeholders to value, assess and understand the operations of Rezidor.

In addition to some of the fundamental issues addressed in the Responsible Business pages of our Annual Report, the full Responsible Business Report takes a closer look at our social and environmental performance. The Responsible Business Report is structured around the three pillars of the Responsible

Rezidor's Responsible Business Organisation and Governance

Head Office	CEO and Executive Committee	Responsible Business reports directly to the CEO of Rezidor. The Executive Committee is frequently updated on strategies, plans and progress.
	Responsible Business Department	Sets the Responsible Business strategy and follow-up, and ensures cross-departmental cooperation.
Regions	Regional Responsible Business Coordinators	There are a total of 19 Regional Responsible Business Coordinators who set regional targets in line with Group strategy. They also follow-up on progress. Area Vice Presidents are closely involved.
Hotels	Responsible Business Coordinators	Each hotel has a Responsible Business Coordinator who works closely with the Hotel's General Manager. The Coordinator defines and implements Responsible Business action plans in line with both regional and Group priorities.



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

2011 Highlights

- Celebrated 15 years of the Rezidor Business School
- Brain Food for Meetings by Radisson Blu launched in Denmark, Sweden, and Norway
- Employee satisfaction remained high at 86.7%.

Safe Hotels through TRIC=S, the Rezidor formula for safety and security

With hotel operations in 65 countries, keeping hotel guests and staff safe in sometimes risky local situations is essential. Therefore Rezidor has developed a formula for safety and security which is designed to protect guests, employees and property owners' investments while maintaining, and even

enhancing, guest and employee satisfaction. The acronym TRIC=S stands for Threat Assessment + Risk Evaluation and Mitigation + Incident Response Preparedness + Crisis Management, Communications and Continuity = Safe, Secure and Sellable hotels.

TRIC=S has been implemented in all Rezidor hotels. Since 2011 there has been global cooperation with the Carlson Companies on TRIC=S and globally aligned good practice libraries have been established. Furthermore, TRIC=S reports are tailored and distributed to all geographic locations helping us improve our awareness of issues and ensuring that our brands become stronger, safer and more secure.

Healthy and Happy Guests

Creating a healthy and pleasant environment in our hotels is one of Rezidor's top priorities. We focus on offering accessible and non-smoking rooms. Over 1,500 (or 2%) of our hotel rooms are adapted to the needs of disabled guests. Of our 70,766 hotel rooms, 85% are non-smoking whilst 48% of hotels are entirely non-smoking in guestrooms, public spaces and back-of-house areas.

Responsible Business practices are incorporated into our hotel restaurants in general and in Rezidor's restaurant concepts: RBG; Fellini; and Verres en Ver. Rezidor offers guests

who stay at our hotels the most environmentally friendly products. For our Anne Sémonin range of bathroom amenities at Radisson Blu hotels, this commitment translates into products that are 100% free of paraben, silicon and genetically modified organisms, and which are not tested on animals. To help reduce our environmental impact further, Anne Sémonin guest amenities are packaged using recyclable materials.

Healthy and Happy Employees

Rezidor aims to be the employer of choice for our staff. We focus on people development and training and involve employees in our planning and decision-making processes.

Healthy and Happy Employees

People Development and Training	For many years, Rezidor has successfully focused on improving our financial position through active people management. We offer a range of tools in order to attract and retain talented people. Our award-winning, five-step people development program enables every ambitious employee to aim for the top, thanks to our simple but efficient policy of recruiting from within. All employees receive performance and career development reviews at least once a year. All of our employees are trained in our Responsible Business policies.
Diversity	Taking into account all hotels, under all contract types, more than 35,000 employees were working under the Rezidor brands during 2011. The company counts no less than 140 nationalities amongst the workforce, 57% of which is male. Rezidor's Equal Opportunities Policy states that no discrimination due to age, race, religion, gender or disability is allowed, and all our hotels have practices in place to ensure this is the case.



Pillar 2: Social and ethical issues in the company and the community

2011 Highlights

- For the second year in a row, Rezidor has been named as one of the World's Most Ethical Companies by the Ethisphere Institute
- 80% of Rezidor hotels participated in the Responsible Business action month for the community in September. Together the hotels raised €385,000 for the United Nations High Commission for Refugees (UNHCR), the World Childhood Foundation and other local and international charities
- Global partnership with World Cleanup launched (together with the Carlson Group, Rezidor's majority shareholder).

