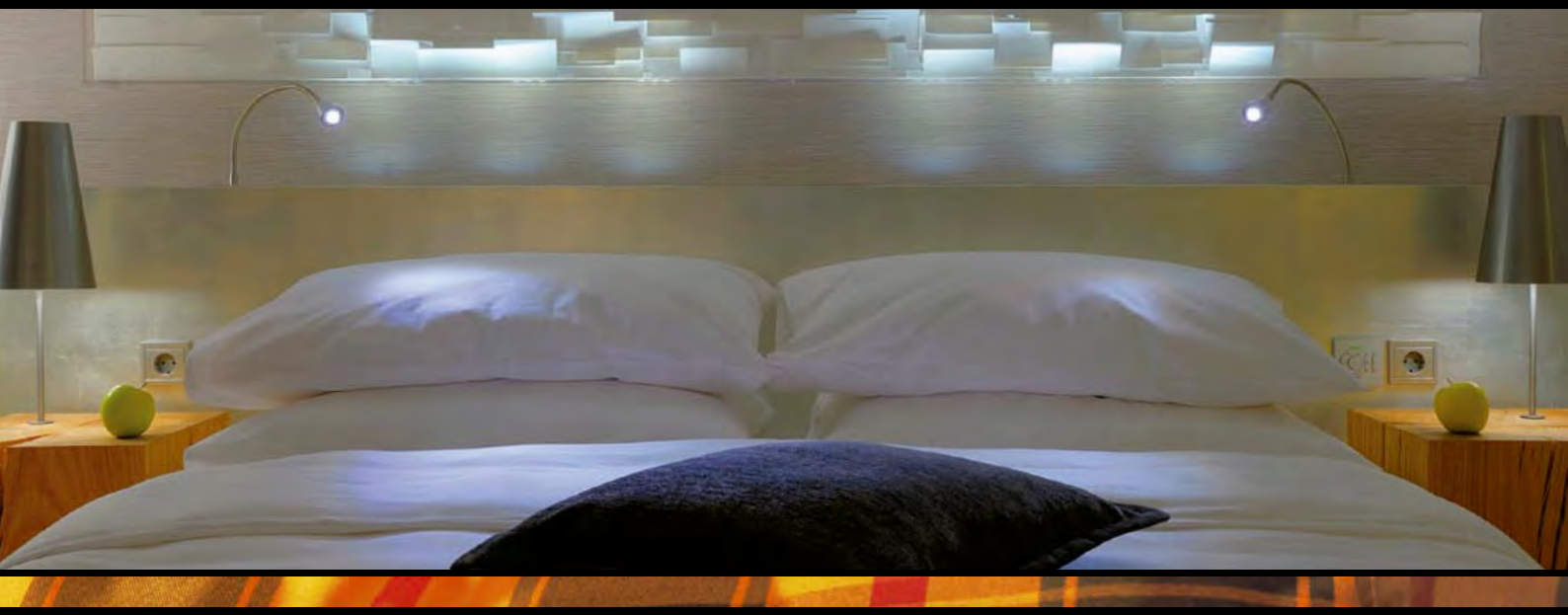
Rezidor Business Review

www.rezidor.com THE REZIDOR HOTEL GROUP 2008

Settle for less? Or dress for SUCCESS

...page 16 & 26

In troubled times you have to show your true colours. Radisson SAS re-brands to Radisson Blu to make the most of its graphic differentiator, and Park Inn offers the fastest and smartest conversion act in the industry through its easy-to-identify bright squares.



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We do not know when, but we know that this downturn will eventually bottom out and normal demand will resume. Rezidor is in a very good position to not only endure the recession **but also to come out of it stronger than it was before.** And to profit from the many business opportunities along the way.

To be a really smart bottom-liner you have to be a passionate top-liner

REZIDOR HAS A LONG HISTORY of rapid growth. We have the strongest organic growth in the industry and our business case is basically a growth case. That makes us top-liners at heart. We believe in top-line growth as the main vehicle for growing value for shareholders as well as all other stakeholders. Translating this ever-expanding top-line into a healthy bottom-line is our main focus – in all phases of a market cycle – along with cash protection. This is especially the case when the economy heads south in a big way as it now has. 2009 will present major challenges in this regard.

I will not say "been there, seen it, done it" because we do not know how deep this recession is and how different it is from previous ones. But even if there are some new and very scary elements to this crisis, I'm confident that we are better prepared this time than we were in the early 2000s when we went through the turmoil following 9/11. That was also scary – with its destructive edge pointing directly at the travel industry.

Experience and continuity of leadership – and I'm not talking about myself here but about some twenty very experienced key executives and some 260 General Managers that I have had the fortune to work with over the last ten to twenty years – contribute considerably to our strength to not only handle the recession but to exit it stronger than we were when we entered it. Rezidor's executive leadership has massive industry experience, which has been accumulated through several ups and downs. More importantly, working together for so long has forged a shared analytical perspective that has become almost intuitive, thus shortening the "time-to-action".

Fighting the beast. Rezidor is determined to ride out the bear market, however bumpy the ride – hiding in the bushes is not an option.

It is also important to recognise that Rezidor is a different company today than it was six to eight years ago. We have a different risk profile, operating in 55 countries compared to 38 in 2003. We have also spread our risks through the rapid growth of a second brand, Park Inn, which has penetrated the midscale market segment as effectively as Radisson Blu has penetrated the upscale. Furthermore, we have progressed quite a bit on our journey towards a new business model, aimed at contributing to stronger margins and a more conservative risk profile by increasing the share of the managed and franchised business compared to the leased-hotel business. This shift does however highlight our need to grow our brand affiliation even faster, as management and franchise contracts only contribute fees to our top-line, which is a small fraction in comparison to the full trade being consolidated from lease contracts. To grow our margins and our bottom-line we thus have to accelerate the expansion of our brands.

The Z method of cost management is a corporate version of the G.I. diet. We aim to find the right balance of supporting muscle and energy build-up while at the same time getting rid of all excess fat.

All these issues contribute to the reason why growth still forms the basis of our strategy. In fact, we are firmly committed to all our long-term objectives and strategies, even if we may at times deviate on a tactical level in order to take advantage of the current market situation, which can offer not only many attractive business opportunities for all our brands but also new interesting avenues to grow the business and make money. With no debt we intend to make the most of the opportunities.

2008 was our twelfth consecutive year of record growth. Rezidor opened 33 new hotels with almost 6,500 rooms and our Business Development team, led by Senior Vice President and Chief Development Officer Puneet Chhatwal, a Rezidorian for six years, added 12,600 new rooms to the new business pipeline, which contained more than 22,000 rooms by year-end. A number of contracts have been re-negotiated during the year to establish a win/win alignment of the business interests of Rezidor and the property owners. Close and dynamic relationships with property owners have always been a cornerstone of Rezidor's business development model and a growing number of multi-property partners provides evidence of its success.

To be a smart bottom-liner in our industry, you have to be a passionate top-liner. I'm very proud of the strong dual focus that the Rezidorians have developed over the years. People in our organisation understand the complicated interaction between top and bottom-line performance, and know how to contribute to both in their professional roles. We have a strong competitive culture, and I would describe the Rezidorians as "addicted" to results.

We have for many years run continuous campaigns to firmly establish a culture of result orientation, starting with Win! and Sell, Sell! in the 1990s, which had the aim of enhancing the understanding of bottom- and top-lines and performance. In 2003, we rolled out another group-wide programme to place profitability on top in everyone's minds and in 2006 we again focussed on revenue generation. It is important to always keep both perspectives alive, even if the main focus can shift depending on the prevailing conditions.

We have stayed fairly lean during the good years, but some "corporate obesity" will always come from overly good times, such as those we have enjoyed for the last two or three years. It is natural that we now shift again to a focus on costs and efficiency.

To be smart bottom-liners today, one has to address the cost structure in ways that do not jeopardise the earnings capability. I would describe the 'Z method of cost management' as a corporate version of the G.I. diet. We aim to find the right balance of supporting muscle and energy build-up while at the same time getting rid of all excess fat. And yes, we eat fat to stay slim.

Zero-based operational planning is a key method in our cost management model. It's basically a radical view of fixed costs and establishing the true cost base. You start with the resources you need to run the operation at a very basic level of business activity. The conversion of fixed costs to variable in as many areas as possible has been a management philosophy at Rezidor since 2003. But it's a fact that, in good times, variable resources have a tendency to stagnate to almost appear fixed. So, everything has now been reviewed again from a zero-based perspective. Responsibility for this programme resides with Thorsten Kirschke, Executive Vice President and Chief Operating Officer of Radisson Blu and Regent with 13 years in the company. He explains more about our operational initiatives on page 21.

Furthermore, fixed costs can also be rationalised. We have now scrutinised our cost-base all the way up from the bottom and can conclude that we can do more with less all the way through. It includes everything from technical equipment, such as trunks for fixed telephone lines in older properties, which are sleeping in the walls at a cost, to corporate functions. Some of these rationalisations can be carried out swiftly and without pain, whereas others will hurt a little more, sometimes in the form of a smaller investment.

In addition to cost management, we have a strong focus on retaining market share and protecting RevPAR levels, which are now under increasing pressure. We also work hard to keep

as much as possible of every euro, pound, krona or dinar etc. coming into the system. We do this well, very well. Being best in class on operating profit, EBITDAR, proves our excellence in managing hotels. This reflects the very business concept we established ten years ago. Rezidor's Deputy President and CFO, and my colleague for 25 years, Knut Kleiven, takes a closer look at our Key Performance Indicators on page 8.

Having a multi-brand portfolio now proves to be a great advantage. We launched Park Inn in 2003 to be able to offer innovative hospitality to a broader audience at a lower cost, and to penetrate our key markets one tier down. Over the course of six years, Park Inn has grown at a phenomenal pace, with 121 properties in operation or signed by the end of 2008. The brand is perfectly positioned to gain business on a large scale during this time of recession. It is also poised to attract the meetings and events clients looking for "less buck for the bang". Today, Park Inn is the smart solution for many property owners that struggle with dull and inefficient mid-market brands and non-branded hotels, unable to attract a fair share of business. On page 26, Jacques Dubois, Senior Vice President and Chief Operating Officer for Park Inn, a Rezidorian for 12 years, explains why this is the time to go Park Inn and what makes it the smartest and fastest conversion act in the industry.

Radisson Blu is our star performer in every respect – it now has a portfolio of 225 hotels, including Europe's largest pipeline in the upper upscale segment. Again, independent research proves that the brand outperforms all its competitors in growing its brand recognition, with all the right associations we have strived to build into it. On page 30, Rezidor's Senior Vice President Marketing, Sales & Distribution, Olivier Jacquin, a relative youngster in the Rezidor context with his five years in the company, elaborates on this issue.

With it being such a roaring success, you might think that tampering with the Radisson SAS brand is not a very good idea. We believe that the SAS name element has indeed been an asset in building the European version of the Radisson brand. However, having cut the last link with the company's original owner, Scandinavian Airlines (SAS), by going public in late 2006, the connection simply was not there anymore. More important of course is our conviction that today the brand is strong enough to fly on its own. We will, however, keep a symbolic connection to our origin through the blue box, with SAS substituted by the name element Blu. Rezidor's Executive Vice President Brands, Gordon McKinnon, a Rezidorian now for six years, sums up some of the many strategic considerations taken before deciding to go Radisson Blu.

Strong brands, presence in emerging markets, the right human resources and modern technology are the main drivers of change in the hotel industry, and the factors that will generate most shareholder value over the next five years, according to a Deloitte study (published in 'Hospitality 2010'). I'm very happy to be able to tick all four. We have been a pioneer in emerging markets and today have leading positions in Russia and the CIS countries. We are now generating increasing numbers of bookings through our own user-friendly web-sites, while also continuing to support business through efficient intermediary channels. Again, top and bottom-line perspectives meet in technology that promotes business and saves money at the same time.

We have always known our comprehensive Responsible Busines programme, in place since 2001, has driven revenue and now we truly see the cost-saving benefits of our environmental efficiency. Read more about our sustainability efforts and achievements on page 39.

People! We would be nowhere without our people, the over 30,000 Rezidorians with the powerful Yes I Can! attitude that takes us through the highs as well as the lows. It is time to honour Beathe-Jeanette Lunde, Senior Vice President People Development & Radisson Blu Franchise Operations, and a devout Rezidorian for 22 years. Many of those years have been dedicated to developing and continuously relaunching 'Yes I Can!' to become the very air we breathe as a company. Today it is. And it is fresh air indeed!

People make a company what it is, rather than the other way around. That has always been my belief and the basis for our recruitment policy – "hire by attitude and train for skills". Recent research demonstrates that this culture of positive individualism can actually change people. It seems that a company can also make people what they are, contrary to what I have believed. You can read more about these interesting findings on page 33.

Yes I Can! was originally a concept developed by our brand owner, Carlson Hotels Worldwide. It accompanied the Radisson master franchise in 1994. It's an ingenious concept in its simplicity and clarity with the little pin on the chest of every Rezidorian triggering demand and response in the all-important guest interactions. It would be of no value, or worse – it would destroy our brands – if it were just a slogan. But it's not; it is a meticulously thought-through programme for handling all kinds of situations in the daily operations supported by the necessary empowerment for everyone to make the best of every situation. But basically it's an attitude.

Yes I Can! is also an attitude internally, otherwise it would not work. I always carry that pin, and I know it makes it impossible to routinely say "no, can't be done" when my colleagues come and ask for something or present a problem. However challenging the issue, Yes I Can! is always the right attitude.

That's why I am so confident that Rezidor will pull through any downturn and emerge stronger in the end. It's simply a Yes I Can! issue.

Kurt Ritter
President and CEO

Leveraging our EBITDAR leadership and speeding up change

"Of course I'm a bottom-liner", says Knut Kleiven. "As the company's CFO anything else would be misbehaving. But with our focus on growth, Rezidor is a top-line driven company. I suppose you could say I'm a also a top-liner."

REZIDOR HAS A LONG tradition of operational excellence and outperforming its competitive set in terms of operating profit, GOP or EBITDAR – which is profit before rent payments. With a 35.1% (35.7) EBITDAR margin, 2008 was no exception.

"We have done very well in terms of RevPAR growth and GOP margin but being highly geared through our leasing structure, especially with a large proportion of newly opened hotels, this success has not been fully reflected in our EBITDA margin – which is profit after rent payments", says Rezidor's CFO and Deputy President, Knut Kleiven. "This is why we embarked on a major and long-term shift in our business model. This has entailed focussing our rapid expansion on predominantly high-margin, fee-based managed and franchised business."

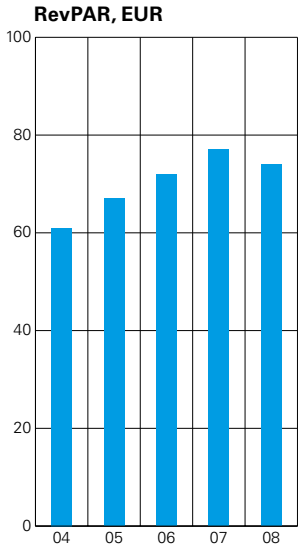
When going public in late 2006, Rezidor had around 70% managed and franchised rooms and 30% leased rooms in its portfolio, and was aiming to shift towards a more fee-based portfolio (managed and franchised hotels) along with geographic diversification.

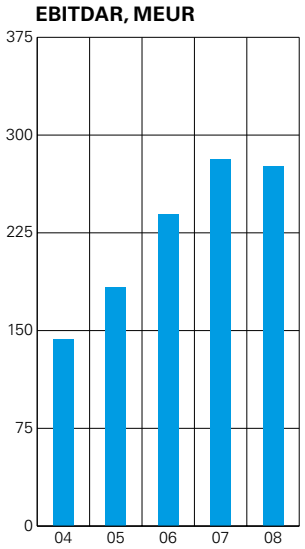
"We are moving in this direction", says Knut Kleiven. "The contract mix of the current 22,000 rooms development pipeline is 88% managed and franchised and only 12% leased. This fundamental shift in the business model is expected to have a positive impact on Rezidor in several ways – lower the RevPAR needed to achieve EBITDA breakeven, improve profit margins and provide a higher return on equity."

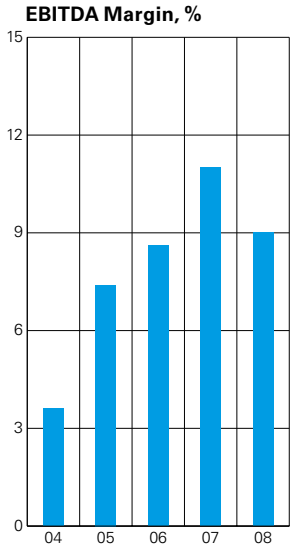
In 2008, Rezidor's fee-based revenue increased to MEUR 83.2 (78.5), while leased business revenue was flat to last year's level. Leased business however still accounted for 88% (88) of total operating revenue, which amounted to MEUR 784.8 (785.2).

"Shifting to fee-based revenue will slow down top-line growth, but will continue to improve margins", comments Knut Kleiven. "However, this will take some time as we need ten to

For a hotel management company, operating profit or EBITDAR is one of the main key performance indicators. Rezidor is amongst the best in class in delivering EBITDAR.







Financial and Growth Targets

PROFITABILITY TARGET
EBITDA margin of 12% over a business cycle

BALANCE SHEET
Small positive average net cash position

DIVIDEND POLICY
Approximately one third of annual after-tax income to be distributed to shareholders

fifteen managed or franchised hotels in order to get the same top-line effect as we do from one leased hotel. Only 3 to 10% of the business volume in the managed and franchised hotels is registered as operating revenue in our books, compared to consolidation of the full trade with leased hotels. However, the gradual shift from leased to fee-based business is a key strategy in achieving the 12% EBITDA margin we have targeted over a business cycle."

In 2008, leased business had an EBITDA margin of 8.0% (9.2), while fee-based business was at 62.0% (72.8). Total EBITDA margin for the full year was 9.0% (11.0).

Like-for-like (same store hotels at constant currency) RevPAR increased in 2008 by 2.7% (8.9). New openings and foreign exchange movements had a negative impact of 2.3% and 3.7% respectively, resulting in a reported RevPAR decline of 3.5%.

"Maintaining healthy RevPAR levels in a deteriorating market is a major concern", says Kleiven, "Our like-for-like RevPAR growth took a beating towards the end of the year. New-build properties opening for business always have a negative impact during their initial period, and we had 16 new-build properties coming on-line during the year, most of them during the third and fourth quarters. Furthermore, we had a negative foreign exchange impact on the reported RevPAR as a result of the sharp depreciation of the British pound and the Swedish and Norwegian kronas."

RevPAR is expected to suffer further in a prolonged economic downturn. As protecting RevPAR is one of the three major components in Rezidor's strategy to achieve a 12% EBITDA margin over a business cycle, the other two components will become even more important – continuing the shift towards fee-based business and intensifying cost saving measures.

Fixed costs are now being reduced by circa MEUR 10 through the "hedging for turbulence" programme (see page 21), and variable costs are being addressed through a re-engineered version of the "50% profit conversion/cost containment programme", which was launched in the company during the last downturn in the early 2000's. It aimed at securing a minimum of 50% of any change in revenue for the bottom-line.

"We are now asking for an even higher profit conversion/cost containment", says Kleiven. "We're already amongst the best in class when it comes to operational efficiency and EBITDAR performance, and by adjusting our cost base to new circumstances we are pushing our EBITDAR leadership further. It will pay off in the short-term, and even more so in the long-term when our business mix has evolved further and RevPAR growth starts picking up again. Our ambition is to ensure that Rezidor is a healthier company when it emerges from the recession than when the downturn started."

For a hotel management company, GOP or EBITDAR is one of the main key performance indicators. Rezidor's revenue from a managed property typically consists of a base fee of 2–3% of total hotel revenue and an incentive fee of 8–10% of GOP. In some cases, Rezidor has committed to deliver a minimum profit-based income to the property owner. Such committed management contracts account for approximately 21% of the managed rooms in operation, but only 9% of the managed rooms in the pipeline.

The downturn has so far only had a moderate impact in terms of shortfall payments, which is compensation paid to owners in properties with committed management contracts where performance guarantee levels have not been met.

Rezidor has a strong financial platform, with practically no debt and a net cash position of MEUR 44.0 at the end of the year.

"Cash protection is our main focus in turbulent times like these. While our debt-free balance sheet and capex flexibility is an advantage to maintain a healthy cash position, we have also increased our attention towards working capital management", says Knut Kleiven. The balance sheet total amounts to MEUR 386 (413), with an available liquidity of MEUR 125 (147). By the end of 2008, cash flow from operations amounted to MEUR 62 (76).