Social and Ethical Performance

For the past eight years, Rezidor has declared September to be our Responsible Business

Action Month (RBAM). September 2011 saw more than 9,000 Rezidorians in 80% of our hotels taking part in almost 500 different activities. Together they raised €385,000 in donations for our corporate charity – the World Childhood Foundation, and for the UNHCR and other local causes.



In November 2011, we launched a new initiative – a global partnership with World Cleanup. The campaign aims to remove illegally dumped garbage in 100 countries across the globe and to raise people's awareness of the problem. Throughout 2012, Rezidor hotels, together with Carlson hotels and restaurants, will clean their local surroundings.

Rezidor is committed to maintaining a high standard of business ethics, honesty and integrity. Every employee is introduced to our ethical culture and Code of Business Ethics through our induction program and the Living Responsible Business training program. In 2011, Rezidor's Code of Ethics was updated to incorporate the requirements of the UK Bribery Act. Rezidor was again named one of the

The Code of Ethics in short:

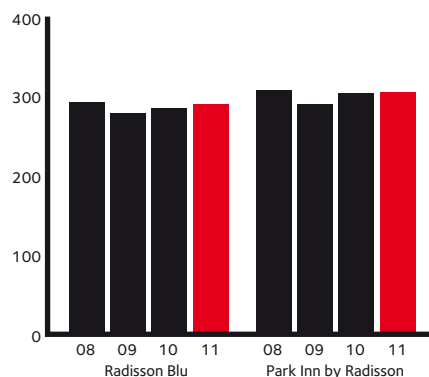
1. We respect the law
2. We show respect for all persons in all situations
3. We think ethically
4. We act fairly
5. We do not discriminate against anyone for any reason
6. We are honest and transparent
7. We are loyal to our employer
8. We do not exploit the company's resources
9. We think of safety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

World's Most Ethical Companies by the Ethisphere Institute think-tank for our ethics policy and program.

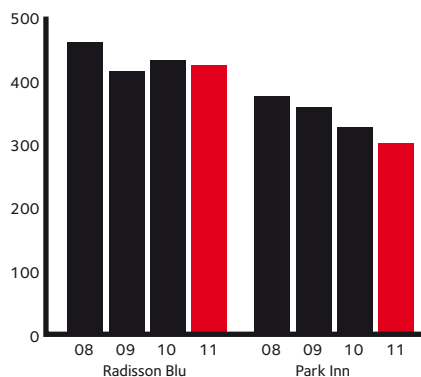
In 2011, Rezidor also ensured we comply with the ECPAT Code of Conduct for the protection of children from sexual exploitation in travel and tourism by adding a new module focused on Child Protection to our Living Responsible Business training. By December 2011, this module had been delivered in 85% of our hotels.

Key Performance Indicators

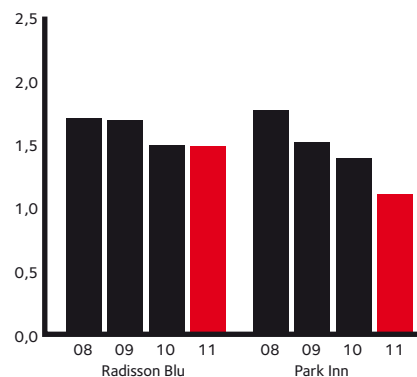
Energy/m³, kWh



Water/guest night, litres



Waste/guest night, kg





Pillar 3: Reducing our impact on the environment

2011 Highlights

- Increased number of eco-labeled hotels to 56% (or 181 hotels)
- Maintained our environmental performance while occupancy increased
- On behalf of Carlson and Rezidor, we participated in the International Tourism Partnership (ITP) and World Travel & Tourism Council (WTTC) Hotel Carbon Measurement Initiative.

Environmental Performance

External confirmation of our hotels' environmental performance is essential to Rezidor. Eco-labels provide an independent third-party audit of the hotels' practices and actions to protect the environment. At the end of 2011, a total of 181 Rezidor hotels (or 56%)

across Europe, the Middle East and Africa have been eco-labeled. A complete list of our eco-labeled hotels can be found in our full Responsible Business report.