"We are now experiencing some pressure from property owners with management agreements to switch to leases or financially committed contracts, but that is contrary to our strategy," concludes Kleiven. "In a strong economy, a management contract can produce a 20–25% return for a property owner, whereas a 6% fixed lease income looks quite appetising when the economy turns sour. For us as a hotel management company, we need to have the right balance between risk and reward reflected in the different contract types."

Rezidor adopted an asset-light strategy some 10 years ago, and has successfully divested all of its real estate. However, the distressed real estate market now presents some increasingly attractive business opportunities.

"With our strong balance sheet we can tactically take minority stakes in real estate in the years to come", says Kleiven. "We have done that with great success in the past and would do it again in the future to support our growth. However, we will do it preferably through already established partnerships, and we would have a 20% return on investment requirement as a minimum. But in the long-term we will stick to our core strategy. Our business is hotel management, not real estate."

"Securing our cash position is our main focus in turbulent times like these", says Knut Kleiven.

Q&A WITH REZIDOR'S CHAIRMAN URBAN JANSSON

Our strategy remains the same, but we have adjusted our tactical approach

What is your view on the current market situation?

I do not really need to tell anyone that these are extraordinary times that place extraordinary demands on companies and their management. This applies in particular to companies that are sensitive to economic cycles, such as those in the travel industry. I would like to start by stating that Rezidor's long-term strategy remains unchanged. However, our action plans have been adjusted so as to achieve our long-term business objectives.

Given the current market situation, which is expected to continue throughout this year, it is particularly important that we improve our competitiveness. The fight for customers, and therefore the competition, becomes harder. When people are increasingly looking for 'value for money' options, it becomes imperative to fully meet that demand through all of our products and services. The challenge in this respect, of course, is not to lose the strength of our brands, what they stand for and what they offer, while simultaneously working towards a cost rationalisation plan.

While we continue to focus on growth, we have raised the threshold for entering into new business deals. We are now primarily looking for contracts that involve lower financial commitments.

What has the Board of Directors mainly focussed on during the year?

In times such as these, when profits and cash flows are not at normal levels, one must also include the balance sheet and the cash position into the equation. Rezidor has a good financial situation and is free of debt. During the year, the board has, in particular, looked at how to ensure continued financial stability, so that financial risks do not add to operational risks. To this end, we must pro-actively secure financial flexibility under various circumstances, which would also enable us to make the most out of future business opportunities .

It is important that a significant share of the company's ownership is held by a large corporate that has a long-term view, which is indeed the case with the Carlson Group. The commercial co-operation with Carlson is continually being expanded and intensified, which benefits Rezidor.

The Board of Directors and the management are in agreement with regard to key issues. Also, the fact that the company is led by an experienced and competent management team assures the board that Rezidor will come out of these challenging times considerably better than its competition.

What have your thoughts been regarding dividends?

Based on our assessment of the overall situation, and the need to maintain a positive cash position, we have decided to recommend to the annual general meeting to temporarily refrain from paying out a dividend this year.

WHAT WE ARE AND WHERE WE'RE HEADING

OUR PURPOSE

We provide business and leisure guests with a choice of relevant and excellent hospitality products and services that offer *good value*, while assuring a *good return* to owners and shareholders, and *inspiration* to employees.

OUR VISION

Yes I Can!

OUR VALUES

Trust

To earn trust, then show it; honesty, integrity and loyalty, we promise – we deliver

Openness

Be frank and transparent, accessible, flexible, prepared to listen and consider all options

Empowerment

Enable and equip employees to make the decisions that matter

Respect

Respecting individuals, communities and the environment we live and operate in

Nurturing

We engage individuals and are determined to develop and grow talent from within

Fighting Spirit

Always entrepreneurial, always driven by opportunities, always hungry for more. Decisive!

Z-factor

Daring to be different, in a fun and rewarding way

STAKEHOLDER OBJECTIVES

We will be successful by being perceived:

- *by guests:* as exciting and innovative hotel brands that deliver on our promises through our Yes I Can! service culture.
- *by shareholders:* as creating value by delivering above average total shareholder return compared to our peer group (listed companies).
- *by employees:* as the industry employer of choice; a company that engages the individual and is determined to develop and grow talent from within.
- *by hotel owners:* as the fastest organically growing hospitality company in the business, with a range of clearly differentiated hotel brands offering the best opportunities for return on investment.
- *by franchisees:* as the preferred partner, supporting them and helping to optimise all available systems and resources provided in order to increase revenue, quality and value.
- *by suppliers:* as a desirable, ethical and committed business partner.
- *by communities:* as being a responsible, caring job creator with a positive impact on the community, generating a successful business, exercising social responsibility as well as providing sustainability for the planet, people and profits.
- *by media:* as an open, newsworthy and trustworthy partner, with compelling stories to tell.
- *by peers/competition:* as the preferred hospitality operator, employer and provider.

Finding the right balance between new-builds and conversions is indeed a challenge. New-builds have a strong positive impact on the brands, whereas conversions have the benefit of quickly establishing income streams and securing bottom-lines.

MANAGING EUROPES'S LARGEST UP AND MID-SCALE PIPELINE

LIGHT ON ASSETS, heavy on innovation and initiatives – this describes Rezidor's business development strategy, which has made the company the fastest growing hotel management company in the world.

In 2008, Rezidor opened a record-breaking 33 new hotels and 6,500 rooms, resulting in 260 hotels and 54,700 rooms.

"We have not only had a record year for signings, with an increase of 41% compared to 2007, which was itself a record year for signings, but we have also had a record year in terms of openings", says Puneet Chhatwal, Chief Development Officer at Rezidor. "More importantly, 93% of the rooms opened were on fee-based contracts (managed and franchised), which provided strong support to our quest to alter our business mix."

Over the past ten years, Rezidor's Business Development has continually set new records in terms of signing new capacity. 2008 was no exception; 12,600 new rooms were contracted through 54 new and 18 renegotiated contracts, while only 10 hotel contracts were terminated.

At the year-end, Rezidor had a stock of 22,000 rooms in the pipeline, around 72% of them due to come online over the next two years and the rest during the following three to four years. In 2007 and 2008 combined, the company opened 11,500 new rooms, while 107 hotels with more than 21,500 rooms were added to the pipeline. We opened 6,500 rooms in 2008, a 30% growth over 2007 (5,000 rooms). In 2009, an additional 7,500 rooms are scheduled to go into operation.

"Rezidor's pipeline is the second largest in Europe", states Chhatwal. "According to STR Global, it's the largest upscale pipeline by far, almost twice as big as that of No.2, Hilton. It's also the largest pipeline in the mid-scale with food and beverages sector, accounting for circa 30% of that category."

To manage a massive pipeline like this in the best interests of both shareholders and property owners is a difficult task at any time, and is especially tricky in a negative market environment such as the current one. The hotel property market is increasingly showing signs of distress, resulting in challenges and business opportunities at the same time.

Balancing stakeholders' interests

From a shareholder point of view, Rezidor's pipeline is asset-light and is dominated by management contracts and franchises, in accordance with Rezidor's strategy over the last five years.

91% of the pipeline accumulated during 2007 and 2008 consists of fee-based contracts. Of the 33 openings in 2008, only two were leased hotels. Of the circa 40 openings scheduled for 2009, approximately five are leased. This development reflects the continuous transformation of Rezidor's business model and mix towards fee-based income, mid-market penetration and establishing a pole position in emerging markets.

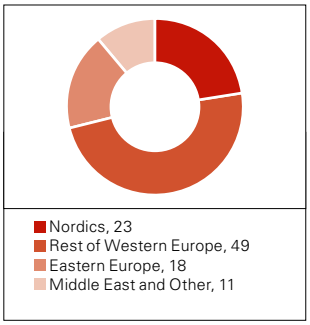
"Finding the right balance between new-builds and conversions is indeed a challenge. New-builds have a strong positive impact on the brands, whereas conversions have the benefit of quickly establishing income streams and securing bottom-lines", says Chhatwal.

Of the total pipeline of 22,000 rooms at year-end, 65% were under construction, with a large proportion of these being new-builds. This will further strengthen Rezidor's position as the industry leader when it comes to new inventory. The strategy, however, is to expand primarily through conversions.

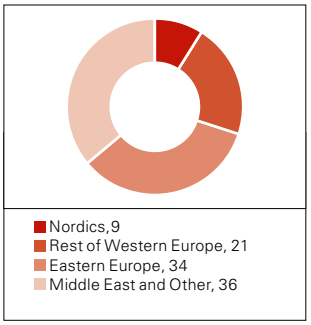
Of the total pipeline at year-end, construction had not yet begun on some 7,500 of these rooms. "It's very likely that some construction projects will be delayed", says Chhatwal. "Some may even be cancelled. We expect some delays in Russia and the Middle East, but so far only a few development projects have been cancelled altogether. We consult closely with our property partners in order to schedule projects optimally with regard to local market condition forecasts, which thus ensures smooth openings."

CHANGING BUSINESS MODEL

In operation, %



In pipeline, %



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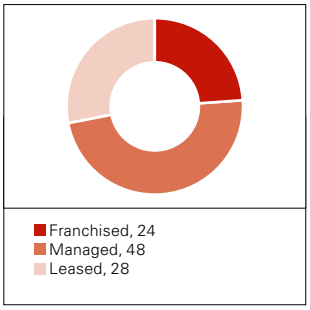
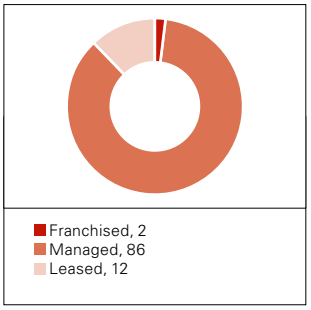


In pipeline, %



Enhancing the performance of existing assets is another key issue. Rezidor's asset management strategies include adding capacity and increasing property attractiveness by means of expansion and renovation programmes.

"A downturn in the economy is usually a good time to reinvest, as taking rooms out of operation will not hit the top-line as hard as when times are good", says Chhatwal.

A distressed property market also means increasing pressure to convert contracts from a non-committed to a committed status, as well as increasing pressure to shift from management to lease contracts. Rezidor's strategy is to renegotiate contracts in the other direction, and in 2008 two properties shifted from lease to management and none were converted in the other direction.

"In spite of our strategy to continue developing our portfolio to be predominantly asset-light and fee-based, we will keep our doors open for all solutions, including taking minority stakes in real estate, in order to secure healthy growth for Rezidor and its partners", says Knut Kleiven, Deputy President and CFO. "Ways of establishing a win/win alignment of interests with property owners, including through creative financing, will definitely be at the top of the agenda over the coming years."

"Rezidor prides itself as a partner for good times and bad, and if necessary we will renegotiate contracts to ease pain for owners now, against fair compensation for us later", says Chhatwal.

Why growth is still such a good idea

Rapid growth has always been a core strategy for Rezidor – and it still is. Why do we believe that growth is still such a good idea, despite current market conditions?

First of all, the on-going transformation of Rezidor's business mix from leased to fee-based income requires ambitious growth in management and franchise contracts. Replacing the income stream from one leased property, where we consolidate the full trade, requires at least ten management contracts or twenty franchise contracts. On the other hand, fee-based business has another risk profile altogether, with franchise and un-committed management contracts being very low on risk, whereas lease contracts expose Rezidor to the full business risk.

Secondly, Rezidor strives for presence in primary markets in order to be perceived as a prime player and industry leader, which requires continuous growth. We have achieved strong brand recognition and customer preference for Radisson in the Nordic countries and the rest of Western Europe (see page 30), but there are still individual markets where we need to improve. This is also the case in the Middle East and Africa. Park Inn has also started a formidable run in the mid-market sector, and has the momentum to attain critical mass for the brand with further growth.

Our focus on mid-market penetration is the key driver

"As an entrepreneurial 'go-getter', I'm the archetypical top-liner", says Puneet Chhatwal. "Otherwise I would not have this job. But business development is equally about securing a good bottom-line for owners as well as for Rezidor."

The hotel property market is increasingly showing signs of distress, **resulting in challenges and business opportunities at the same time.**

behind growing the Park Inn brand, which has the potential to grow into one of Europe's leading mid-market brands; this has already been proven by rapid penetration of prioritised markets such as the UK, Ireland and Germany.

With more than 20 properties, Rezidor is Europe's leading airport hotel operator, and the majority of the properties are spectacular new-builds. Apart from contributing strongly to earnings, especially if connected to terminals, airport locations also enhance brand awareness. This has served Radisson very well over the years, and will increasingly be the case for Park Inn as new airport hotels start to open under this brand.

The provision of resort locations is becoming ever more important both for business groups/meetings and events, as well as for individual leisure travel. Furthermore, in order to run a competitive loyalty programme, one must offer resorts for redemption of points. Resort hotels are also important for brand recognition, as they often create a longer lasting impression. At year-end, Rezidor had 22 resort hotels with 5,200 rooms in operation and another 13 resort hotels with 3,600 rooms in the pipeline.

First mover advantage

Rezidor has a tradition of pioneering and venturing into new geographical markets at an early stage, thus securing a 'first mover' advantage. An example of this is Rezidor's market leading position in Russia and the CIS today, which will prove crucial in all market scenarios in the years to come. There is still a strong structural demand that needs to be met in Russia, and Rezidor will continue to tap into the numerous business opportunities as they evolve. Russia has been hit hard by the financial crisis, but we strongly believe in this market's long-term potential.

Geographically, 2008 was a break-through year for Rezidor in major cities in Africa, with 23 hotels in operation or under development. Africa has the potential to become a new key market for Rezidor, as the company is the only major hospitality business currently expanding in this region, which has considerable untapped potential. In many African capitals, Radisson may be the only international up-market hospitality brand, with Park Inn following in the mid-market sector.

As well as providing opportunities to take a pole position when the business cycle returns to an upward trend, growth in emerging markets also has short-term advantages. The Middle East and Africa were among the few geographical markets that continued to show healthy development in 2008, with some of the regions demonstrating double digit development in terms of RevPAR growth as well as business volume.

PORTRAIT

Securing good numbers all the way down

– HI, MY NAME IS RONALD SMITHJES and I'm a bottom-liner. I am the Regional Financial Controller for the Benelux Region and I've been working for Rezidor for six years. Securing good numbers all the way down to the bottom-line is my passion.

As a Regional Financial Controller, Ronald's role is to supervise the reporting of the individual hotels to make sure that reporting is done on time, is accurate and complies with the Rezidor Hotel Group's procedures as well as local laws and regulations.

– I analyse and investigate reported figures on a monthly basis to ensure maximum profitability. Finally, I see to it that corporate communication regarding financial matters is swiftly passed on to the individual hotels in order to ensure a smooth and quick implementation of any necessary measures.

The key to creating better margins is the ability to understand the business. It's all about translating the reported figures into the actual operations, and understanding the operations by analysing the reported figures, explains Ronald.

– If you know your figures and thus your operations, it means that measures to improve results can be taken. By implementing standards for cost forecasting throughout the hotels in the region, and by training and guiding the hotel management teams with regard to their accuracy of cost forecasting, we aim to spot downward trends in profitability at an early stage. Which means that appropriate actions can be taken in time, concludes Ronald.

Ronald Smithjes was promoted to General Manager of the Radisson Blu Hotel, Amsterdam, effective 23 February 2009.

RADISSON BLU – THE SKY IS THE LIMIT

Branding the difference

Cutting the last link to its former owner SAS, Radisson SAS is now re-branding to Radisson Blu. In a global context, the blue box has graphically come to represent a strong differentiator. The symbol of truly innovative first class hospitality will now be itself.

NOW EUROPE'S LEADING rising star in the upper upscale hotel market is showing its true colour – Blu! Radisson SAS is dropping the SAS name element, but keeps the iconic blue box, or rather, substitutes it with a new Blu box. The re-branding started early February 2009 at the new Zurich Airport hotel, a typical "new breed" Radisson Blu, true to the powerful formula which has driven the brand's remarkable success lately. More than 170 Radisson properties in operation in Europe, Middle East and Africa will be re-branded in due course, as well as the 53 to go online in the coming years.

"We're extremely proud to hoist the Radisson Blu flag. After riding with SAS for 50 years, we're now eager to cruise high on our own", says Kurt Ritter, President and CEO of The Rezidor Hotel Group.

The re-branding to Radisson Blu is closing a long and successful co-branding story with SAS. In 1994, SAS International Hotels, SIH, the hotel division of Scandinavian Air-


HOTEL

Radisson Blu Background – Hot dates

1960
The Royal Copenhagen, world's first designer hotel, opens in Denmark. Designed by the legendary Arne Jacobsen for SAS International Hotels (SIH) – the hotel division of the Scandinavian Airline Systems, SAS – it wins instant international acclaim for its groundbreaking architecture and interiors.

1994
SAS International Hotels, (SIH), joins forces with the Radisson brand for development in EMEA (Europe, the Middle East and Africa), to create Radisson SAS – one of the world's first joint branding initiatives.

2000
Radisson SAS passes the 100 hotels milestone – a real player in the market.

2002
The birth of Rezidor SAS Hospitality: a new name to reflect a new direction and the development of a multi-brand portfolio with Rezidor SAS as the parent company and Radisson SAS as a key brand.

line Systems, joined forces with the Radisson brand in Europe, the Middle East and Africa to create Radisson SAS. Rezidor, formerly SIH, has SAS roots much longer back. The first SAS hotel, The Royal in Copenhagen, opened 50 years ago.

"Radisson SAS was one of the world's first joint branding initiatives," says Kurt Ritter. "It brought together the values, heritage and localised European knowledge of SIH – and strong recognition of the SAS brand – along with the distribution, the systems, the reach and the awareness of the Radisson brand. It was a very fortunate combination."

Fuelled by the industry's fastest growth Radisson SAS soon established its very own market position, a notch or two above the original Radisson brand. Its success became the catalyst for the creation of a new multi brand portfolio managed by a newly founded parent organisation, Rezidor SAS. Many of the Radisson SAS hotels coming online in the early 2000's were "new breeds", flagship properties with stunning architecture and bold design solutions, which increasingly have become synonymous with the brand.

"The focus on contemporary design, style, food and wine along with operational excellence is a lifestyle hotel format applied to a grand scale in a big brand context", says Thorsten Kirschke, Executive Vice President and Chief Operating Officer Radisson Blu and Regent Hotels. "New breed hotels dominate our supply in key markets such as Germany, UK and France and have shaped the brand perception there, but new breed energy has fuelled the whole portfolio. In fact our new breeds have redefined upper upscale in Europe, just as W has done in the US."

In 2006 the time was right for SAS Group to finally let its fledgling go and allow the hotel company to be core to itself and independent. Rezidor SAS was renamed The Rezidor Hotel Group and later that same year the company floated on the Nasdaq OMX Stockholm.

Now in the year 2009 The Rezidor Hotel Group has been trading as a listed company for over two years, and is closing in on nearly 230 Radissons from a total portfolio of over 360 hotels across five very different brands in over 55 countries. The time has come to disconnect from its former owner SAS also in co-branding with Radisson.

"In the Radisson SAS brand it has always been Radisson that is recognised as the hotel proposition", says Gordon McKinnon, Executive Vice President Brands. "In a global context however, the SAS blue box has graphically come to represent a differentiator. It signals a different market position, a different heritage, a different approach, a different set of choices for a different customer base. More modern in its outlook, more European in its approach, more design conscious, more focussed on the detail of the experience. And the world has come to recognise that there is a difference. This is why we are keeping the blue box, giving it a significance of its own."

Project "blue box" focussed on maintaining and reinforcing the differential. Literally thousands of names to replace SAS were considered, discussed, explored, examined and finally tested. In the end the working title for the project seemed the most natural, the most appropriate, the most inherent, the least contrived. Not 'blue box' of course, not even 'blue label', 'blue ribbon', 'blue horizon' or any of the other obvious derivatives, just plain and simple 'Blue'.

Early 2006
The Radisson SAS success story is confirmed. The new brand has established its very own market position in the upper upscale, lifestyle segment with a focus on contemporary design and operational excellence. Radisson SAS has more than 150 properties in more than 40 countries throughout EMEA.

THE REZIDOR HOTEL GROUP

Late 2006
It's time for the SAS group to let its fledgling go and fly free. Rezidor SAS, renamed The Rezidor Hotel Group, is floated on the Stockholm Stock Exchange.

2008
The Rezidor Hotel Group has been trading as a listed company for over two years and it closes the year with a total portfolio of over 360 hotels across five, very different, carefully segmented brands, operating and developing in 55 countries. Radisson SAS is acknowledged as the hotel industry's most improved and rising, upper upscale star.

Radisson BLU

February 2009
Radisson SAS rebrands as Radisson Blu: the news is announced at the opening of the latest, stunning 'new breed' property: The Radisson Blu takes off from Zurich Airport.