Despite increased occupancy (the total number of guest-nights (GN) were up 7% compared to 2010), Rezidor has managed to maintain its energy performance. Although energy/m² increased by 2% for Radisson and by 0.5% for Park Inn by Radisson, our overall energy consumption/GN is down from 73.67 to 70.74 kWh/GN, a decrease of 4%. In total, 19% of Rezidor hotels use renewable energy to varying degrees.

Water consumption in liters/GN was reduced by 2% for Radisson Blu and by an impressive 8% for Park Inn by Radisson. This is due to a combined increase in total guest-nights and our continuous programs to increase water awareness in our hotels. Our programs involve guests in towel and sheet replacement programs, and we have an ongoing maintenance program to complete the installation of water saving devices such as aerators and sensor taps.

In the area of waste (residual and recycled) Rezidor receives reliable data from 167 hotels. Residual waste, expressed in kg/GN, stayed stable for Radisson Blu whereas Park Inn by Radisson hotels continued to reduce the total per guestnight by an outstanding 21%.

Rezidor's greenhouse gas emissions primarily result from energy consumption and mainly consist of carbon dioxide emissions. In 2011, emissions from electricity, natural gas, heating oil, district heating and LPG gas for the 232 managed and leased hotels for which Rezidor has comprehensive data amounted to 412,138 tonnes of CO₂-equivalent. Our carbon footprint has increased in absolute terms, however decreased nearly 6% per guestnight.

In 2011, two environmental flagship properties were added to Rezidor's portfolio: the Radisson Blu hotel East Midlands Airport (UK) and the Radisson Blu Waterfront Hotel and Conference Centre Stockholm (Sweden). Both buildings received international recognition for their exceptional environmental performance.

Rezidor works closely with our suppliers to set strict environmental performance criteria and minimize the social and environmental impacts of the products and services we purchase. All suppliers are required to sign the Supplier Code of Conduct and 57% of our hotels actively check on the responsible business performance of local suppliers.

Rezidor's environmental performance ensures our continued inclusion in the OMX GES Sustainability Nordic Index and the OMX GES Sustainability Sweden Index.



Key Performance Indicators

	2008	2009	2010	2011
Medallia Guest Satisfaction Environmental Conscientiousness	—	7.9	8.1	8.1
Climate Analysis Employee Satisfaction score	85.1	85.8	86.7	86.7
Average 3T Monitor Safety and Security self-audit score	92.3	93.7	92.9	92.7

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 2011 was SEK 22.1, which was 46% lower than the closing price the previous year. During the same period the OMX Nordic Mid Cap index fell by 25%. The highest listed transaction price was SEK 45.8 on April 15 and the lowest was SEK 16.3 on November 23. The market value at the end of 2011 was SEK 3,315 million (6,135).

Turnover

During 2011, 41.8 million (54.9) shares were traded, corresponding to 28% (37) of the total number of registered shares, at a value of SEK 146.7 (190.4) million. The average number of shares traded per day was 165,310 (216,813).

Share Capital

At the end of the year the share capital amounted to EUR 10 million, distributed among 150,0 million shares. The number of shares outstanding (excluding shares held by the company) is 146,3. Each share entitles the holder to one vote and all shares carry equal rights to participate in the group's profits and assets.

Share Buy-Back

Rezidor did not buy back any shares during 2011. The group currently holds 3,7 million shares or 2.5% of total number of shares outstanding.

Dividend

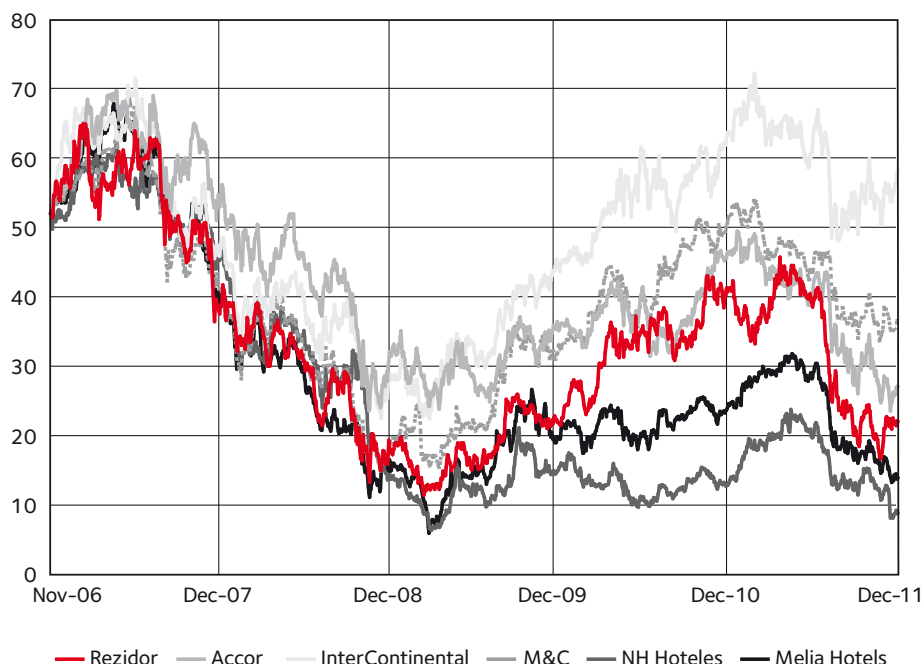
The long-term policy is to distribute approximately one third of the annual net income. The Board of Directors recommends the Annual General Meeting no dividend for the financial year 2011.

Ownership structure

At the end of 2011 the number of shareholders was 3,684 compared with 3,699 at the end of the previous year. The proportion of Swedish ownership decreased to 33.3% from 33.7% in 2010. The nine largest shareholders owned shares corresponding to 83.6% (82.4) of the votes and capital.

Share Price Performance

Price of the Rezidor share vs. peer GROUP



Analysts

Credit Suisse	Tim Ramskill
DNB Bank ASA	Ole-Andreas Krohn
Exane BNP Paribas	Matthias Desmarais
	Pierre-Emmanuel Causse
Nordea	Catrin Jansson
Oddo Securities	Guillaume Rascoussier
SEB Enskilda	Stefan Andersson
UBS	David Hallden

Largest shareholders

	No. of shares	Votes/capital %
Carlson	75,044,733	51.3%
Nordea	15,947,791	10.9%
Robur	9,743,076	6.7%
JP Morgan	9,181,873	6.3%
State Street Bank	3,934,926	2.7%
Placeringsfond	2,917,958	2.0%
Handelsbanken	1,968,269	1.3%
Fjärde AP Fonden	1,755,926	1.2%
Provobis	1,730,000	1.2%
Others	24,096,350	16.5%
Number of outstanding shares	146,320,902	100%
Rezidor Hotel Group	3,681,138	—
Number of registered shares	150,002,040	

Shareholder categories

	Votes/capital %
Foreign owners	66.7%
Swedish owners	33.3%
of which:	
Institutions	30.9%
Private individuals	2.4%

Shareholder structure

	No. of shareholders	No. of shares	Votes/capital %
1–500	2,157	402,311	0.3%
501–1,000	631	545,003	0.4%
1,001–10,000	675	2,336,570	1.6%
10,001–50,000	123	2,634,578	1.8%
50,001–100,000	26	1,867,373	1.2%
100,001–	72	142,216,205	94.8%
Total	3,684	150,002,040	100%

Source: Euroclear Sweden AB

Key figures

	2011	2010	2009	2008	2007
Market price at year-end, SEK	22.1	40.9	24.4	18.8	38.9
Highest market price during the year, SEK	45.8	43.9	26.8	39.8	65.0
Lowest market price during the year, SEK	16.3	22.7	11.3	13.3	36.5
No. of shares at year-end, million	150	150	150	150	150
Market capitalisation at year-end, SEK million	3,315	6,135	3,660	2,820	5,835
Earnings per share ¹⁾ , EUR	–0.1	–0.0	–0.2	0.2	0.3
Proposed dividend per share, EUR	—	—	—	—	0.1
Dividend percent of earnings after tax, %	0	0	0	0	32.6
Equity per share ²⁾ , EUR	1.1	1.2	1.1	1.3	1.4
Cash flow from the year's operations per share, EUR	0.1	0.3	0.0	0.4	0.4

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	Travel & Leisure
Sector	Consumer Services

Annual General Meeting and Financial Information

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Annual General Meeting

The Annual General Meeting of shareholders will be held at 10.00 a.m. CET on Wednesday, 25 April 2012 at the Radisson Blu Strand Hotel, Nybrokajen 9, Stockholm.

Participation

Shareholders who wish to participate must be recorder in the shareholders' register maintained by Euroclear Sweden AB, on Thursday, 19 April 2012.