"We finally shortened it to Blu as a minor point of difference and with a desire to make it non language, non race, non gender specific", says Gordon McKinnon. "Short and catchy, Radisson Blu is a simple and proper name, endorsing the symbol of our recognised global differentiator. It supports those all-important ingredients of continuity and stability and presents a more international, innovative outlook while not failing to acknowledge our heritage. We believe that by this gentle change we have not only maintained and protected our brand, but indeed taken it forward that one essential step, to now represent its true current position and its ambitions for the future."

"Radisson Blu is on a journey to become one of the most exciting, modern and consistent first class hotel brands in the world", says Thorsten Kirschke. "Our re-branding will give us an opportunity to highlight that, even if basically very little has changed. Our values are the same, our ambitions are the same, our people are the same and our hotels are the same. We will have the same Yes I Can! attitude, energising ever improving levels of service."

"Yes, the world's favourite colour now represents a cool, contemporary and collected hotel experience", says Kurt Ritter. "It's important to recognise the strong green element in the brand. Being a pioneer in environmental work in the hotel industry with more than twenty years of Responsible Business tradition, Blu will now be the new green. Radisson Blu is one of the world's fastest growing, most dynamic, innovative and relevant hotel brands. We'll make sure that you forget it was ever known as anything else. And we promise to go on developing it 'out of the box'."

Radisson Blu Hotel, Zurich Airport
Brand new Radisson Blu Zurich Airport is designed by renowned Italian architect Matteo Thun. The ambient and light-filled Angels' Wine Tower Bar in the Atrium – Europe's tallest with 4,000 bottles of wine – belong to the more spectacular features. Other features are the restaurant Filini, offering the area's best Italian cuisine, the Wine Tower Grill – and the 330 stylish guest rooms in three design styles: At home, Chic and Fresh.

Paris goes Radisson

France is Europe's and the world's most popular tourist destination, and Paris is also becoming an increasingly important business destination. The new Radisson flagship hotels, situated by the Opéra Garnier and in La Defènse, add two spectacular locations to Rezidor's presence in this crucial market. In the last quarter of 2008, Rezidor had no less than 1,600 hotel rooms in operation and in the pipeline in Paris, and more than 4,000 rooms in France in total.

Radisson Blu Ambassador Hotel, Paris Opéra

The recently opened Radisson Blu Ambassador Hotel, Paris Opéra, previously known as Hotel Ambassador, is ideally situated in the very heart of Paris, right next to the Paris Opéra on the right bank of the Seine. Strategically placed in-between tourist hot-spots such as the Musée du Louvre and the Sacré-Coeur, and shopping havens like the Galeries Lafayette and Rue du Faubourg Saint-Honoré, the Ambassador has already found its clientele.

The architecture combines a luxurious art deco style with contemporary features and state-of-the-art facilities. The 294 rooms are all equipped with ultra-modern amenities, some of them with balconies overlooking the Paris rooftops, the Eiffel Tower or the Opera Garnier. At the renowned Parisian restaurant 16 Haussmann, guests can enjoy refined French cuisine as well as the best international dishes in an elegant setting. The adjacent bar, 'Lindbergh', provides a sanctuary from the bustle of the city with its traditionally grand feeling combined with modern comforts.

Radisson Blu Paris La Defènse

The Radisson Blu Hotel Paris La Defènse is being built directly adjacent to the 'Esplanade de La Défense' metro station, right in the centre of the futuristic La Defènse business district. The area houses no less than 1,500 head offices and 3,600 international corporations, and is strategically located close to the heart of the city, only a five minute car ride from the Champs Élysées.

Opening in mid 2011, this state-of-the-art building will have 20 floors and 343 rooms and suites, and is designed to primarily attract business clientele with a taste for contemporary design and modern comfort. Other features of this flagship hotel are around 1,000 m2 of meeting & conference space with banqueting facilities, two restaurants, a lobby bar and a sky bar with a striking view of the city.

Radisson Blu Hotel, Paris Eiffel

The brand new Radisson Blu Hotel, Paris Eiffel, will open in early 2009 in the Trocadéro quarter of the city. This elegant hotel was formerly a private home – the building dates from the 19th century and has all the details and charm of Baron Haussmann's architectural style. Fully restored by the well known designer François

Champsaur, the hotel will offer 38 rooms and 10 suites with a contemporary and cosy atmosphere, along with an amazing view of the Eiffel Tower from most suites. Guests can enjoy innovative French cuisine in the Metropolitan Restaurant, and the lounge bar has a working fire place and a night bar – also with a stunning view. Spa facilities include a swimming pool overlooking a fire place, a Hammam and a massage room. More than just a hotel, this is your Parisian home.

PORTRAIT

Improving top-line growth through up-selling

– HI, MY NAME IS KORDULA SCHLOSSER and I'm a combined top- and bottom-liner. As the Executive Assistant Manager at the Radisson Blu Frankfurt, I'm in charge of the Front Desk and Rooms Division.

Kordula had 20 years of experience in the hotel industry before starting to work for Rezidor and is now attending the Mentor-Mentee programme to become a General Manager herself one day. Improving top-line growth through up-selling is a natural part of the day-to-day activities for employees at the front desk.

– There are different categories of guest rooms for example, and someone with a standard room may want to upgrade to, for example, a business class room with additional services. And if the guest uses the "One Touch Service" telephone switch, our employees are trained to always offer, in addition to the room service order, supplemental beverages and dessert. There's also an economic benefit to up-selling for the employees.

In the housekeeping department, the main focus is on bottom-line results – primarily saving money through increased efficiency and better deals.

– We received ISO 14001 certification for our energy saving project. This, for example, involved changing the welcome light in the guest rooms in order to decrease energy use and setting the air conditioning to return to an automatic mode when guests leave their rooms. In the future, we also want to give the guests an opportunity to change towels and linen on request. These are all actions that are beneficial financially as well as from a responsible business perspective, concludes Kordula.

THE WAR OF 2009:

PROTECTING THE PROFIT MARGINS

Rezidor fights the effects of recession in many ways. One of these is a 30 MEUR annual net cost savings and efficiency programme, expected to reach full effect by mid 2009.

"REZIDOR IS A SLIM COMPANY compared to most of its competitors and has a healthy headquarters to field ratio. But everyone puts on a little fat during good times, and this now has to go", says Thorsten Kirschke, Executive Vice President & Chief Operating Officer Radisson Blu and Regent, who is also in charge of the Rezidor operational strategy for fighting the effects of recession. "But we're not blindly chasing costs. We understand that, in difficult times, you have to address the top-line to protect your margin even more. We're focussing on delivering profitability through growing our market share and our brand awareness, as well as improving our efficiency at the same time."

In Rezidor's current operations, 1 EUR RevPAR translates into 5–6 MEUR EBITDA. That's why protecting the bottom-line must start with supporting RevPAR. Any loss in RevPAR must be compensated for through increased operational efficiency.

"We already have a very efficient operation", says Kirschke. "We are best in class in our competitive set when it comes to EBITDAR, or Operating

"I'm a bottom-liner with a top-line perspective", says Thorsten Kirschke. "It's all about understanding your zero base and building your revenues, your market-share and your brand recognition with as flexible resources as possible."

Profit, which is perhaps the most important key performance indicator for a hotel management company, as it measures income before rent. But now we must sharpen operational performance even further in order to counteract top-line pressure."

At year-end, EBITDA break-even for Rezidor required a EUR 55 RevPAR, whereas RevPAR actually achieved was EUR 74, thus providing a 35% buffer.

"This seemingly comfortable cushion is likely to experience increased pressure in 2009", says Kirschke.

Rezidor's like-for-like RevPAR development in Rest of Western Europe, the Nordics and Eastern Europe followed the patterns for the market in general. The first half of the year noted strong growth rates whereas the second half was negatively affected by the economic slow-down with effect on like-for like RevPAR growth rates. The Middle East showed strong growth until the last month of the year. Total RevPAR for Rezidor was negatively impacted by FX effects, mainly the depreciation of the Pound and the Swedish and Norwegian Krona, as well as new openings. At a brand level, Radisson has grown its like-for-like RevPAR by 3.0% in 2008 and Park Inn's rose by 3.9%.

Additional pressure on RevPAR calls for the EBITDA break-even point to be brought down further. Where possible, Rezidor already switched from fixed to variable costs in most areas during the last downturn in 2002–03. Additional areas are now being analysed for the option to go variable, and remaining fixed costs will have to be cut.

Rezidor will fight the effects of recession in many ways. One of these is a 70 MEUR (see chart) annual cost savings and efficiency programme for leased and managed hotels. This is designed to impact the Rezidor bottom-line by net 30 MEUR over a 12 month period, which equates to 6% of total operating costs. The programme is expected to have full effect from mid 2009. Rezidor will enjoy the full benefits of the programme in the leased hotels portfolio, while the property owners will be the main beneficiaries for the managed hotels portfolio. Hotels under franchise contracts will also gain from the programme.

Increased economies of scale and renegotiation of purchasing contracts will contribute 30 MEUR to gross savings. In late 2008, Rezidor launched an electronic platform for purchasing (rezpin.com) which will increase compliance with group purchasing contracts.

Reductions in fixed costs will contribute another 23 MEUR to gross savings. Most of these savings will be from the leased portfolio – mainly in Radisson hotels in Western Europe and the Nordic countries.

"We have also introduced the concept of 'zero-based' operational planning. What do you really need to keep the operation running at zero activity? What and who is fixed and what and

Like-for-like RevPAR

BY BRAND, EUR	2008	2007	VARIANCE, %
Radisson Blu	87.9	85.3	3.0
Park Inn	48.0	46.2	3.9
Rezidor	79.0	76.9	2.7
MEUR			
Total EBITDA	**70.9**	**86.5**	**–18,0**

1 EUR REVPAR → 5–6 MEUR EBITDA per year

Annual cost savings

LEASED AND MANAGED HOTELS	GROSS IMPACT, MEUR
Purchasing	30
Food & Beverage	10
Energy & Water	2
Performance Gap	5
Fixed Costs	23
Total	**70**
GROUP IMPACT	30

who is variable? What activities impact on staffing? Understanding your zero base is crucial to establishing the right fixed cost level. With proper forecasting you can orchestrate the right resources for any volume of demand. And it is always essential to be able to deliver your brand standards", adds Kirschke.

Food & Beverage (F&B) revenue accounts for approximately 30% of Rezidor's total revenue. The 'protecting the margins' plan includes a 2% increase of the F&B margin, which will contribute MEUR 10 gross. In addition to efficiency optimisation in all F&B operations, Rezidor is now rolling out its new portfolio of bar and restaurant brands, which will increase attractiveness to in-house and outside guests. Some of these concepts are also product concepts (see page 29) specially designed to improve both consistency and operational cost efficiency.

A 5% reduction in energy and water consumption will contribute MEUR 2 in savings, and will also support Rezidor's Responsible Business programme.

"We are constantly monitoring the need and possibilities for further cost reductions", says Kirschke.

Closing the performance gap between over and underperforming regions and hotels in terms of getting their fair share of market is a more complex exercise, but it may well yield more than the MEUR 5 that are targeted through a 2% annual RPP (RevPAR Penetration) growth. Sales and marketing, along with pricing and inventories, staffing and cash management are all on the agenda. The main focus is on supporting the under-performers in various ways. It's important not to succumb to discounting to grow or keep ones market share in a sour environment.

"Pricing discipline is vital for achieving rate parity and to protect RevPAR and margins", says Thorsten Kirschke. "Our hotels are priced to sell, not discount. We have established a good value proposition at a fair price and that must not be distorted. A study at Cornell University proves that discounting is not the way out of a soft demand situation, whether it be caused by local over-supply or a general downturn. When demand returns it is very difficult to readjust rates to the previously ordinary level. When done well, pricing and, even more so, distribution open up many opportunities to capture and grow market share. Especially in the area of e-commerce, which has developed very strongly in recent years, one has new channels and dimensions for reaching customers not only more frequent but also more accurately and in a timely fashion."

Distribution, sales and marketing strategies are being refined to support revenue generation in the current market and to strike the right balance between moving from strategic image building to tactical price positioning. Funds are being re-allocated to e-commerce and the retail business. As 150 key accounts equate to 20% of all room revenue for Rezidor, improving key account penetration is of vital interest. By the end of 2008, Rezidor also revitalised look to book, the industry's only global loyalty programme for travel agents.

"30% of our business today is sold retail, which is good", says Kirschke. "Carlson Wagonlit is obviously a very strong link and we get an ever greater share of our business through that system. An ever greater share of business – that sums up our general ambition pretty well."

Our hotels are **priced to sell,** not discount. We have established a good value proposition at a fair price and that must **not be distorted** by discounting.

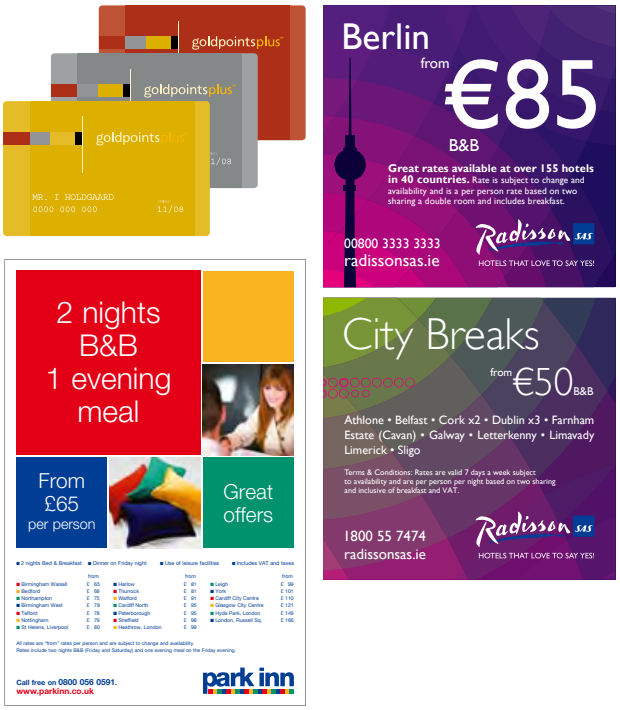
Shifting focus from image to tactical advertising

HOTEL BUSINESSES ARE NOT usually heavy on advertising, apart from in glossy magazines. Rezidor however has advertised intensively in places such as airports, planes, trains, buses and taxis. This image advertising has contributed to the rapidly increasing awareness of the Radisson and Park Inn brands. As we enter more challenging times, Rezidor now combines this general image advertising with a more aggressive approach at a local level, which includes tactical advertising focussed on specific target groups or smaller geographical markets.

The MICE (Meeting & Events) segment has emerged as a crucial market for Radisson in particular and increasingly also for Park Inn. Other hospitality products covered by the new tactical advertising strategy are, for example, 'City Breaks' and weekend destinations. And while Park Inn retains its focus on the core business of offering the best sleep in town by mastering the essentials, combination offers with several nights and meals included are also now becoming increasingly common.

But marketing is not all about advertising. The goldpoints plus^{SM} programme is an essential channel for ensuring continuous customer loyalty. The programme has increased its customer base dramatically during the last year, and has added possibilities like carbon neutralising your stay or donating your goldplus points to The World Childhood Foundation.

In the daily business, the foundations of the marketing strategy are of course Rezidor's unique service concepts. The 100% Guest Satisfaction guarantee, One Touch Service and the highly appreciated Super Breakfast all help build lasting customer loyalty and satisfaction.



Rezidor is shifting its focus from image advertising to tactical advertising, as well as local activities. City breaks and weekend trips are an emerging trend, and Rezidor uses promotions such as combination offers to attract new guests.

PORTRAIT

Co-operation and understanding is the key to a healthy bottom-line

– HI, MY NAME IS NIALL KELLY and I'm a bottom-liner, but I must also confess to being a top-liner at times. I like to ensure that our partners are not only suppliers but customers as well, as we here in Ireland firmly believe that reciprocal business is the key to the successful development of any partnership.

In his role as Regional Purchasing Manager for Ireland, Niall Kelly is directly responsible for the implementation of regional supply contracts for fifteen properties within the Republic of Ireland, and for making these available to three other properties in Northern Ireland. Bottom-line effect is one of the prime missions in this work.

– My role is to ensure that these contracts and partnerships, along with the products we jointly select, offer value for money and maximise profit for the hotels, whilst at the same time supporting the corporate office at Rezidor, says Niall.

Some of the most vital aspects in building a healthy bottom-line are the ability to understand the day to day operations and also a close co-operation with the whole team in each property. Having an open door policy is another, which means listening to and understanding the needs of the guests.

– When we work closely with our own people we find that compliance increases, thus giving us greater purchasing power and greater purchasing volume. This is where we as purchasers get excited as this gives us greater power to negotiate with our partners. I say partners, as we want people who are willing to participate on this journey with us through good times and through more challenging times. This is the main essence of how we try to minimise our costs, while always maintaining quality throughout the whole business, explains Niall.


HOTEL MISSONI
Edinburgh opening June 2009 Kuwait opening summer 2009 Oman opening 2012
Growing worldwide www.hotelmissoni.com

It's hip to be square. Park Inn is a young, fresh and fun brand. It is full of positive energy and caters to the mid-market customer. It prides itself on having really mastered the essentials, which includes providing the best sleep in town, as well as the best shower and the best breakfast at this price level. "Adding colour to life" is Park Inn's tag-line, and the brand lives up to its motto in the most striking way, sometimes "painting the town" with trains, planes, buses and cars in its recognisable multi-coloured squares.

Now *is the time to go* Park Inn

Mid-market value with an upbeat, upscale style, designed to make re-branding easy! The smartest and fastest conversion act in the industry.

PARK INN IS REZIDOR'S recent success brand, having grown from zero to more than 120 properties in six years, an un-paralleled growth rate even for Rezidor standards. With its strong value proposition, which is especially attractive in a softer economy, Park Inn is certainly a hospitality concept whose time has come.

There are circa 17,000 unbranded hotels in Europe, the Middle East and Africa, many of them struggling for business. In addition, there are thousands of mid-market hotels operating under dull, tired brands that do not help to captivate and retain business. For many of these hotels, Park Inn is probably the answer. It certainly is the answer for business and leisure travellers who look for better value for their money and start shopping for a really attractive mid-market alternative. This is also the case for meetings and events.

"We have already seen a sharp cutback in meetings-related travel", says Park Inn's Chief Operating Officer, Jacques Dubois. "Initially, companies usually just cancel big meetings that require travelling, but that eventually leads to a pent-up demand as the need to meet does not go away. We are anticipating most companies 'sliding down' one notch when resuming business travel for meetings – from luxury to five star, from five star to four, from four star to three. But the corporate buy-down stops there. Two star hotels do not have the business model or the facilities to support meetings and events. Three and four star Park Inns will benefit greatly from this trend."

Devoid of frills, Park Inn masters the essentials better than any competitor, including the quality beds, air conditioning and efficient in-room working space. In addition to this, there are some key details that distinguish and delight – flat screen televisions, walk-in rainfall showers and Park Inn Art & Aesthetics, as expressed by its bold and colourful interior design. Park Inn is mid-market value with an upscale style.

"A low fixed cost business model makes it possible to deliver a lot of value for money", claims Jacques Dubois. "Through Rezidor and Carlson we also enjoy economies of scale, again supporting our value-based proposition."

With its focus on rapid growth mainly through conversions, Park Inn has developed highly effective time-to-market procedures. In fact, it is most likely the fastest and smartest conversion act in the industry.

"The Park Inn concept has been developed to make re-branding easy", says Jacques Dubois. "The brand matrix identifies a clear set of brand requirements that have to be put in place before we can start operating a hotel under the brand name. In this way we secure

"Just like Park Inn itself, I am a bottom-liner", says Jacques Dubois. "Park Inn is a brand and product concept designed to produce strong bottom-lines, and to secure that we have now institutionalised a 'zero-based' resource planning, while also continuing to build critical mass and critical revenue in the markets we serve."

PORTRAIT

Crowned as best RevPar grower in 2008

– HI, MY NAME IS LIZETTE BOTHA and I focus on both top-line and bottom-line results.

Lizette has received an award as Best RevPAR Grower for her successful work as General Manager of the Park Inn Pulkovskaya in Sankt Petersburg. In a world of trends spiralling downwards, she managed to turn the hotel around in a tough market, resulting in outstanding RevPAR growth compared to 2007. No doubt due to her success, Lizette has recently been appointed General Manager for the biggest Park Inn in Russia – the Park Inn Pribaltiyskaya in Sankt Petersburg.

– I received the award for growth, particularly profit conversion and RevPar growth. We have recently completed renovations, which have enhanced the quality of the hotel, and through intensive staff training we are able to offer our guests a very satisfying stay and a convincing reason to return.

The responsibilities of a General Manager are manifold. Ensuring that the Park Inn brand becomes even more established amongst guests and corporate customers is one aspect. But building the employer brand aspect is equally important.

– My job is to coach and develop my team and thereby create a stimulating working environment. And I also need to assess all situations objectively, ensuring that we meet our financial and operational targets. Our sales and revenue departments have very clear and measurable targets. If we have a set-back though, we never let it get us down. Instead we analyse what happened in order to be able to convert it into an opportunity the next time. Better margins are achieved by controlling expenses in relation to the revenue on a daily basis, and by giving clear instructions to the heads of departments on how we are doing. I make sure that I participate in the entire process – from beginning to end. Implementing "best practice" ideas from other hotels and General Managers is also important, says Lizette. Finally, the key link in the promotion and sales chain, which is perhaps the most important one, is of course the customers themselves.

– Our guests leave here as ambassadors, telling other people about the time they spent here and what is on offer. Our ability to be flexible in all the services we provide makes us stand out from the rest, concludes Lizette.

It's important to be fast, without compromising on the established brand standards that have proven so successful for Park Inn.

not only a coherent product standard but also ensure that the brand quickly establishes a strong presence in the property. It's important to be fast, without compromising on the established brand standards that have proven so successful for Park Inn."

The conversion programme – covering everything from the typical Park Inn interior design to promotional material and operational items – is called Park Inn Essentials. It is designed to make a big impact, quickly and cheaply, by means of mainly small but highly visible elements, such as the white bed-linen contrasted with the iconic colourful bed strip. The bed alone will tell you immediately that you're in a Park Inn hotel.

"The Park Inn Essentials can be implemented for as little as 1,000 EUR per room, including signage!", states Dubois.

Park Inn has experienced conversions/openings teams, which know exactly what to tackle when and how to get everything in order for an efficient operation from day one. Operational conversions can be done in as little as one week, depending on the condition of the property and the degree of product improvement work required. A substantial proportion of the properties in the UK that have recently been converted to Park Inns are now being extensively renovated and refurbished. The investment programme, totalling 50 MEUR and jointly covered by Rezidor and the property owners, includes iconic bathrooms and public areas.

Of equal importance is the creation of a coherent service delivery from the very beginning of operations. That's why Park Inn has an ambitious programme for training people in creating the typical Park Inn experience – easy, fun and friendly with a Yes I Can! service attitude.

"We have great locations and great people", says Dubois. "When we renovate, we get really great hotels."

Leigh and Peterborough help turn the UK into Park Inn mainland

THE REST OF WESTERN EUROPE continues to offer a huge potential for all Rezidor brands, and in a downturn market there is particular potential for Park Inn. The development strategy for Park Inn is to penetrate deeper into core markets, such as the UK, Germany, the Nordic countries and Russia. In the UK, two of the latest newcomers to the Park Inn family have added to Rezidor's already impressive presence in the region. With 21 properties already in operation and another 12 in the pipeline, Park Inn is now a serious and rapidly growing contender in the field of mid-market full service hospitality in the region.

Location is a key to success and the two new-build hotels, Park Inn Leigh and Park Inn Peterborough, both offer ideal locations for business and leisure travellers with their quality mid-market hospitality and proximity to tourist attractions, shopping and business districts.

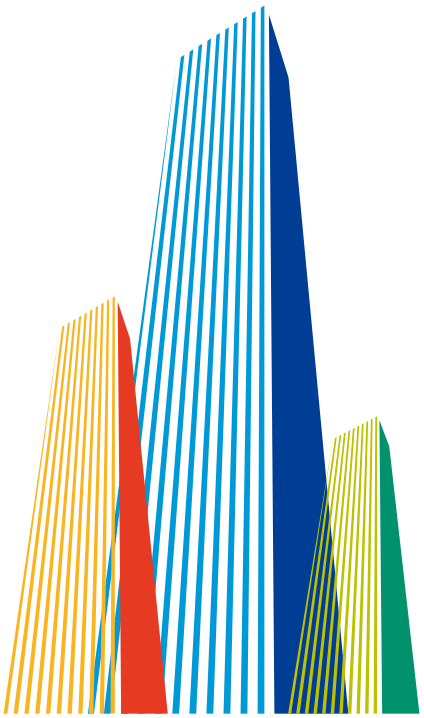
Park Inn Leigh was also one of the first hotels to feature the new tailored Park Inn bar and restaurant solution, which is now being installed at all Park Inns. The RBG (Red Bar and Grill Restaurant) tempts its guests with gourmet burgers, light bites, a choice of soups, local dishes, salads and signature dishes from the grill. Or, as Park Inn puts it: Easy, honest, fun and good value all the way.

Park Inn Leigh

The newly built Park Inn Leigh is located 10 kilometres from Manchester and only a short drive from Liverpool. With its close proximity to, for example, the Knowsley Safari Park, the Three Sisters Race Track, the Trafford Centre, Pennington Flash and the Leigh Sports Village Stadium & Arena, Park Inn Leigh has much more to offer than purely its 135 contemporary guest rooms. The RBG Bar & Grill and Coffee Lounge, the fitness room & sauna, meeting rooms, 24 hour room service and high speed Internet access add to the comfort and amenities.

Park Inn Peterborough

The Park Inn Peterborough is a newly built hotel situated in the heart of the city of Peterborough. The 115 spacious and beautifully designed guest rooms, all faithful to the colourful Park Inn design ethos, can be found adjacent to Queensgate Shopping Centre and its numerous stores. In addition to its many modern comforts and hospitality, the hotel is also within walking distance of the main railway station, which provides a 45 minute rail connection to central London.



The thrill of the grill

We don't cook the books at RBG bar & grill, but we do know how to get a very tasty margin out of the kitchen – and happy guests too.

EASY, HONEST, FUN and good value all the way; that's the thinking behind RBG. Mastering the essentials is the winning formula for Park Inn and this also applies to its new bar and restaurant concept, RBG: Red Bar & Grill. The RBG Essentials are a carefully selected and meticulously developed set of tools which ensure that guests leave the table happy, and that owners and operators are equally satisfied.

To deliver a bar and grill like RBG in a consistent, relevant and successful manner requires rules, standards, must haves/don't haves and even some nice to haves. The RGB Essentials cover everything from the gas-fired charcoal grill to the over-sized steak knives, the uniforms and the required table top style. "We have developed the entire concept to allow for rapid conversion of existing restaurants. It costs EUR 30,000 to implement a fully-fledged RBG", explains Jacques Dubois.

In spite of all the branding, RBG is first and foremost a product concept – the focus is on what's on the plate. RBG's versatile all-day menu offers healthy and hearty dishes. We're talking about charcoal-grilled quality cuts of meat, great salads, local specialties and signature dishes.

RBG is designed to make money, and we aim for a 35% margin. It offers a buzz experience that is truly appealing to guests, a menu loaded with proven favourite foods and beverages, a scale of economy through regionalised joint purchasing, and back-room efficiency with easy-to-use tools such as the programme for minimising waste.

By the end of 2008, five RBG's were in operation, all of them in the UK. In 2009 it is planned that another 22 will open their doors for hungry guests and by 2011 another 20 will be opened, making RBG a strong food and beverage brand in Park Inn's major markets.

Tying in with Park Inn's colourful approach to hospitality, the red and white RBG logo is bright and bold, giving out a clear, contemporary signal; this place is hot!

Taste of the house, talk of the town

Attractive bars and restaurants are equally import for guests, hotels owners and for Rezidor. For Rezidor, food and beverage revenue amounts to 232 MEUR, which is 30% of total revenue. New exciting bar and restaurant brands, such as Filini, Sure and Verre en Verre, will spice up the guest experience as well as the numbers even further.

PORTRAIT

Yes I Can! create top-line excellence in bars and restaurants

– HI, MY NAME IS JESPER VILSOE and I'm both a top-liner and a bottom-liner. As head of the Food & Beverage section at Radisson Blu Hotel, Bucharest, my main goal is ensuring guest and employee satisfaction and maintaining the highest standards of products and services, while maximising profitability.

Jesper admits to being a passionate advocate of the Yes I Can! philosophy, a tool he finds very useful in the process of hiring new personnel as well as for inspiring and developing his present staff. And it also helps in continuously exceeding the guests' expectations, as Jesper puts it. The Yes I Can! spirit is crucial when it comes to creating top-line excellence in bars and restaurants.

– We boost sales by continuously developing creative and cutting edge menus, wine lists, service delivery and standards in order to ensure that we stay ahead of the competition. We improve, fine-tune and capitalise on things that work well, and correct things that don't work as well. Regular promotional and sales events are a must, preferably in partnership with suppliers, which enables us to improve our deals.

While professional training and development of the personnel is important for maintaining an increased demand for Rezidor's services, the importance of connecting with the guests remains the real key; it's all about knowing the needs of a guest before being asked.

– I try to be an ambassador for our brands 24/7. In Bucharest there is quite a large expatriate community and it's important to keep a close contact with these people on a regular basis. On the surface it may look like socialising, but at the end of the day it is networking and it brings you business. People want to relate to people, and ultimately it is people who deliver the brand promise, concludes Jesper.

Brand recognition supporting

RevPAR development

and, ultimately, establishment of strong premiums

Radisson continues to be the rising star of the BDRC Pan European Hotel Business Guest Survey. The brand is the "Most Improved Brand of the Year" in 2008 amongst the upper upscale brands, showing a particularly good performance in Britain and Germany.

"I'm a top-liner because it's my job to drive revenue", says Olivier Jacquin. "Brand awareness not only helps build revenues. Translating the awareness into customer preference also has crucial bottom-line impact."

OVER THE PAST five or six years, Rezidor has re-engineered the Radisson brand more or less completely. The transformation was inspired by understanding that a growing number of business and leisure travellers want their stay to be a truly exciting and rewarding experience in addition to providing all the expected functionalities with top efficiency.

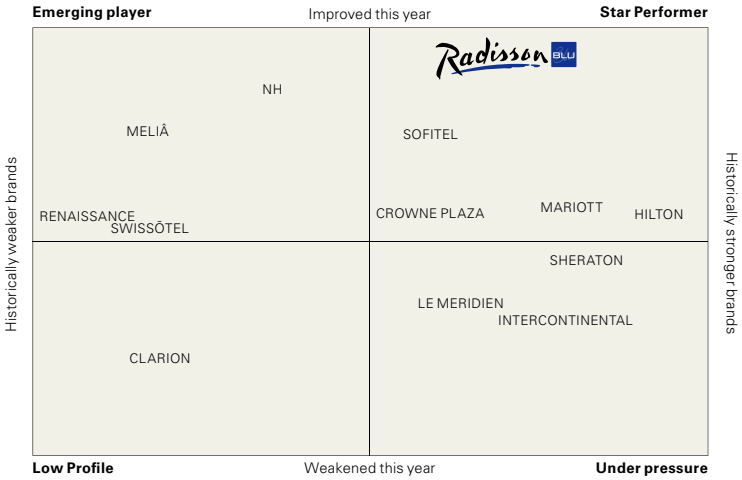
With more than 225 hotels in operation or signed in the EMEA (Europe, the Middle East and Africa) region, Radisson is not only outgrowing and outpacing its competitors in the upper upscale segment, it is now also translating its fast expansion into strong brand recognition.

"Growth translates into brand awareness with a time-lag of two to three years", claims Olivier Jacquin, Senior Vice President Sales & Marketing. "But first you have to reach a critical presence in a market to get the effect."

The Radisson brand has achieved critical mass in a growing number of markets in Western Europe, such as Germany, the UK and Ireland, Benelux and recently France. With its many newly opened hotels, Radisson has the freshest supply of rooms in the industry. Furthermore, quite a few of these hotels are flagship properties with an iconic contemporary architecture that leaves a strong footprint in the cities and customer groups they serve. To support brand awareness and sales alike, Radisson has pioneered bold image marketing in airports and other travel-related environments as well as in travel and lifestyle media.

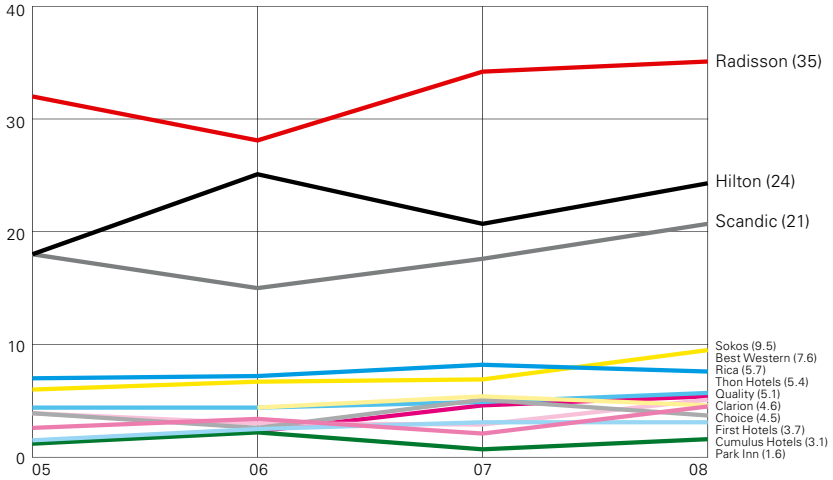
This is why it came as no big surprise that Radisson again proved to be the rising star in its peer group in the 2008 BDRC Pan European Hotel Business Guest Survey, improving its brand awareness faster than any other upper upscale brand in Western Europe. The renowned multi-client BDRC (Business Research Consultants) survey was conducted amongst more than 3,600 business travellers in Benelux, Britain, Germany, the Nordics, France, Italy and Spain. The survey shows that Radisson has steadily continued to build its profile in the major markets of Western

Western Europe Hotel Brand Performance Overview Upper Full Service



Note: Historic strength refers in the first instance to total market
Source: BDRC Hotel Market Surveys

Nordic Business Travellers Leading (1st/2nd) Choice Hotel Brand



Base: All business travellers
Note: Data combines mentions for first and second choice
Source: BDRC Hotel Market Surveys

PORTRAIT

The art of creating the ultimate value proposition

– HI, MY NAME IS ROBERT VAN DEN BORN and I'm a top-liner. I'm the Director of the Global Sales Office for Scandinavia at Rezidor. The goal of our department is to deliver as much business as possible and to maximise value for Rezidor's stakeholders, regardless of market conditions.

As the business climate changes, it is crucial to adapt and switch to a prospecting mode, hunting business and redirecting activities in order to maintain a consistent and stable business for existing and future hotels, Robert explains.

Creating an increased demand and thereby a healthy top-line profit is a matter of creating the ultimate value proposition for existing and, above all, future customers, claims Robert.

– We are deployed strategically in the three Scandinavian markets in order to maximise revenue streams to our 360 hotels in EMEA, conference centres & resorts from current and potential future accounts in these markets. Rezidor has a great team behind the portfolio of brands we manage, and our job is to convey our proposal in an efficient, targeted and profitable way. We focus our activities on a combination of short and long-term measures with the aim of paving the way for stable and consistent results with a variety of lead times, concludes Robert.

Europe and is now well placed to challenge for the No. 2 position in terms of recognition. The brand leads clearly on the attribute "contemporary" and users also praise it for being "innovative" and having "a buzz of excitement". All of which promises to further boost brand awareness.

More significantly still, when it comes to customer preference amongst business travellers that actually stay at the hotels – Radisson already enjoys the No. 2 spot, closing in relentlessly on the top spot. In the Nordic countries, Radisson continues to enjoy the No.1 position for the seventh consecutive year. This position has now also been achieved in Russia and Ireland, and for the meetings segment in the UK.

"Both Britain and Germany are key meeting markets for us, and the investments we have made over the last few years are now paying off", says Olivier Jacquin. "We are really pleased with the accolade of being the number one choice among both agents and corporate organisers in the UK. The BDRC survey proves once again that the Radisson brand is getting stronger and stronger. With its continued fast growth Radisson will become even more visible, well-recognised, tried and preferred in the years to come. This will, in turn, support RevPAR development and, ultimately, lead to the establishment of strong premiums."

Hotel Missoni *– designing the future*

HOTEL MISSONI REPRESENTS a new standard of design hotels, combining the style of the iconic fashion and interiors label with the expertise of one of the world's leading hotel operators. Edinburgh and Kuwait will be the first two properties in the Hotel Missoni portfolio to open. As the big day dawns, meet the two latest recruits, the first ever Hotel Missoni General Managers. The chosen two, charged with turning the dream into reality – the theory into practice.

In the summer of 2009, the very first Hotel Missoni will see the light of day. Carina Williamson, a 33-year old Norwegian with a previous position as General Manager at the Radisson Blu Hotel, Belfast, will be heading the Hotel Missoni Edinburgh. Pascal Gadet, with his 20 years of hospitality experience and previously General Manager at the award-winning Radisson Blu Resort in El Quseir, Egypt, has been appointed General Manager for the Hotel Missoni Kuwait. They are both equally excited about the challenge.

"Carina and I have known each other for some time as we've both grown up as part of the Rezidor family. We have a great professional relationship that involves a huge amount of support and the pooling of ideas with bit of good-natured rivalry. So I tease Carina that, while she may actually be opening the first Hotel Missoni, I was the first GM to be appointed and that I have 63 suites as opposed to her seven", says Pascal with a hint of mischief.

"We want our hotels to be reflective of everything that's best about Missoni; the style, the quality and indeed the Missoni family itself", says Carina Williamson.

"Carina and I have known each other for some time as we've both grown up as part of the Rezidor family", comments Pascal Gadet.

Hotel Missoni, in a nutshell, will be a new luxury lifestyle brand catering for a sophisticated, contemporary niche market. It's about creating something to remember; an experience which is not only about a carefully crafted, beautiful design environment but also, and more importantly, about the level of care, service and understanding.

Carina takes up the definition.

"We want our hotels to be reflective of everything that's best about Missoni; the style, the quality and indeed the Missoni family itself, so in essence we will be representing and delivering the very best of Italian life. And as my grandmother was Italian, my mother was in fashion and my father was in restaurants – this is a dream opportunity for me."

Colours and styles in every hotel are customised to suit the specific building, the setting and the local culture. While the sea, sand and sunshine shades of the Gulf of Arabia will run joyously throughout the Hotel Missoni Kuwait, Hotel Missoni Edinburgh reflects the rich, dark hews of the Scottish countryside and the city's famous granite.

A small dedicated team at Rezidor have been working with the Missoni family over the past few years to develop the brand. Heading that team is Gordon McKinnon, Rezidor's Executive Vice President, Brands.

"It's far too early for acceptance speeches or plaudits. In just about every way we still have the hard bit to do. But when Carina and Pascal joined the team – Rose Kutzli, who's been driving the Marketing, Ian Donaldson, who's been honing and controlling the hardware, and Philippe Bijaoui, who's been scouring the world looking for the right development opportunities – it gave everybody a fresh impetus. It started to become really tangible. We're also working with some of the best external talent on the planet right now and together it's quite an extraordinary collective. Everybody involved just can't wait to get it open now and share with the world", states Gordon.

Hotel Missoni opens in Edinburgh in June, and Hotel Missoni Kuwait will open later in the summer. For those who can't wait, you can get a sneak preview at www.hotelmissoni.com.

The Power of YES!

Yes I Can! proves its case

'Yes We Can'. This statement was powerful enough to win the presidential election in the United States. Rezidor knew the power of 'Yes We Can' decades ago – or rather "Yes I Can!", the service culture that has formed the foundation of service excellence in the company.

NOW, A DEFINITE LINK between the programme and actual working performance has been established as a result of research carried out at the well-known and highly respected Ecole Hôtelière de Lausanne in Switzerland.

The study concluded that the Yes I Can! service philosophy is as far from an empty slogan as you can possibly get. It proves that the concept of Yes I Can! contributes fundamentally to a better service performance at both the individual and organisational levels, which in turn has a strong positive impact on guest satisfaction. And a continuously high score on guest satisfaction is, as we all know, a pre-requisite for a healthy bottom-line.

"We have always believed in "Yes I Can!" as a driver of people's attitude and an instrument in achieving results. It is especially important to us that research now shows that our long-held focus is right. We have always said that we hire by attitude and train for

skills. It now turns out that attitude can also be trained if you have the right concept. It becomes, as we like to say – a way of life", comments Kurt Ritter, President & CEO of Rezidor.

The result of the study was presented at the internationally renowned conference for the Hospitality Industry, EuroCHRIE 2008, hosted at The Emirates Academy of Hospitality Management in Dubai.

The research is based on data collected from 74 Rezidor properties, both Park Inns and Radisson Blu hotels. Survey questionnaires were sent out and data was received from 2,413 front-line service employees, 2,520 supervisors and 464 Department Heads and General Managers.

An interesting fact revealed in the study was that the Yes I Can! philosophy also tends to 'rub off' surprisingly quickly on newcomers. New employees in the organisation are rapidly 'infected' with the Yes I Can! way of doing things. Seeing one's colleagues continuously enacting Yes I Can! apparently makes people want to work harder to achieve the same good results.