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, 19 April 2012.

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, 19 April 2012. The notification must be sent in writing to Rezidor Hotel Group AB, AGM, PO Box 7832, SE-103 98 Stockholm, Sweden, by telephone to +46 8 402 90 65 (Mondays to Fridays 9am to 4pm CET) or by e-mail to agm@rezidor.com.

Financial information

Rezidor Hotel Group AB (publ) is a Swedish public limited liability company. Corporate identity number: 556674-0964. The Group's registered office (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 2010 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

Contact

Knut Kleiven
Deputy President and Chief Financial Officer

2012 Calendar

Annual General Meeting: April 25
Interim Report, January–March: April 25
Interim Report, January–June: July 13
Interim Report, January–September: October 26

Corporate Website

www.rezidor.com

Definitions

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AHR

Average-House Rate – Rooms revenue in relation with the number of rooms sold. Also referred to as ARR (Average Room Rate) or ADR (Average Daily Rate) in the hotel industry.

Central Costs

Central Costs represent costs for corporate and regional functions, such as Executive Management, Finance, Business Development, Legal, Communication & Investor Relations, Technical Development, Human Resources, Operations, IT, Brand Management & Development, and Purchasing. These costs are incurred to the benefit of all hotels within the Rezidor group, i.e. leased, managed and franchised.

Capital employed

Total assets less interest-bearing financial assets and cash and cash equivalents and non-interest bearing operating liabilities, including pension liabilities, and excluding tax assets and tax liabilities.

Development brand

Brand that still is under development, and that currently does not have many hotels in operation.

Debt/equity ratio

Net debt divided by total equity.

Earnings per share

Profit for the period, before allocation to minority interest divided by the weighted average number of shares outstanding.

EBIT

Operating profit before net financial items and tax.

EBITDA

Operating profit before depreciation and amortisation and gain on sale of shares and fixed assets and net financial items and tax

EBITDA margin

EBITDA as a percentage of Revenue.

EBITDAR

Operating profit before rental expense and share of income in associates and before depreciation and amortisation and gain on sale of shares and of fixed assets and net financial items and tax.

Equity/assets ratio

Total equity divided by total assets.

FF&E

Furniture, Fittings and Equipment.

Free cash flow

Cash flow from operating activities, investments, financial items and tax and the effect of restructuring measures on cash flow.

Free cash flow per share

Free cash flow divided by the weighted average number of shares outstanding.

General Manager

This title refers to the position as hotel manager.

Like-for-like hotels

Comparable hotels in operation during the same previous period compared.

Net working capital

Current non-interest bearing receivables minus current non-interest bearing liabilities.

Occupancy (%)

Number of rooms sold in relation to the numbers of rooms available for sale.

Operating cash flow

EBITDA excluding share of income in associated companies, cash flow effect of restructuring measures and net investments and including changes in working capital and dividend from associated companies.

Operating cash flow per share

Operating cash flow divided by average number of shares outstanding.

Return on capital employed

(ROA – Return on Assets)

Operating profit, excluding restructuring costs and impairment losses divided by average capital employed.

Return on shareholders' equity (ROE)

Profit for the period, attributable to equity holders of the parent as a percentage of average shareholders' equity, excluding minority interests.

Revenue

All related business revenue (including rooms revenue, food & beverage revenue, other hotel revenue, fee revenue and other non-hotel 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, Greece, Ireland, Italy, Luxemburg, 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, Serbia, Slovakia, Turkey, Ukraine and Uzbekistan.

Middle East, Africa and Other (MEAO)

Angola, Bahrain, Brazil, China, Egypt, Ethiopia, Ghana, Jordan, Kenya, Kuwait, Lebanon, Libya, Mali, Mauritius, Mongolia, Morocco, Mozambique, Nigeria, Oman, Qatar, Rwanda, Saudi Arabia, Senegal, Sierra Leone, 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 425 hotels with 93,000 rooms in operation and under development in 65 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 luxury lifestyle brand which is being developed worldwide under a licence agreement with the iconic Italian fashion house Missoni.

Rezidor is a member of the Carlson Rezidor Hotel Group.

For more information, visit www.rezidor.com

T H E
REZIDOR
H O T E L G R O U P

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Tel: +32 2 702 9200 • Fax: +32 2 702 93 00 • Email: Info@rezidor.com