"One of the unique features of our approach is that employees are not only encouraged but also empowered to take control in guest service situations. Everyone is a manager managing his or her job and has to take the necessary decisions to ensure that all guests are satisfied. 'Doing it right' from the beginning is the basis of our approach. But when things go wrong – and of course they do sometimes, then it is important to 'Make it Right', preferably with that extra little margin – in other words to 'Surprise and Delight!'. Yes I Can! is not just another service concept, it is in fact a way of living our culture. By participating in this study we wanted to put to the test and prove the beliefs that we have ourselves held for a long time", says Beathe-Jeanette Lunde, Senior Vice President People Development & Radisson Blu Franchise Operations.

To establish the link between the Yes I Can! programme and the actual working performance of the employees, a number of hypotheses were formulated at both the individual and the collective levels. As other research had long suggested, this study showed indisputably that psychological empowerment is positively related to job satisfaction and performance at the individual level. But it also proved that empowerment practices at an organisational level are also positively related to the collective performance of service employees.

The culture of empowerment and encouragement of employees to take initiative plays a crucial role in the Yes I Can! culture. Individuals are more likely to take initiative in an organisation that favours independent decision-making and a degree of risk-taking, and which is tolerant to errors. This principle of supporting and rewarding those who take initiative ignites a kind of chain reaction, where taking initiative is perceived as being the normal operational mode in the company. This perception will in turn inspire employees to service behaviours that go "above and beyond" their specific job descriptions. Ultimately, it is the guests that then enjoy the full benefits of this heightened level of service.

"We continuously roll-out new and energised versions of the Yes I Can! programme in order to keep it alive and evolving", concludes Beathe-Jeanette Lunde. "Now we have proof that investing and reinvesting in culture pays off handsomely – for all stakeholders."

One of the unique features of our approach is that employees are not only encouraged but also empowered to take control in guest service situations.

"I'm a combined top- and bottom-liner, but in charge of people development I'm most of all a front-liner", says Beathe-Jeanette Lunde. "We will have neither a top-line nor a bottom-line if we don't have the right people with the right competence in the right places."

Empowerment and Yes I Can! at the Heart of People Development

Encouraging employees to take a more active role in business development and the company in general becomes even more important in tougher economic times. Catering for Rezidor's over 30,000 employees in 55 countries could have presented something of a challenge in this respect, but Rezidor has found its way.

THE NEW Living & Leading Responsible Business Training (read more on page 47) is one attempt to engage the employees. But in the long-term, a clearly focussed people development strategy is the full answer.

Rezidor offers plenty of different career paths and means of bettering oneself. The '5 Step People Development Programme' is at the heart of this strategy and ambitious employees can strive all the way to the top, thanks to the Rezidor policy of

”95% of our General Managers are promoted from within.”

‘recruiting from within’. The programme covers all employees by means of a basic training level, which includes the mandatory New Hire Orientation, On-the-Job Skills, Yes I Can! and Living Responsible Business training courses, with the subsequent stages forming an increasingly more advanced progression from supervisory training to the final top executive training.

The Business School@Rezidor is an integrated part of the 5 Step People Development Programme. In July 2008, the 40th Business School was conducted at the Radisson Blu Royal Hotel in Brussels, with a total of 230 delegates from Europe, the Middle East and Africa.

The Business School@Rezidor offers a wide range of courses including the STAR training programme, the General Manager Certification Programme, business planning based on the LOTS principles, and much more. In 2008, the portfolio was supplemented by the new Management Development Programme for the leaders of tomorrow.

The aim of this new management programme is to develop, train and prepare existing or newly recruited supervisors to become Department Heads. The programme is initiated at the corporate level but runs locally at individual hotels over the course of 18–24 months, in parallel to normal daily operations.

The new programme is a key in attracting new talent from the international hotel schools. The battle for talent is still a great challenge, and purely during the next 12 months Rezidor will need to acquire some 50 new General Managers and 500 Department Heads.

“One of the ways of ensuring that we stay ahead of the competition is by welcoming students from renowned hotel schools to conduct their internships with our company, and to eventually return to Rezidor as employees. There are two ways of entering into the company. Either through a conversion or as a direct entry from a hotel school”, continues Beathe-Jeanette Lunde.

Another important tool is the Mentor–Mentee Programme, which is also designed to prepare talent for a future General Manager role. The programme was launched in the year 2000 to ensure that the inherent knowledge already within the group is documented and passed on to future generations of General Managers. 95% of our General Managers are promoted from within.

The Yes I Can! philosophy is of course the heart and soul of people development, as well as of the company itself. At the beginning of the year, an updated version of the Yes I Can! training module called ‘The HEART of Radisson Blu’ was rolled out. Its aim was to have all Radisson Blu employees retrained by the end of 2009.

“The previous Yes I Can! training module had formed the basis of training within Radisson Blu for the past 6 years and it was time for an update and the launch of a fresh version of the programme to ensure that it is really aligned with the brand and the people who work for the brand”, concludes Jan Spooren, Director of People Development.

AWARDS

In a hotel management company such as Rezidor, the people is the most important asset. We would therefore like to pay attention to some particularly good ambassadors for our Yes I Can! spirit.

REZIDOR
Young Leaders of the Year

Kurt Micallef, Food & Beverage Manager, Park Inn Heathrow, London

Kurt Micallef represents the perfect Young Leader with his contribution to Park Inn Heathrow and his passionate approach to Yes I Can! service delivery, team motivation and personal development. Having just achieved his next goal of being appointed Food & Beverage Manager, he still continues to have overall responsibility for Bravo! Bravo! Restaurant & Bar. In these challenging times, with declining occupancy and a tough economic climate, Micallef still managed to exceed the previous year's bar revenues. Through strong communication and personal devotion, he assumes a leading role in ensuring that his team works together efficiently to produce great customer service. Mr. Micallef is also a pro-active leader in the Responsible Business area, and plays a significant part in the hotel's charity and community outreach programmes.

Elena Donchenko, Front Office Manager, Radisson Blu Royal Hotel, Sankt Petersburg

Elena Donchenko is a true manager and employee from within. She joined the hotel during pre-opening in 2001 as a receptionist and now leads the Front Office operations and a team of 25 enthusiastic employees. On request, she has done presentations on guest service and satisfaction to students in the hospitality industry, with the aim to promote the industry and the brand. Elena has in her relatively short career so far definitely learned to be a true ambassador of Rezidor, and knows how to walk the talk. She loves to work with people, has a calm and reflective approach and is extremely trustworthy with a great personal initiative.

REZIDOR
Host/Hostess of the Year

Nathalie Lafitte, Head of Housekeeping, Park Inn Arcachon, Arcachon

Nathalie Lafitte joined Rezidor in 2003 and has been a true Yes I Can! ambassador ever since. By keeping a record of all guest preferences, she manages to surprise and wow guests upon their return. Among her colleagues, her devotion as a leader has earned her exceptional respect. She is always on hand to give support, whether it concerns helping to clean rooms, providing the Responsible Business team with new ideas or ironing clothes herself if needed in order to make sure the guest gets it on time. Ms. Lafitte is frequently mentioned on the Customer Satisfaction Cards, thanking her for her personal attention and care.

Mohamed El Jilali, Chef de Rang, Radisson Blu Royal Hotel, Brussels

Mohamed El Jilali is a living example of the Rezidor Yes I Can! spirit. Today he is employed as Chef de Rang at the Radisson Blu Royal Hotel in Brussels, where he started his career as a casual dishwasher in 2005. Mohamed's polite and professional working style creates a great atmosphere among guests and fellow colleagues alike. His impromptu 'Guest Relations' position with the hotel's Arabic guests and his voluntary support at the Park Inn Liège during operational difficulties there both have proved his firm commitment to genuine and warm hospitality.

HSMAI
Young Hotelier of the Year

Robert Holan, Assistant General Manager, Hotel Radisson Blu Plaza, Oslo

Every year, a promising young leader is honoured by the HSMAI (Hospitality Sales and Marketing Association International) as a way of promoting ambition and commitment in the hospitality business. Robert Holan, a 32 year old Norwegian Assistant General Manager at the Hotel Radisson Blu Plaza in Oslo, was the well-deserved winner in 2008.

Starting out as a cafe waiter at the Grand Olav Hotel in Trondheim, Robert quickly moved on to a position at the Radisson Blu Gardemoen Hotel – and then became the Assistant Manager of the Plaza. As a direct result of the new award, Robert has now been promoted to General Manager of the Radisson Stavanger Royal Hotel.

The jury's decision declares: "The winner has a versatile, comprehensive and practical background and has developed step-by-step along his career path, which has led to him obtaining significant knowledge and skills relating to his chosen profession. This versatile background was one of the major factors for choosing this particular candidate, as it clearly illustrates the winner's thoroughness and commitment to the hospitality business."

GREEN IS THE NEW BLACK

How Responsible Business contributes to a strong bottom-line!

We are living in a world which increasingly views green initiatives as being a crucial foundation for business. Not only in terms of being a responsible business, but also as a means of creating a healthy bottom-line; green is indeed the new black.

Small actions can make a huge impact

REZIDOR WAS ONE OF the first hotel companies in the world to have a dedicated Responsible Business programme, and one of the first to offer carbon offsetting possibilities to all guests. But despite previous accomplishments and numerous awards on both the corporate and individual level, now is not the time to sit back and rest.

An innovative new Responsible Business training was launched in 2008 and is currently being rolled out across the company with all employees to be trained by the end of June, 2009. In 2008, Rezidor also created and distributed the company's Code of Business Ethics which covers employee rights, conflict of interest, shareholder influence, transparency, purchasing policies, communication, infringements and much more. The Responsible Business programme is at the very core of this Code of Ethics and entails taking responsibility for the health and safety of employees and customers, respecting social and ethical issues in the company, as well as in the community, and reducing the negative impact on the environment. Sustainability issues are treated in the same way as any other important strategic business issue at Rezidor; this aspect is fully integrated into the overall governance of the company. The ultimate responsibility for Responsible Business lies with the Executive Committee at corporate level and General Managers at hotel level.

Taking a leading role

Rezidor's vision for this programme is to take a leadership role in the international hospitality industry and also strive to achieve recognition and to reap the economic benefits of this leading position. In order to be a leader, Rezidor's Respon-

About the full report

THE PURPOSE OF The Rezidor Hotel Group Sustainability Report (available at responsiblebusiness.rezidor.com) – in combination with the financial accounts – is to help shareholders and other important stakeholders to value, assess and understand the operations of The Rezidor Hotel Group. It describes the most material and relevant sustainability aspects of Rezidor's operations to the company's key stakeholders: shareholders, customers, employees, property owners, suppliers, authorities, environment and community and society.

In addition to some of the key issues addressed in the current sustainability pages of the Annual Report, it looks more closely at social issues such as human rights, diversity and how Rezidor handles operational changes. It also goes deeper into how Rezidor manages different aspects of the company's environmental and ethical challenges.

The Sustainability Report is in line with the Global Reporting Initiative (GRI) G3 Guidelines, self-declaring C level.

Rezidor's eco-labelled hotels – approaching the 100 mark

AT THE REZIDOR HOTEL GROUP we value third party certification of the Responsible Business activities – as this ensures the communication about the company's achievements is fully transparent and credible. Rezidor therefore decided to aim high in this area in 2008, with the ambitious objective of tripling the number of externally certified eco-labelled hotels.

Rezidor's initial focus has been on boosting the number of eco-labels in 5 five key regions, representing important markets for Rezidor, and with additionally well-recognised and respected eco-labelling schemes available. In the UK, the selected eco-label was the Green Tourism Business Scheme, in Ireland the Green Hospitality Award and in France, Tunisia and the Netherlands the Green Key. All Rezidor properties in the Nordic region including Norway, Sweden, Denmark and Finland aim to achieve the very ambitious Nordic Swan label. Since no commonly recognised label was available in Germany, it was decided that all Radisson Blu hotels would seek to comply with the ISO 14001 standard – one of the best known and respected environmental management standards with global coverage.

Overall, the results have been even better than expected! In total, 65 hotels have now achieved the above certifications – which is an outstanding performance when compared to the starting point of 17 eco-labelled properties at the beginning of 2008.

But this result looks even better when we take into account the numerous remaining properties that have already submitted their eco-labelling applications and are on track to achieve their certification early this year.

Together with additional labels and standards from other regions, this will bring Rezidor to around 100 certified hotels – well over a third of the total number in operation.

See complete list on p. 43.

sible Business programme must be anchored in the core business and touch upon the work routines of all employees. Moreover, the programme must be continuously updated and developed, and work with Responsible Business must be measured so as to spur continuous improvements.

An important aspect of taking this leading role is Rezidor's eco-labelling strategy, where the results have been even better than expected. Nearly a third of the total number of hotels in operation were certified at the end of 2008 – an outstanding achievement.

In December 2008, The Rezidor Hotel Group joined the United Nation's Global Compact, the world's largest voluntary corporate responsibility initiative. The company's long-standing Responsible Business programme means Rezidor is already well-prepared to aligning its operations with the ten universally accepted principles of the Global Compact in the areas of human rights, labour, environment and anti-corruption.

Responsible Business tools

Rezidor's long-term success depends on the understanding of, and ability to address, the needs of those who affect or are affected by the company's operations. In the Responsible Business Policy eight key stakeholders are identified: employees, customers, property owners, shareholders, suppliers and business partners, local and global communities, authorities and the natural environment.

Under each stakeholder in the Responsible Business Policy described above, there are fixed objectives that state Rezidor's ambitions for each area. These objectives are in turn made practical through suggestions for actions, underpinned by performance-based targets.

On an operational level, the company has equipped hotels and General Managers with several tools to better manage their health and safety management, environmental performance, local community involvement, employee well-being, and children's rights. Each hotel devises its own personalised Responsible Business Action Plan based on the corporate objectives. Hotel employees are guided by a Responsible Business Manual as well as a continuously updated intranet that contains information about policies, reporting requirements, best practice examples, certification and awards and other useful resources. There is also a regional framework in place for Responsible Business, supporting the hotels at a regional level and providing a liaison between the hotels and the corporate Responsible Business team. The regional Responsible Business Coordinators meet twice a year, where they are informed about and discuss the most recent developments and plans for the Responsible Business programme, and share best practice.

Sustainability is a business opportunity

The World Travel & Tourism Council (WTTC) estimates in 2008 that the travel industry generates 238 millions jobs and contributes 9.9% of the global gross domestic product. An industry of this size has a considerable impact on social, economic and environmental conditions around the world.

The hospitality industry faces a plethora of issues, risks and opportunities related to sustainability. These include addressing climate change and resource consumption, minimising generation of waste, and attracting and retaining high-performing employees. The industry must also respond to sustainability-related expectations expressed by customers and the local and global communities. Finally, and increasingly in today's business climate, comprehensive management of health and safety, ethics, corporate gover-

nance and a socially and environmentally responsible supply chain have become ever more important priorities.

The Rezidor Hotel Group believes the above non-financial issues ultimately impact profitability. This view is also reflected by an evolution in shareholder perspective as the company observes an increased interest from investment funds, banks and the Socially Responsible Investment (SRI) community with regards to companies' environmental and social performance. In a 2008 European SRI study, Eurosif estimates that total SRI assets under management in Europe had reached 2.7 trillion euro as of December 31, 2007, representing as much as 17.5% of the asset management industry in Europe. This corresponds to a remarkable growth of 102% since December 31, 2005. Rezidor also observes that an increasing number of mainstream asset owners, investment managers and professional service partners sign up to the Principles for Responsible Investment (PRI).

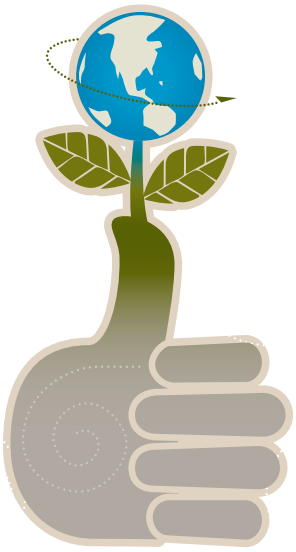
Rezidor's Responsible Business programme was launched in 2001, expanding on the environmental management system dating from 1996. Fully aligned with the company's core business objectives, the programme was instated to increase awareness and readiness to handle risks and reduce costs, but also as a means to capture opportunities in the process of achieving the goal of being an industry leader with solid long-term profitability.

There are many ways to run a hotel business – which in turn impact on how a hotel operator can manage risk and take advantage of opportunities related to sustainability. Rezidor's business model which entails operating hotels but not owning the properties, sometimes limits the actions the company can take. But by and large Rezidor is able to control the key issues pertaining to sustainability as demonstrated in the paragraphs below.

New customer demands targeting environment and ethics

Long term sustainable profitability and growth require Rezidor's operations to be able to meet demands set by customers. These include requirements related to environmental performance as well as social accountability and ethical behaviour. A 2008 Deloitte survey on sustainability in the hospitality industry finds that 38% of the business travellers interviewed had taken steps to find out whether a hotel was 'green' and 40% were willing to pay more to stay at a green lodging facility. Rezidor notice this trend in particular in requests for proposals from corporate clients, where the company is asked to comply with increasingly detailed requirements regarding environmental and ethical issues. As a response, Rezidor has ensured that the provision of information about the company's environmental and social profile to clients is part of the sales and marketing process. The company has also started to develop a responsible meeting and events concept. Working jointly with Meeting Professionals International (MPI), Rezidor sponsored and participated in the piloting of the new British Standard for Sustainable Events, BS 8901, during the spring of 2008. On the basis of this experience, Rezidor has also tested its own responsible meeting and events concept among selected hotels. During 2009, the company will continue to refine this concept further and roll it out in selected regions.

Rezidor's Stakeholders: Achievements 2008



Employees

- Living and Leading Responsible Business Training package completed
- New Responsible Business Training launched at the Business School in July 2008
- 24 Master trainers and 148 Hotel trainers educated who will train our over 30,000 employees by end of June 2009
- New Responsible Business intranet pages launched in October 2008
- All hotels comply with local labour laws
- 89% of hotels pro-actively make information on Rezidorethics.com available to employees

Customers

We have increased customer awareness:

- 65 hotels obtained third party certification in 2008
- 94% of hotels display Responsible Business communication material and actions in rooms and lobby
- 58% of the hotels have a Responsible Business page on their hotel website

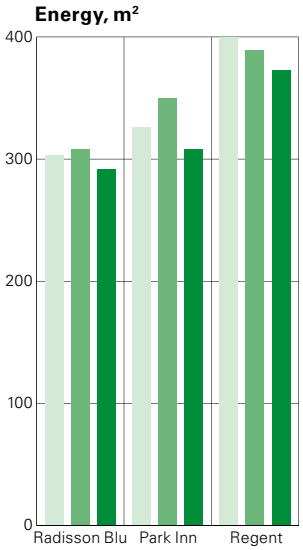
We have provided Responsible Business actions that are easy for guests to participate in:

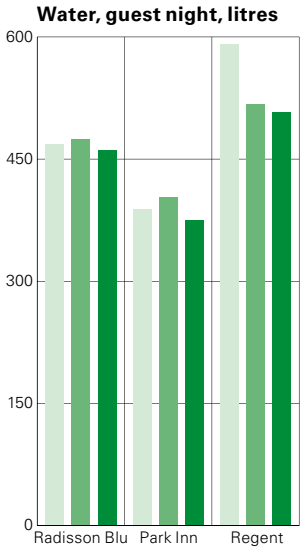
- 78% of hotels make battery collection box available for guests
- 93% of hotels provide refillable amenity dispensers in public washrooms
- 25% of hotels provide waste-sorting facilities for guests

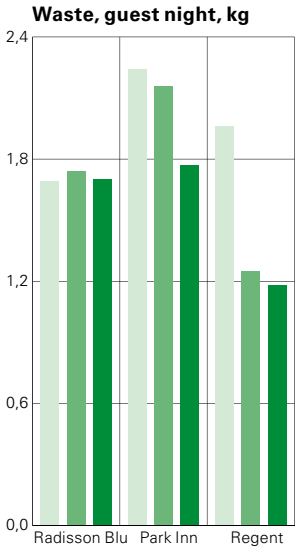
We provide a healthy and responsible environment:

- 77% of hotel rooms are non-smoking
- 34% of hotels are non-smoking (including guest rooms and public spaces)
- 62% of hotels provide organic certified food items
- 56% of hotels serve fair trade certified products
- 77% of hotels provide rooms certified adapted for disabled
- 30% of the hotels provide allergy-tested rooms

8 years of Responsible Business – and environmental performance still improving across the board







Eco-labels/ Environmental Management Standards in key regions January 2009

- Green Hospitality Award *(11 hotels)*
- Green Key *(12 hotels)*
- Green Tourism Business Scheme *(6 hotels)*
- ISO 14001 *(15 hotels)*
- Nordic Swan Ecolabel *(21 hotels)*

2006 2007 2008

More recent consumer research points out that consumers are currently less inclined to pay a premium for green product offerings due to the economic downturn (Greenaware, 2008), which is a trend that could very well become noticeable more broadly across the hospitality sector. Rezidor expects however that corporate and leisure guests will continue to make their Responsible Business expectations heard and that attractive opportunities will continue to exist for responsible hotel companies with long-standing social and sustainability programmes.

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Property Owners

- 87% hotel owners informed about programme and local Responsible Business Action Plan
- 70% of hotels have discussed Responsible Business related investments with owners
- Responsible Construction and Renovation Guidelines completed

Shareholders

- 100% of managed and leased hotels responded to 2 sets of mandatory reports
- 31% of franchised hotels report their Responsible Business data
- Data accuracy and punctuality improved substantially during 2008
- 49% of the hotels report that they have made significant environmental investments
- 59% of hotels organised cash donations to charity

Authorities

- 0 hotels reported legal breaches to legislation
- 97% of hotels perform legal-self audit where available

Community

+75

- TEUR 75 raised for World Childhood Foundation
- 162 hotels participated in Responsible Business Action Month
- Joined the Global Compact in December 2008

Adjusting to climate change and reducing resource consumption

There is no doubt that travel and tourism contribute to climate change. Travel consultancy DestiCorp estimates based on UN World Tourism Organisation (WTO) data, that international travel will spawn 2.5 billion tons of carbon dioxide, the main greenhouse gas, in 2020, up from 506 million tons in 1990. However it is important to acknowledge that Rezidor does also face risks due to climate change. First and foremost, if the travel industry fails to reduce carbon dioxide emissions, the rate of travel could very well decrease in the long run as a result of legislative pressures (for example carbon tax) resulting in increased travel costs, or through voluntary actions of customers to limit travel. But there are also risks related to more sudden impacts caused by climate change – for example disrupted travel patterns due to natural disasters or damage to hotel properties due to severe weather events such as storms or flooding. Some locations may face geographically specific risks that could affect the safe and profitable operation of hotels. The effects on earnings and risk as a quantitative measure are difficult to estimate to date. Rezidor handles risks through the Responsible Business and Safety and Security programmes. The framework for managing operational risks is presented in the Annual Report.

By signing the UN Global Compact, Rezidor has committed to promote greater environmental responsibility alongside a commitment to a number of other important principles for operating a responsible business. Rezidor continually monitors developments through active participation in environmental forums and with the internal awareness and training programme, "Living Responsible Business", the company is doing what it can to limit environmental impact and vulnerabilities to climate change and resource consumption issues.

Consumption, by Rezidor's hotels, of resources such as energy and water and the disposal of waste impact on the natural environment in terms of resource depletion and the generation of emissions. It also affects the business – particularly with regard to operational costs. The company has measured resource consumption and associated costs for many years – and these metrics provide the backbone of Rezidor's environmental management framework. One of the key roles of the Responsible Business teams in the hotels is to collaborate with the Engineering Departments to continuously strive for more efficient natural resource use thereby contributing to the reduction of operational costs – and the mitigation of environmental risks – along with the reduction of associated legal, insurance and financial expenses. As the graphs on the previous page demonstrate, the company is progressing in the desired direction as Rezidor has yet again achieved substantial reductions across all indicators and all brands.

One of Rezidor's main challenges is to devise and implement strong climate change and resource management programmes adjusted to the different conditions in the 55 countries where the company operates hotels. Rezidor works actively to measure, monitor and reduce its carbon footprint and to enhance resource efficiency and this involves closer discussions with property owners, constructors and architects. In 2008, emissions from electricity, natural gas, heat-

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Suppliers

We work with responsible suppliers:

- RezPIN includes the Supplier Code of Conduct and requires suppliers to sign
- Percentage of hotels asking suppliers if they had policies in place regarding:
  - Human rights 71%
  - Reduction of environmental impacts 75%
  - Ethics 74%
  - Health and Safety 81%

We purchase responsibly:

- 100% of Responsible Business communication items printed on recycled paper
- 64% of hotels have occupancy sensors/ motion detectors/ timers to control lighting in intermittent use areas
- 82% of guest rooms have low-energy light bulbs (eg CFL, LED)
- 72% of rooms have low flush WCs

Environment

- Energy use measured as kWh per metre squared decreased by 6% for Radisson Blu and 14% for Park Inn
- Water consumption measured as litres per guest night decreased by 3% for Radisson Blu and 7% for Park Inn
- Residual waste measured as kg per per guest night decreased by 2% for Radisson Blu and 22% for Park Inn

PORTRAIT

Saving behind the Scenes

– **HI, MY NAME IS NEK MOHAMMAD RAMAZAN** and I'm mostly a bottom-liner. I have worked in the hotel industry since 1975. Initially as a carpenter in Pakistan, and then I got promoted to senior carpenter, foreman and maintenance supervisor – and finally became Senior Maintenance Supervisor at Radisson Blu Hotel, Dubai Deira Creek. In November, I won a Hotelier Middle East Award as "Engineer of the Year".

A maintenance supervisor's main task is to look after the rooms, and to initialise and supervise all required renovations. Another important task is to find ways of continuously saving water and energy – in order to improve both the bottom-line result and protect the environment.

– In the Middle East, water is more expensive than energy, and we have a lot to gain if we can reduce our usage of both. For example, we have installed water savers on all taps in order to reduce water consumption. At the same time, it is of course crucial that our actions don't interfere with the service we provide to our guests, especially as we are the "No.1" hotel in our city, says Mr Mohammad Ramazan.

Among the nominees for the Hotelier's award were hundreds of hotel employees across the Middle East. The "Engineer of the Year" category is dedicated to the people working behind the scenes: carpenters, electricians, plumbers, gardeners and ground staff; these are the people who ensure that any hotel operation runs smoothly.

– It was very rewarding to receive this award for my work. I have worked in the hotel industry for a very long time, and I'm very happy to continue working at the Radisson Blu Hotel, Dubai Deira Creek. It was also great to receive training in the Responsible Business Programme. This is a valuable initiative which contributes to the bottom-line and should be continued, concludes Mr Mohammad Ramazan.

ing oil, district heating and LPG gas for the 178 properties for which Rezidor has comprehensive data amounted to 325,119 tons CO_2e.

Many of the actions that need to be implemented require investments in the properties. And as Rezidor is a hotel management company, this can mean the property owner would take the initial investment cost, while the hotel would benefit from the resulting reduced operational running costs.

A close dialogue with property owners regarding Responsible Business and the related investments is therefore important for the success of the Responsible Business Programme. The majority of hotels have informed their property owners about the Responsible Business programme and of necessary actions and investments for sustainable practices when renovating and refurbishing their hotels. In addition to investments in existing properties, it is important that Rezidor minimise the environmental impact from the beginning of new projects by utilising smart design. To this end, the company has recently launched updated Responsible Construction and Renovation Guidelines to be used in conjunction with Technical Standards when planning new properties.

During, 2008, 49% of hotels responded that they undertook a significant environmental investment. As the types of investment vary substantially between hotels, Rezidor do not provide a consolidated figure for investments made. Investments carried out included installation of Building Management Systems, waste sorting facilities, energy savings technology including sensors, low energy demand equipment, as well as water conservation fittings such as low flow toilets and taps. Several hotels also reported savings made due to these investments, mainly thanks to energy audits, improved waste sorting and improved control of water usage.

Managing sustainability in the supply chain

Rezidor's central purchasing programme (RezPIN) is an online market platform which allows registered buyers and suppliers to exchange information about products needed and offered. This is creating a win-win situation for both market sides, as it leads to reduced transaction costs for both the supplier and the buyer.

In addition to the information function of the corporate Purchasing Department which is to provide different business units with information about best quality products at a suitable price, it also ensures that contracted suppliers keep in line with the conditions of Rezidor's corporate Responsible Business philosophy. All suppliers included in the system are required to sign The Rezidor Hotel Group's Supplier Code of Conduct. Hotels also actively engage with suppliers with regard to their Responsible Business practices. In 2008, 73% of hotels provided the Rezidor Supplier Code of Conduct to their suppliers. At the same time, 58% of hotels included social, ethical and environmental issues in supplier contracts. The number of hotels carrying out supplier audits in these areas increased from 33% in 2007 to 40% in 2008 and half of Rezidor's hotels provide support to their suppliers with the objective of improving their environmental, social and ethical performance.

In addition, hotels are encouraged to use locally produced products as well as seasonal products in particular for guest gifts.

Rezidor as a responsible employer

Rezidor has a direct and substantial effect on local communities as an employer and purchaser. The majority of employees working for Rezidor live in close proximity to the hotels. Taking into account all hotels, under all contract types, a total of over 30,000 employees were working under the Rezidor

brands during 2008. The company counts no less than 134 nationalities amongst the workforce, 52% of which is male. Rezidor hire a diverse and relatively young workforce and try to recruit management internally, providing training and a viable career path. Rezidor sees an opportunity in investing in its employees and strives to provide favourable working conditions to retain them. This contributes to delivering a high quality service, an important value driver and differentiator from other hotel chains and brands.

As early as 1991 The Rezidor Hotel Group has started to measure employee satisfaction. An independent organisation is commissioned to conduct this annual survey entitled Climate Analysis. In 2008 the results from managed, leased and franchised hotels stayed stable at 85.1 (out of 100). At the same time the number of respondents increased from 17,900 to 19,300 participating employees.

Rezidor has for many years successfully focussed on achieving a positive effect on the bottom-line through active people management. The company offers a range of tools in order to attract and retain talented people by hiring for attitude and train them to skills. The latest addition is the new Management Development Programme, aimed to develop, train and prepare existing or newly recruited supervisors to become Heads of Department. The strong focus of the company on its internal talents has a long track record of success.

A proactive approach to safety and security

At The Rezidor Hotel Group, safety and security of guests, employees and property is an imperative aspect of hotel operations. Since the terrorist attacks in the US in 2001, in London in 2005 and more recently in Mumbai , India – there has been a great shift in how hotel security is perceived. Rezidor feels that the best way to maintain the high levels of safety and security required is dependent on the everyday actions of every employee at every level in every hotel and every Rezidor office in every country. The company has a structured risk management agenda entitled TRIC=S which promotes proactive behaviour throughout the company.

Charity initiatives at local and global level

Throughout the year, Rezidor's hotels sponsor many charities and non-profit initiatives at local level through actions such as fund-raising assistance, training, free meeting rooms and other in-kind donations. In 2008, over 162 hotels participated in the annual Responsible Business Action Month in September when hotels are encouraged to organise environmental and community activities.

The Rezidor Hotel Group is also proud to have the World Childhood Foundation as its international charity organisation since June 2007. Through various fund-raising activities at hotel and corporate level during the year, the company managed by year-end to raise 75,000 euro for Childhood.

Responsible Business Award Winners

The Rezidor Hotel Group Responsible Business award is presented to the Radisson Blu and Park Inn properties which have excelled in social and environmental sustainability throughout the year. Selection criteria include third-party environmental certification, participation in Responsible Business Action Month, consumption reductions and innovation. For 2008 the winners were Radisson Blu Hotel, Frankfurt, and Park Inn Nice. So what have they been up to?

RADISSON BLU HOTEL, FRANKFURT worked hard throughout 2008 to achieve the renowned ISO 14001 environmental management system. Having pro-actively implemented the Responsible Business programme since opening, the hotel was well-prepared. The hotel cooperated with Germany's most popular electrical bulb producer OSRAM installing nearly 5,000 new energy-saving lamps. This has resulted in an energy saving of up to 65% and savings of approximately 30,000 euro per year. This means a decrease of CO_2 output by nearly 88 tons yearly. This year the hotel has also put in place a new waste sorting system resulting in residual waste per guest night of only 0.46 kg.

Radisson Blu Hotel, Frankfurt has also proactively encouraged guests to use their Gold Points to make their stay Carbon Neutral© and also to donate their points to World Childhood Foundation, the official charity organisation of The Rezidor Hotel Group. Rezidor was the first international hotel group to offer its guests the possibility to offset the carbon emissions associated with their stay through the loyalty programme, goldpoints plus℠. The hotel also takes the opportunity to get guests involved in particular during Responsible Business Action Month in September. During this month, members of the hotel's Responsible Business team were on hand in the hotel lobby to answer guest questions and invite them to participate. The hotel also took the time to ensure employees were well informed on all aspects of Responsible Business by organising visits to a paper sorting plant, an organic compost plant, an organic chicken farm and a biogas plant.

PARK INN NICE was one of Rezidor's first Park Inn properties to achieve an environmental certification when they were awarded the Green Key this year. As part of the certification process the hotel implemented a number of environmental measures including changing all light fittings to energy saving bulbs, installing motion sensors in guest corridors and staff areas, installing a thermostatic regulator which adjusts the temperature of the building according to the outdoor temperature, placing pressure reducers on all taps and showers. This last measure combined with training of all staff in the new Living Responsible Business training programme resulted in water

savings of nearly 25% as compared to the previous year.

During Responsible Business Action Month, the hotel's reception team cheerfully asked guests to donate to World Childhood Foundation on check-out and guests were happy to oblige. In addition the hotel participated in the French regional activity of a Childhood coffee and contributed to raising over 3,000 euro for this good cause. Also during September, the hotel offered free bikes to guests on Car-Free Day. These varied activities are clearly having a positive effect on the hotel's employees as demonstrated by the hotel's high score in the company's employee satisfaction survey, the Climate Analysis.

Living the tale

BY JUNE 30TH 2009, over 30,000 Rezidorians in 250 hotels across 45 countries will have undergone the new training programme "Living Responsible Business". It is an ambitious plan, and an additional "Leading Responsible Business" course also targets Heads of Departments and General Managers in order to ensure they set a good example on a daily basis.

"Our employees have a vital role to play in implementing our Responsible Business programme. It is essential for every employee to understand how they can contribute to reducing environmental impacts or give generously to the local community, every day. We have updated and revisited our previous training modules to create energetic, practical and interactive sessions which encourage our employees to be committed, proactive and responsible", says Catherine Rubbens, Director of Responsible Business at Rezidor.

The mandatory "Living Responsible Business" is a 2.5 hour interactive course, which begins with an introduction of the three pillars of Responsible Business: health and well-being, social and ethical issues, and reducing negative impacts on the environment. It's all about making a difference in your daily life, both at home and at work. Information and practical tips include switching off the light when leaving a room, reporting a leaking tap, or tips on how guests can be encouraged to contribute to recycling. They can also include actions on a larger scale, but the crucial aspect is to raise general awareness of these matters.

"Even small actions can have a big impact on our community and environment, and 30,000 employees all together can really make a difference", comments Beathe-Jeanette Lunde, Senior Vice President People Development & Radisson Blu Franchise Operations.

Living responsible business

Leading responsible business

PORTRAIT

A passionate advocate of Responsible Business

– I WAS SURPRISED when I found out the actual figures regarding aspects such as waste and energy issues at our hotels. One just doesn't think about how much we actually use and create in those terms, says Jani Jukka Kari-Koskinen, Chef de Partie at Radisson Blu Hotel, Glasgow.

Jani was one of the first participants in the new "Living Responsible Business" training programme and has now taken on a leading role as a trainer for other employees.

– It would be easy to think that it's too big and too difficult to influence – what can I do? But that's the brilliant part: it's all about simple little things. If everybody does their little part, we can change a lot!

Jani is now looking forward to getting on with training other staff and to passing his interest and enthusiasm on to his co-workers. He has already encouraged some of them to change their ways, and setting an example through his own kitchen routines is an important aspect of this work, he comments.

– At times, the pace in the kitchen is really fast and if somebody doesn't set an example of how it can be done in a simple manner, these matters can easily be forgotten. And I've been talking with my colleagues at work about a number of other changes we could make in the kitchen to reduce our environmental impact. I'm happy to try to make a difference, however small it might be. Small acts from all of us will change the big picture, concludes Jani.

Contents

Corporate Governance Report 2008

Rezidor Hotel Group AB is incorporated under the laws of Sweden with a public listing at Nasdaq OMX Stockholm (the "Stockholm Stock Exchange"). The Company's shares have been listed since November 28th, 2006. Reflecting this, the corporate governance of Rezidor Hotel Group AB is based on Swedish legislation and regulations, primarily the Swedish Companies 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 2008 fiscal year has not been reviewed by the Company's auditors.

Annual General Meeting

Shareholders can exercise their right to decide on the Company's business at General Meetings of Shareholders, which is Rezidor Hotel Group AB's highest decision-making body. These meetings will be held in Stockholm. Rezidor's third Annual General Meeting ("AGM") as a listed company will be held in Stockholm on April 23rd, 2009. 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 due notification to the company of their intention to attend and followed prescribed procedures described in the notice convening the AGM may attend the meeting and vote for their total share holdings. Shareholders who can not participate personally may be represented by proxy.

Rezidor's 2008 Annual General Meeting

Rezidor Hotel Group AB's AGM in 2008 was held at the Radisson SAS Royal Viking Hotel in Stockholm on April 23rd, 2008. The AGM was attended by 106 shareholders, personally or by proxy, representing 95,148,020 shares and votes, comprising 63.43% of the total number of shares and votes of the Company. The eight members of the Board of Directors who were proposed for re-election attended the AGM, as well as the Chief Executive Officer and key executives and the Company's auditor. The new candidate proposed for election to the Board of Directors also attended the AGM.

The minutes from the 2008 AGM have been made available on Rezidor's website in both Swedish and English language versions. The resolutions passed by the meeting included the following:

- election of Mr. Dick Lundquist, attorney at law, as Chairman of the AGM
- the annual accounts and the auditor's report, the consolidated accounts and the consolidated auditor's report for the financial year 2007 were confirmed to have been presented in the prescribed manner
- payment of a dividend of EUR 0.10 per share for 2007 as per the Board's proposal
- Board members and the CEO were discharged from liability for the 2007 fiscal year
- re-election of the Board members Mr. Göte Dahlin, Mr. Urban Jansson, Dr. Harald Einsmann, Mrs. Ulla Litzén, Mrs. Trudy Rautio, Mr. Barry Wilson, Mr. Jay Witzel and Mr. Benny Zakrisson. Mr. Hubert Joly was elected as a new member of the Board
- re-election of Mr. Urban Jansson as the Chairman of the Board
- it was resolved that the remuneration of the Chairman of the Board shall amount to EUR 65,000 and of each of the other directors appointed by the AGM to EUR 36,000, and EUR 7,500 to the Chairman of the Audit Committee, and EUR 5,000 to the respective Chairman of the Compensation Committee and Finance Committee and EUR 3,750 for each member of the Audit Committee and EUR 2,500 for each member of the Compensation and Finance Committees
- it was resolved to approve of the Board's proposal regarding the principles of remuneration and other terms of employment for key management for 2008
- it was resolved to approve of the Board's proposal on a long term share related incentive programme for key management
- the Board was given the authority to decide on the purchase and transfer of the Company's own shares to give the Board wider freedom of action in the work with the Company's capital structure and to secure costs associated with the long term share related incentive programme
- it was resolved to approve of the proposal for a the procedure for appointment of the Nominating Committee for the next AGM.

The AGM was held in Swedish. Due to Rezidor's international ownership and in order to allow non-Swedish speaking shareholders to participate, the meeting was simultaneously interpreted to English and all of the information materials for the meeting were also available in English.

All requisite documents for the 2009 AGM, will be published in Swedish and in English on the website in advance of the AGM.

Decisions at an 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 be approved by a higher percentage of the shares and votes represented at the AGM.

Nominating Committee

The Mission

The responsibility of the Nominating Committee is to nominate the persons to be elected by the AGM as members of our Board of Directors. 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 makes recommendations regarding the appoint-

ment of auditors, when applicable, and remuneration of the auditors. The Nominating Committee shall also make a recommendation regarding the procedure to be used in appointing members of the Nominating Committee for the next AGM.

Members

In accordance with the decision made by the AGM on April 23rd, 2008 the Nominating Committee for the AGM on April 23rd, 2009 was established. The Chairman of the Board of Directors, Mr. Urban Jansson, contacted the three largest shareholders listed in the shareholders' register as of August 31st, 2008, who were 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 22nd, 2008.

In addition to Mr. Urban Jansson, the committee representatives are Mr. William Van Brunt representing the Carlson Group, Mr. Brian Meyer representing Fir Tree Funds, and Mr. Peter Rudman representing Nordea Investment Funds. Mr. William Van Brunt is the Chairman of the committee. The Committee has had one meeting in 2008, 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 the Company's website. Neither Mr. Urban Jansson nor the other members of the Nominating Committee received any compensation for their work in the committee.

Rezidor's largest shareholders on December 31, 2008

	No. of shares	Votes/ capital %
Carlson Group	66,589,732	44.4%
Euroclear Bank (relate to Fir Tree Funds)	9,879,700	6.6%
Nordea	9,272,583	6.2%
Robur	8,334,414	5.6%
State of New Jersey Pension Fund	6,500,000	4.3%
Rezidor Hotel Group	3,694,500	2.5%
Fourth Swedish National Pension Fund	3,492,460	2.3%
SEB	3,089,271	2.1%
Skagen Verkst Verdipapirfond	2,900,000	1.9%
RAM One	2,400,000	1.6%
Other	33,849,380	22.5%
Total	**150,002,040**	**100%**

Source: Euroclear Sweden AB (former VPC).

Representatives for the Nominating Committee for the 2009 AGM

	Represents	Position
William Van Brunt	Carlson Group	■
Brian Meyer	Fir Tree Funds	■
Peter Rudman	Nordea Inestment Funds	■
Urban Jansson	Chairman of the Board of Rezidor	■

■ Chairman ■ Member

The Board of Directors

Under the Swedish Companies Act, the Board of Directors is ultimately responsible for the organisation and the management of a company. The Articles of Association provide that the Board of Directors shall be elected by the shareholders and consist of not less than three – and not more than fifteen – members. Further, under the Swedish Companies Act, the Chief Executive Officer 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.

Mission and Responsibilities

Each year, the Board of Directors establishes a formal work plan clarifying the Board's responsibilities. The work plan regulates 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 work on accounting, auditing matters and financial reporting. In addition, the Board of Directors has established separate formal work plans for the Audit Committee, the Compensation Committee and the Finance Committee.

The work plan also governs how the Board will receive information and documentation of importance for its work to facilitate the making of well-founded decisions. The Board has also issued instructions for the Chief Executive Officer, 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 Chief Executive Officer through ongoing reviews throughout the year. The Board is further responsible for ensuring that Rezidor's organisation, management and guidelines for the administration of the Company's interests are structured appropriately and that there is satisfactory internal control. The responsibilities of the Board also include setting strategies and targets, establishing special control instruments, deciding on larger acquisitions through business combinations and divestments of operations, deciding on other large investments, deciding on deposits and loans in accordance with the Finance Policy and issuing financial reports, as well as evaluating the management of operations and planning managerial succession.

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

The Board shall be assisted by a Secretary, who is not a member of the Board. The General Counsel of Rezidor, Ms. Marianne Ruhngård, was the Secretary at all Board meetings during 2008.

Activities of the Board 2008

According to current working procedures 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 2008 the Board held 10 meetings. Four of the Board meetings are coordinated with the dates of the presentation of the external financial reports. Additionally, in 2008, the Board members attended a two-

day meeting on strategic issues. 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 the Company's auditor without the Chief Executive Officer or any other member of management being present. During 2008 the Board has been working in accordance with the adopted working procedures. The main activities were as follows:

- keeping informed about the financial position of the Company and the group
- adopting a business plan and a revised finance policy
- evaluating internal control
- discussing and approving of certain hotel projects meeting defined criteria
- development strategy and monitoring of growth target fulfilment
- brand strategies
- investor relations matters, communication policy & press communications
- design and implementation of a share related long term incentive programme for key management
- adopting a sales and marketing plan
- deciding upon the purchase of the Company's own shares
- analysing management's plans for cost savings.

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.

The Chairman of the Board

At the Annual General Meeting held on April 23rd, 2008 Mr. Urban Jansson was elected as the Chairman of the Board of Directors. At the statutory meeting held by the Board of Directors immediately after the AGM, the Board appointed Mr. Hubert Joly as the Vice Chairman.

It is the responsibility of the Chairman to monitor operations, in consultation with the Chief Executive Officer, and ensure that other Board members receive the information necessary to maintain a high level of quality in discussions and decisions. The Chairman is responsible for evaluating the Board's work, including the work in the Board committees, with regard to working procedures, competences and the working climate. This evaluation is then shared with the Nominating Committee. The Board's Compensation Committee participates in evaluation and development questions regarding the Group's Senior Executives.

Members of the Board of Directors

Pursuant to the articles of association, the Board of Directors shall be elected at the AGM and serve for a term expiring at the next AGM. The members of the Board of Directors may be removed from office through a resolution of shareholders, and vacancies on the Board may likewise only be filled by a resolution of shareholders.

At present, the Board of Directors is composed of nine directors, including the Chairman and the Vice Chairman. As part of the Board's efforts 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. Each committee's work and areas of responsibility is described in further detail under the respective heading in this report. The table below presents the names of the current members, their current position, their participation in the Board's committees and their attendance at Board meetings during 2008.

Independence of Board members

None of the members of the Board of Directors are employed by Rezidor or any other company within the Group. Based on the current version of the Swedish Code of Corporate Governance, the following assessment regarding the independency of the members of the Board is made. Mr. Urban Jansson, Mr. Göte Dahlin, Mrs. Ulla Litzén, Mr Barry W. Wilson and Mr. Benny Zakrisson are independent Directors in relation to the Company and the Management as well as in relation to major shareholders. Due to extensive business relations between Carlson Companies and Rezidor, Mr. Hubert Joly, Mr. Jay Witzel, Mrs. Trudy Rautio and

Attendance of the Board of Directors

	Board of Directors	Audit Committee	Compensation Committee	Finance Committee	Attendance at Board meetings
Urban Jansson	■		■		100%
Hubert Joly	■		■		100%
Göte Dahlin	■	■			100%
Harald Einsmann	■		■		89[1)]%
Ulla Litzén	■	■			90%
Trudy Rautio	■	■		■	100%
Barry W. Wilson	■		■		90%
Jay S. Witzel	■			■	100%
Benny Zakrisson	■			■	90%

■ Chairman ■ Vice Chairman ■ Member

1) One of the Board's 10 meetings during 2008 was attended only by directors independent of the major shareholder Carlson Group.

Board member

	Elected	Position	Born	Nationality	Share-holding[1)]	Independent of the company and its management	Independent of the company's major shareholders
Urban Jansson	2006	■	1945	Swedish	40,000	Yes	Yes
Hubert Joly	2008	■	1959	French	0	No	No
Göte Dahlin	2007	■	1941	Swedish	10,000	Yes	Yes
Harald Einsmann	2006	■	1934	German	65,780	No	No
Ulla Litzén	2006	■	1956	Swedish	10,000	Yes	Yes
Trudy Rautio	2005	■	1952	American	0	No	No
Barry W. Wilson	2007	■	1944	British	50,000	Yes	Yes
Jay S. Witzel	2005	■	1947	American	0	No	No
Benny Zakrisson	2005	■	1959	Swedish	30,000	Yes	Yes

■ Chairman ■ Vice Chairman ■ Member

1) Per March, 2009.

Dr. Harald Einsmann are not independent Directors in relation to the Company and the Management nor are they independent in relation to major shareholders, as they are related to Carlson Group which holds 44.4% of the shares of Rezidor.

The table above presents *inter alia* the names of the current members, their current position, the year of their election, their shareholdings and whether or not they can be considered independent.

Union Representatives

In accordance with the law (1987:1245) on Board representation for private employees the Swedish labour organisation "Hotell- och Restaurang Facket" have appointed one ordinary employee representative to the Board, Mr. Mats Hansson and two deputy employee Board representatives, Mr. Göran Larsson and Mr. Emil Bäckström. The employee Board representatives will join the Board for the 2009 fiscal year. The term of their appointments will expire at the AGM in 2011.

Audit Committee

The Board of Directors appoints the Chairman and the members of the Audit Committee. The members possess competence and experience in the areas of accounting, auditing and/or risk management. No decision-making power has been bestowed on the Audit Committee. The work procedures that apply for the Audit Committee have been approved by the Board of Directors.

The Audit Committee will convene at least three times a year and otherwise when the Chairman of the Board of Directors considers it suitable. Four of the Committee meetings are coordinated with the dates of the presentation of the external financial reports. Up until April 23rd 2008, the Audit Committee consisted of Mrs. Ulla Litzén as the Chair, Mr. Göte Dahlin, Mrs. Trudy Rautio, Mr. Urban Jansson and Mr. Barry Wilson. On April 23rd, 2008 the Board decided at its statutory Board meeting following the AGM that the Audit Committee should comprise of Mrs. Ulla Litzén, Mrs. Trudy Rautio and Mr. Göte Dahlin and Mrs. Ulla Litzén was appointed Chairman. During 2008, the Audit Committee held eight meetings during which minutes were taken. Mrs. Ulla Litzén, Mr. Göte Dahlin, Mrs. Trudy Rautio and Mr. Barry Wilson had 100% attendance and Mr. Urban Jansson had 67% attendance at Audit Committee meetings during 2008. The members have also continuously discussed issues as needed. The auditors, Deloitte AB, participated in four out of the eight meetings that were held during 2008.

The Audit Committee is responsible for ensuring the quality of the financial and operational reporting. The Audit Committee also evaluates the procedures for internal control and management of financial and operational risks. The Audit Committee reviews the financial reports that are issued by the Board and assesses that the information provided to the market reflects the activities of the Company. The Committee meets with the auditors at regular intervals in order to inform itself of the objectives and scope for the external audit, it evaluates the external auditor's work and performance, including the extent of the auditors possible non-audit related work for Rezidor, and, where appropriate, it assists the Nominating Committee in preparing proposals for election of auditors and the remuneration of the auditing work. The Chairman of the Audit Committee is paid EUR 7,500 and each member of the Audit Committee is paid EUR 3,750.

Compensation Committee

The Compensation Committee will consist of at least three members of the Board of Directors who may not be employees of the Company. Up until April 23rd 2008, the Compensation Committee comprised of Mr. Benny Zakrisson as Chairman and Dr. Harald Einsmann, Mr. Urban Jansson, Mrs. Ulla Litzén, and Mr. Jay Witzel as members. On April 23rd, 2008 the Board decided at its statutory Board meeting that the Compensation Committee should comprise of Mr. Hubert Joly, Dr. Harald Einsmann, Mr. Urban Jansson and Mr. Barry Wilson. Mr. Hubert Joly was appointed Chairman. The Code requires that the members of the Compensation Committee should be independent in relation to the Company and the Management. Of the current members, Mr. Hubert Joly and Dr. Harald Einsmann are not considered to be independent. Rezidor therefore deviates from the rules of the Swedish Code of Corporate Governance. However, in the opinion of the Board it is important for the Compensation Committee to have members with extensive knowledge and experience of inter-

Remuneration of the Board of Directors

	Board of Directors fee (EUR)	Audit Committee fee (EUR)	Compensation Committee fee (EUR)	Finance Committee fee (EUR)	Total (EUR)
Urban Jansson	65,000		2,500		67,500
Hubert Joly	36,000		5,000		41,000
Göte Dahlin	36,000	3,750			39,750
Harald Einsmann	36,000		2,500		38,500
Ulla Litzén	36,000	7,500			43,500
Trudy Rautio	36,000	3,750		n/a	39,750
Barry Wilson	36,000		2,500		38,500
Jay S. Witzel	36,000			2,500	38,500
Benny Zakrisson	36,000			5,000	41,000
					388,000

national business and remuneration issues including compensation packages for key executives in the global hotel industry. No decision-making power has been bestowed on the Compensation Committee. The Compensation Committee will convene at least twice a year, or as often as the Board of Directors, the Chairman or any member so requires. During 2008, the Compensation Committee held six meetings during which minutes were taken. Mr. Hubert Joly, Mr. Urban Jansson, Mr. Benny Zakrisson, Mr. Jay Witzel and Mrs. Ulla Litzén had 100% attendance at Compensation Committee meetings during 2008, Dr. Harald Einsmann 83% and Mr. Barry Wilson 75%. In addition, members of the Compensation Committee have had informal contacts about compensation issues throughout the course of the year.

The Compensation Committee is responsible for preparing materials concerning compensation and other employment benefits for the Management and key officers of the group, for final resolution by our Board of Directors. The Compensation Committee also takes the lead in the preparation of proposals for the adoption of any share- or option-based incentive programmes within the Group as well as the preparation of the evaluation of the CEO and his direct reports. The working procedures for the Compensation Committee have been approved by the Board of Directors. The Chairman of the Compensation Committee is paid EUR 5,000 and each member of the Compensation Committee is paid EUR 2,500.

Finance Committee

The Finance Committee will consist of at least three members of the Board of Directors. Up until April 23rd 2008, the Finance Committee comprised of Mr. Jay Witzel as the Chairman and Mrs. Marilyn Carlson Nelson, Mrs. Trudy Rautio, Mr. Barry Wilson, Mr. Göte Dahlin and Mr. Benny Zakrisson as members. On April 23rd, 2008 the Board decided at the statutory Board meeting that the Finance Committee should comprise of Mr. Benny Zakrisson, Mrs. Trudy Rautio and Mr. Jay Witzel. Mr. Benny Zakrisson was appointed Chairman. No decision making power has been bestowed on the Finance Committee. The working procedures for the Finance Committee have been approved by the Board of Directors. During 2008, the Finance Committee held seven meetings during which minutes were taken. Mr. Benny Zakrisson, Mrs. Trudy Rautio and Mr. Göte Dahlin had 100% attendance at Finance Committee meetings during 2008,Mr. Jay Witzel 86%, Mr. Barry Wilson 67% and Mrs. Marilyn Carlson Nelson 33%. In addition, members of the Finance Committee have had informal contacts about risk and compliance issues throughout the course of the year.

The Finance Committee analyses financial risks and also works with operational risks, insurance, tax, and compliance issues. The Finance Committee is responsible for the execution of the Board's decisions to repurchase shares. The Chairman of the Finance Committee is paid EUR 5,000 and each member of the Finance Committee is paid EUR 2,500.

Remuneration of the Board of Directors

The amount of remuneration granted to the Board of Directors, including the Chairman, is determined by a resolution at the AGM.

Compensation for the Board's work was taken by a resolution at the AGM of shareholders on April 23rd, 2008. The annual fee to the Chairman should be EUR 65,000 and the annual fee to other Board members should be EUR 36,000. In addition, EUR 7,500 is paid to the Chairman of the Audit Committee, and EUR 5,000 to the respective Chairman of the Compensation Committee and Finance Committee and EUR 3,750 for each member of the Audit Committee and EUR 2,500 for each member of the Compensation and Finance Committees. A Board member is only entitled to remuneration for work in one committee. The members of the Board are not entitled to any benefits upon ceasing to serve as a member of the Board.

The Executive Committee

In consultation with the Chairman of the Board, the Chief Executive Officer prepares 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 Chief Executive Officer 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 consists of a total of eleven persons (including the Chief Executive Officer).

Executive Committee

	Year of Appointment	Year of Employment	Position	Born	Nationality	Shareholding[1)]
Kurt Ritter	1989	1976	President & Chief Executive Officer	1947	Swiss	164,100
Knut Kleiven	1994	1986	Deputy President & Chief Financial Officer	1954	Norwegian	115,100
Puneet Chhatwal	2007	2002	Senior Vice President & Chief Development Officer	1964	German	10,000
Jacques Dubois	2006	1996	Senior Vice President & Chief Operating Officer Park Inn & Country Inn	1956	Canadian American	–
Olivier Jacquin	2006	2003	Senior Vice President, Sales, Marketing & Distribution	1966	French	–
Thorsten Kirschke	2006	1995	Executive Vice President & Chief Operating Officer Radisson Blu & Regent	1964	German	12,459
Beathe-Jeanette Lunde	2006	1986	Senior Vice President People Development & Radisson Blu Franchise Operations	1962	Norwegian	10,000
Gordon McKinnon	2002	2002	Executive Vice President, Brands	1960	Scottish	3,000
Marianne Ruhngård	2006	2000	Senior Vice President & General Counsel, Secretary of the Board	1960	Swedish	–
Eugène P. E. Staal	2007	2006	Senior Vice President Technical Development	1964	Dutch	4,000
Per Blixt	2006	2006	Senior Vice President Investor Relations & Corporate Communications	1959	Swedish	17,700

1) Per March, 2009.

Remuneration

TEUR	Salaries	Bonuses	Pension	Housing and company car	Total[1)]
Kurt Ritter (CEO)	726	144	299	139	1,308
The Executive Committee (incl. CEO) (11 persons)	4,554	640	621	618	6,433

1) The remuneration numbers exclude social security costs.

The table above sets out the names of the members of our Executive Committee, the year of employment, appointment to the Executive Committee, as applicable, their current positions and their shareholdings as of March 2009.

Remuneration of the Executive Committee

The remuneration granted to the Chief Executive Officer and the other members of the Executive Committee consists of a fixed salary, a variable bonus based on the outcome of financial performance objectives, a pension and other benefits. Details on the compensation to the CEO and the other members of the Executive Committee can be found in Note 10, but a summary is presented in the table above.

Share-related Incentive Programmes

The Annual General Meetings on 4th May 2007 and on 23rd April 2008 approved of proposals for a long-term share related performance-based incentive programme ("the performance based share programmes") to be offered to some executives within Rezidor Hotel Group AB. Both programmes run for a three year period. The purpose of the programmes is to offer a remuneration package to ensure that remuneration within the Group helps align executives with shareholder interests; that the proportion of remuneration linked to company performance increases and that it encourages executive share ownership. In order to implement the performance based share programmes in a cost efficient and flexible manner, the Board of Directors was authorised by the Annual General Meetings in 2007 and 2008 to decide on acquisitions or sale of its own shares on the Stock Exchange. More detailed descriptions of the two share related performance based incentive programmes can be found in Note 33.

Financial Reporting

The Board monitors the quality of financial reporting through instructions to the Chief Executive Officer and reporting instructions regarding the reporting via the Audit Committee. The Audit Committee reviews all financial statements published by the Company. The Board as a whole reviews and approves of the Company's quarterly reports and year-end report prepared by the management. The Board is also responsible for the Company's financial statements being prepared in compliance with legislation, applicable accounting standards and other requirements for listed companies.

The Chief Executive Officer and the Chief Financial Officer, must review and assure the quality of all financial reporting including financial statements, interim reports and the annual financial statements, press releases with financial content and presentation material issued to the media, owners and financial institutions.

With respect to the communication with the auditors, the auditors are present at the Board Meeting where the Company's year-

end Financial Report is approved. In addition, the Board has met with the Company's auditors to review their audit of the Company for the financial year 2008. The Board has also met with the Company's auditors without the Chief Executive Officer or other members of the Company's Executive Committee or management being present.

Auditors

Auditors in Swedish limited companies are elected by the AGM and tasked with scrutinising the Company's financial reporting and management of the Company by the Board and the Chief Executive Officer. Pursuant to the Swedish Companies Act, the term for auditors in Swedish limited companies is four years. Since the appointment at the AGM 2005, and up until the AGM 2009, the Group's statutory auditor is Deloitte AB with Mr. Peter Gustafsson as the responsible partner. Deloitte is part of Deloitte Touche Tomatsu, with global operations in auditing and other consulting services. Mr. Gustafsson (born 1956) is a member of FAR-SRS, the Swedish professional institute for authorised public accountants and approved public accountants. Mr. Peter Gustafsson has been an authorised public accountant since 1986. In addition to the Rezidor Hotel Group AB, Peter Gustafsson has audit engagements with SAAB Automobile, Teleca Technology, Ekman, Nexus, SAS AB, Akademiska Hus, Göteborgs Hamn and Göteborgs Spårvägar AB. Peter Gustafsson was previously an auditor at Elanders, Connex Transport, Song Networks, Förvaltnings AB Framtiden and Stockholms Hamnar, among others.

The auditors follow an audit plan that incorporates the comments and concerns of the Board, and report their observations to the Board during the course of the audit and in conjunction with the establishment of the 2008 Annual Report in 2009. The auditor attended four out of eight meetings of the Audit Committee during the year. On one occasion the Board met with the Company's auditor without the Chief Executive Officer or anyone else from the Company management present. Deloitte submits an audit report regarding Rezidor Hotel Group AB, the Group and an overwhelming majority of subsidiaries. During the year 2008, the auditors have had consulting assignments outside the audit, mainly concerning issues related to the interpretation of IFRS and ad hoc tax advice.

Compensation

The auditors receive a fee based on approved invoiced amounts for their work in accordance with a decision of the Annual General Meeting. For information about the auditors' fee in 2008, 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 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-SRS 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 2008.

Rezidor Hotel Group AB 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 2008 and 2009 has been approved by the Board. The process is managed from the Rezidor corporate office in Brussels with internal audit training. Accounting and control policies and procedures are also prepared, updated and distributed from the Rezidor Hotel Group's corporate office.

This report supplements the Annual Report. It has not been reviewed by the company's auditors.

The Internal control over financial reporting is described below in five components that jointly form the basis of a sound 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. The company values include reliability and openness. It is important that all actions, internal as well as external, reflect these basic values. The company's Code of Business Ethics has been distributed to all employees and describes the required attitudes in various situations. Compliance with the Code of Business Ethics is followed up by regular visits to the hotels by Area Vice Presidents, Regional and District Directors, Regional Human Resources Managers and Head Office Human Resources Managers. In addition the General Managers must certify that he/she is not engaged in any conflict of interest. The whistleblower procedure, which was implemented in 2008, gives the employees the possibility to report on issues related to the Code of Business Ethics.

The company'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.

The company 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 continuously updated to comply with accounting and audit regulations.

The company 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, stock and inventory, receivables, bank relations and processes, legal requirements regarding operational licensing and insurance. Within these processes, the internal audits cover, as applicable, segregation of duties, authorisation for payment, contract handling, cost control, registration of revenues and follow-up routines. The annual plan for internal control is developed based on the risk assessment.

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

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

Control Activities

Controls have been implemented throughout 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 company's formal risk assessment.

Action plans are implemented and followed up to improve control activities that are lacking or found to be ineffective.

The company has established specific anti-fraud programmes and controls, and these procedures are well known throughout the company.

The specific internal audits of hotels and administrative units are primarily aimed at internal control within operation and administration with focus on processes that impact financial reporting and risk of irregularities, improper favouritism of another party at the company's expense, and the risk of losses.

The teams for the internal audits consist of independent persons of the audited units, supported by external auditors and by risk management consultants.

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.

Accounting principles and procedures for operational and financial reporting are known by those responsible for applying them, and updates are communicated regularly.

General Managers, Regional Directors and Area Vice Presidents report operations and financial information on a monthly basis to the Executive Committee.

Management receives the operational and financial information they require in a timely manner, and the company has procedures for adapting to changing information needs as the competitive and/or regulatory environment evolves.

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

Regulations related to a public company's external information to investors and stakeholders are known by those responsible for applying them.

To ensure that the submission of external information is correct and complete, there is an information policy regarding disclosures to the stock exchange – as well as an investor relations policy – that have been adopted by the Board of Directors of the Group. These policies state what, in what form and how information is to be dealt with.

A system, with the support of an external company, allow employees to anonymously (turn whistleblower) alert corporate management and the Audit Committee on ethical, financial and other issues in the organisation was put in place beginning of 2008.

Monitoring

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

The Executive Committee and the Board monitor the company's operations and financial reporting on a continuous basis.

All recommendations and/or action plans from external auditors, internal audits and other internal control activities are reviewed by the Audit Committee and the Board, and the company – as well as the individual hotels and administrative business units – respond to such recommendations and/or action plans in a timely manner.

The resources and authority of those responsible for performing internal control reviews are adequate considering the size and complexity of the organisation. Those responsible for performing internal control reviews adhere to the professional standards established by the Institute of Internal Auditors.

The Board of Directors

URBAN JANSSON
Chairman of the Board.
Elected: 2006
Nationality: Swedish.
Born: 1945.
Education: Higher Bank degree (Skandinaviska Banken).
Urban Jansson is the Chairman of the Boards of Directors of Bergendahls AB, Global Health Partner AB, HMS Networks, among other companies. He is also a member of the Boards of Directors of, SEB, Addtech, Clas Ohlsson and Höganäs, among others.
Shares: 40,000.

HUBERT JOLY
Vice Chairman of the Board.
Elected: 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.
Hubert Joly is the president and Chief Executive Officer 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 in January 2009 was elected to the Carlson Board of Directors. Hubert Joly is a member of the Executive Committee of the World Travel and Tourism Council, serves on the Board of Trustees of the Minneapolis Institute of Arts, and recently became a member of the Executive Committee of the Minnesota Business Partnership.
Shares: 0.

GÖTE DAHLIN
Board Member.
Elected: 2007
Nationality: Swedish.
Born: 1941.
Education: B.S. in mathematics and physics from the University of Stockholm, Sweden.
Göte Dahlin is Chairman of the Board for Veidekke ASA and Vice Chairman of the Board of RBS Nordisk Renting AB. He is also a member of the Board of Directors for Fabege AB and Svensk Inredning Viking AB. His previous experience has seen him act as a board member for 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.
Shares: 10,000.

DR. HARALD EINSMANN
Board Member.
Elected: 2006
Nationality: German.
Born: 1934.
Education: Doctor of Philosophy degree in Economics, Business Administration & Law.
Harald Einsmann is currently a member of the Boards of Directors of Tesco PLC, Checkpoint Systems, Inc., Harman International and Carlson Companies. During the past five years, he has served as a member of the Boards of Directors of Stora Enso Corporation, EMI Group plc and British American Tobacco plc.
Shares: 65,780.

ULLA LITZÉN
Board Member.
Elected: 2006
Nationality: Swedish.
Born: 1956.
Education: Master of Science degree in Business Administration from the Stockholm School of Economics and a Masters in Business Administration degree from Massachusetts Institute of Technology.
Ulla Litzén is currently a member of the Boards of Directors of Alfa Laval AB, Atlas Copco AB, Boliden AB, NCC AB and SKF AB. She was Managing Director and member of the Management Group of Investor AB from 1996 to 2001 and President of W Capital Management AB, wholly owned by the Wallenberg Foundations, from 2001 to 2005.
Shares: 10,000.

TRUDY RAUTIO
Board Member.
Elected: 2005
Nationality: American.
Born: 1952.
Education: Masters in Business Administration degree from University of St. Thomas.
Trudy Rautio is the Executive Vice President and Chief Financial 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), and Carlson Wagonlit Travel.
Shares: 0.

BARRY W. WILSON
Board member.
Elected: 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.
Barry W. Wilson joined the Board of Directors in 2007. He 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 is Chairman of Heartscape Technologies and serves on the Board of Directors of Welch Allyn, Atani Pharma, NextPharma Technologies and Anecova. He also advises several Private Equity and Venture Capital organsations.
Shares: 50,000.

JAY S. WITZEL
Board Member.
Elected: 2005
Nationality: American.
Born: 1947.
Education: Degrees in Economics and Business Administration.
Jay S. Witzel is the President and Chief Executive Officer of Carlson Hotels Worldwide Inc. and is an officer and/or director of various subsidiaries in the Carlson Group. He is also a member of the Board of Directors of the American Hotel & Lodging Association ("AH&LA") and the AH&LA Educational Institute.
Shares: 0.

BENNY ZAKRISSON
Board Member.
Elected: 2005
Nationality: Swedish.
Born: 1959.
Education: LL.M. from University of Stockholm.
Benny Zakrisson is Executive Vice President, Structural Affairs & Strategy of SAS AB and member of SAS Group Management. He is the Chairman of the Board of Directors of SAS Cargo Group AS and SAS Ground Services AB. He is also a member of the Boards of Directors of airBaltic, Blue 1, British Midland, Estonian Air, Spanair and Widerø.
Shares: 30,000.

The Executive Committee

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

KNUT KLEIVEN
Deputy President and Chief Financial Officer.
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.
Nationality: Norwegian.
Born: 1954.
Year of Appointment: 1994.
Year of Employment: 1986.
Education: Degree in Philosophy, Psychology and Law from University of Oslo, Norway. Advanced Management Programme at Fontainebleau in France.
Shares: 115,000.

PUNEET CHHATWAL
Senior Vice President and Chief Development Officer.
Puneet Chhatwal joined Rezidor in 2002 as Director of Business Development and was promoted to Vice President Business Development in 2004. He started his career as a Management Trainee with the India Tourism Development Corporation and occupied several management positions within the hotels division. He later moved to France and thereafter Germany where he worked in Hotel Consulting, Project Development and Acquisitions for the Feuring Group. From 1998 to 2002, he served as the Director of Development for EMEA region at Carlson Hotels Worldwide.
Nationality: German.
Born: 1964.
Year of Appointment: 2007.
Year of Employment: 2002.
Education: Masters degree in International Hospitality Management from IMHI (Essec), Paris. Fellow of the Institute of Hospitality (FIH).
Board Engagements: Member of the Advisory Board of RHIC, Moscow and Afrinord Investments.
Shares: 10,000.

JACQUES DUBOIS
Senior Vice President and Chief Operating Officer Park Inn and Country Inn.
Jacques Dubois joined Rezidor in 1996 as Regional Director of Operations, and has since 1998 held the positions of Vice President Sales, Vice President Revenue & Channel Management, Vice President Distribution & CRM, and Senior Vice President Marketing, Distribution & CRM. Prior to this, he was active in hotel operations with Commonwealth Holiday Inns of Canada before joining Carlson Companies as a District Director supporting hotels operated under the Radisson brand including Rezidor.
Nationality: Canadian/American.
Born: 1956.
Year of Appointment: 2006.
Year of Employment: 1996.
Education: After graduating from the Vankleek Hill Collegiate Institute Jacques attended the University of Ottawa.
Shares: 0.

OLIVIER JACQUIN
Senior Vice President of Sales, Marketing, CRM and Distribution.
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.
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.

THORSTEN KIRSCHKE
Executive Vice President and Chief Operating Officer Radisson Blu and Regent.
Thorsten Kirschke joined Rezidor in 1995 in Corporate Food & Beverage and has since then held various managerial positions in operations and in all areas of Rezidor's master franchise agreement around the globe, including Russia, China, Middle East and Scandinavia. Since 2002, he has served in the position of Area Vice President of Germany, Austria, Switzerland, Benelux, South East Europe, Switzerland and Italy.
Nationality: German.
Born: 1964.
Year of Appointment: 2006.
Year of Employment: 1995.
Education: MBA degree in Hospitality Industry from IMHI Essec. University in France.
Shares: 12,459.

BEATHE-JEANETTE LUNDE
Senior Vice President People Development and Radisson Blu Franchise Operations.
Beathe-Jeanette Lunde joined Rezidor in 1986 during the pre-opening of the Radisson Blu Royal Hotel, Stavanger. Following several hotel Department Head positions and General Manager, she was promoted to Vice President Human Resources, Vice President Franchise Services and her current role as Senior Vice President. In addition to the Head of Human Resources and Franchise Operations responsibility, reporting to her is Corporate Safety & Security and Responsible Business. Prior to joining Rezidor, she was employed by Conoco Norway Inc. and the Norwegian Industry Association for Oil Companies.
Nationality: Norwegian.
Born: 1962.
Year of Appointment: 2006.
Year of Employment: 1986.
Education: Hospitality Degree from the University in Stavanger, Norway and a post-graduate diploma in Business Administration at Heriott Watt University in Edinburgh.
Shares: 10,000.

GORDON MCKINNON
Executive Vice President of Brands.
Gordon McKinnon joined Rezidor in 2002 as Vice President of Brands and Concept Development. He was one of the founding team members of Malmaison Hotels, Bars and Brasseries, and served as the Managing Director (Board member position) of the Malmaison Brand Company. Prior to joining Malmaison in 1999, he has held several leadership positions in marketing and communications companies in the United Kingdom.
Nationality: Scottish.
Born: 1960.
Year of Appointment: 2002.
Year of Employment: 2002.
Education: Studies at the Institute of Marketing in England and College of Commerce in Glasgow.
Shares: 3,000.

MARIANNE RUHNGÅRD
Senior Vice President and General Counsel and Secretary to the Board.
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 Marianne Ruhngård practised as a court clerk at the Uppsala County Administrative Court and as a Junior Judge at the Administrative Court of Appeal in Stockholm.
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.

EUGÈNE P. E. STAAL
Senior Vice President Technical Development.
Eugène Staal joined Rezidor in 2006 as Vice President Technical Development. In this role, he heads the technical development of all Rezidor hotels and plays a key role in construction, design and architecture of our hotels – new builds, conversions and renovations. Working closely with Future Openings and Operations team, he and his team are also vital in ensuring the timely openings of our hotels. Before joining Rezidor, he was in charge of Technical Services for the Hyatt International hotels. During his post with Hyatt from 1988 to 2006, Eugene Staal held various managerial positions in the US, Asia and Europe.
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: 4,000.

PER BLIXT
Senior Vice President Investor Relations and Corporate Communications.
Per Blixt was, prior to joining Rezidor in 2006, Senior Vice President Corporate Communication and Investor Relations of Observer AB. He has held a succession of executive posts with various Swedish companies, as well as being the spokesperson for the minister of Industry and Commerce. Per Blixt has also served as the non-executive Chairman of the Board of Directors of the PR Consultancy Aspekta AB, in Sweden, until December 2008. In addition to his Rezidor responsibilities, he is currently a member of the Board of Directors of Prognosesenteret AS, an independent marketing consultancy headquartered in Norway.
Nationality: Swedish.
Born: 1959.
Year of Appointment: 2006.
Year of Employment: 2006.
Education: Studies in Communication and Law, University of Lund, Sweden.
Shares: 17,700.

Area Vice Presidents

We have structured our operational responsibility according to five regions, where the Area Vice Presidents have Regional and/or District Directors reporting to them.

THORSTEN KIRSCHKE
Acting Area Vice President UK, Ireland, Benelux.
Year of Employment: 1995
Year of Appointment: 2002.

CHRISTIAN GARTMANN
Area Vice President Nordic and Poland.
Year of Employment: 1967
Year of Appointment: 2003.

JÖRG SCHIFFMANN
Area Vice President Germany, Switzerland, Austria and Southeast Europe.
Year of Employment: 2002
Year of Appointment: 2007.

MICHEL STALPORT
Area Vice President Southern Europe and Africa.
Year of Employment: 1993
Year of Appointment: 2006.

MARKO HYTONEN
Area Vice President, Middle East.
Year of Employment: 1991
Year of Appointment: 2009.

The Rezidor share

Trading

Rezidor Hotel Group AB has been listed on Nasdaq OMX Stockholm since November 28, 2006. The last price paid on December 31, 2008 was SEK 18.80, giving Rezidor a market capitalisation of SEK 2,820 million. A total of 75,128,854 shares were traded in 2008 at a value of approximately SEK 2,035 million. The average daily number of shares traded was 298,130. During the year, the share price fell by SEK 20 or 52%. In comparison, the OMX Stockholm Mid Cap index fell by 42% and the Dow Jones STOXX 600 Travel & Leisure by 47%. The highest price was SEK 40.0 on February 20, and the lowest price was SEK 13.3 on October 28.

Share Capital

At the end of 2008 the share capital in Rezidor amounted to EUR 10,000,000, distributed among 150,002,040 shares with a quota value of EUR 0.07 per share. The number of shares outstanding after share buy-back is 146,307,540. Each share entitles the holder to one vote and all shares carry equal rights to participate in the group's profits and assets.

Share Related Incentive Programme

The 2007 and 2008 Annual General Meetings approved long-term share related performance-based incentive programmes. A total of 1,084,843 shares have been bought back to secure delivery of shares in the incentive programmes and the related social security costs. The two programmes have not yet given rise to any dilution. For more information on the share related incentive programme, see Note 33.

Share Buy Back

Rezidor bought back 2,669,500 shares during 2008. As of December 31, 2008 Rezidor has bought 3,694,500 shares, which corresponds to 2.46% of total number of shares outstanding.

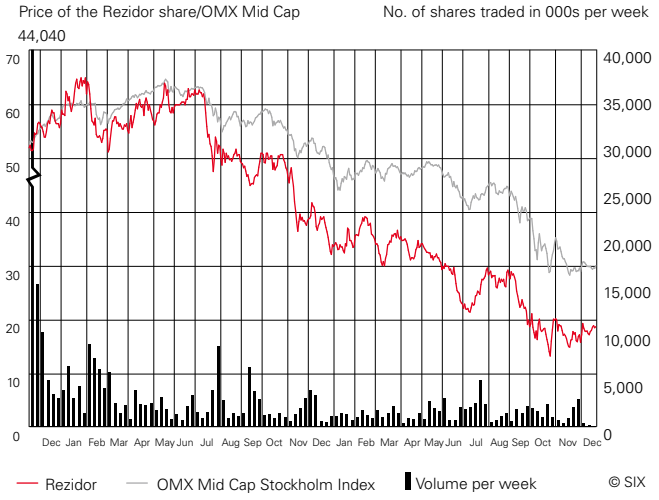
Dividend

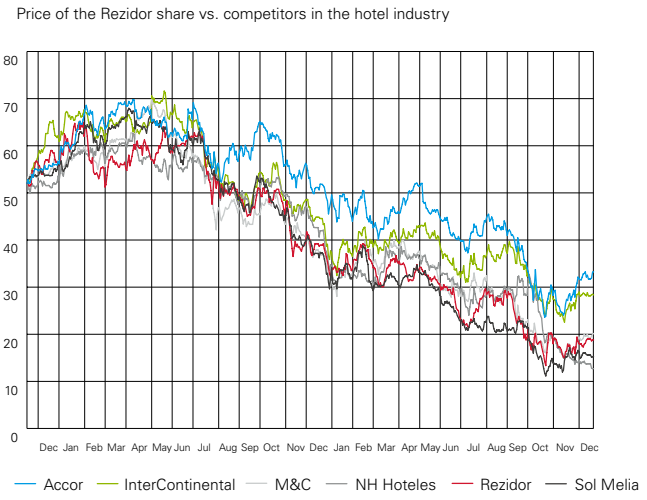
In the current context of economic uncertainty, the Board of Directors recommends the Annual General Meeting a suspension of the dividend. The long-term policy is to distribute approximately one third of the annual net income.

Shareholders

As of December 31, 2008 Rezidor had 2,831 (2,394) shareholders, according to Euroclear Sweden AB (former VPC). The group's ten largest shareholders owned shares corresponding to 77.5% of the votes and capital. Institutional investors owned 98.2%.

Share price performance





Per share data

	2008	2007
Market price at year-end, SEK	18.8	38.9
Highest market price during the year, SEK	39.8	65.0
Lowest market price during the year, SEK	13.3	36.5
No. of shares at year-end, million	150	150
Market capitalisation at year-end, SEK million	2,820	5,835
Earnings per share, EUR[1)]	0.2	0.3
Proposed dividend per share, EUR	–	0.1
Dividend percent of earnings after tax, %	–	32.6
Equity per share, EUR[2)]	1.3	1.4
Cash f ow from the year's operations per share, EUR	0.4	0.5

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.

Largest shareholders

	No. of shares	Votes/capital %
Carlson	66,589,732	44.4%
Euroclear Bank (relate to Fir Tree Fund)	9,879,700	6.6%
Nordea	9,272,583	6.2%
Robur	8,334,414	5.6%
State of New Jersey Pension Fund	6,500,000	4.3%
The Rezidor Hotel Group	3,694,500	2.5%
Fourth Swedish National Pension Fund	3,492,460	2.3%
SEB	3,089,271	2.1%
Skagen Verkst Verdipapirfond	2,900,000	1.9%
RAM One	2,400,000	1.6%
Other	33,849,380	22.5%
Total	**150,002,040**	**100%**

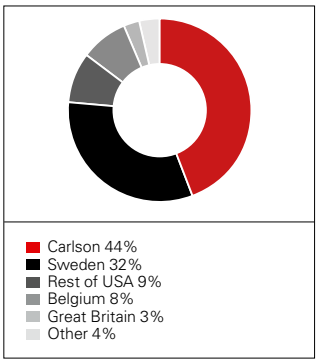
Source: Euroclear Sweden AB (former VPC).

Shareholder structure

	No. of shareholders	No. of shares	Votes/capital %	Market value TSEK
1–500	1,431	324,507	0.2%	6,101
501–1,000	594	491,735	0.3%	9,245
1,001–10,000	580	2,051,669	1.4%	38,571
10,001–50,000	104	2,256,019	1.5%	42,413
50,001–100,000	39	2,779,514	1.9%	52,255
100,001–	83	142,098,596	94.7%	2,671,454
Total	**2,831**	**150,002,040**	**100%**	**2,820,038**

Source: Euroclear Sweden AB (former VPC).

Shareholders by country



Source: Eurloclear Sweden AB (former VPC).

Share information

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

Market Overview

Tourism Demand in 2008

After a sound start to the year international tourism demand in Europe slowed down significantly in the second half of 2008, first under the influence of record high oil prices and rising inflation, and later through the fear of a sustained recession, as reported by The World Tourism Organization (UNWTO). For the full year, Europe reported flat growth in international tourist arrivals, well down from the 12% growth seen during the last two years. The Middle East and Africa continued its rapid expansion, with growth for the period of 11% and 5% respectively. The two regions posted positive growth in the second half of the year, although with a significant slowdown compared with the period January to June.

The Hotel Market

In the third quarter the European hotel market was negatively impacted by the economic slowdown and the financial turmoil which escalated in the last quarter of 2008. Leisure travellers reduced number of vacation days and businesses shifted to more reliance on teleconferences and other means of lower cost communication, according to the independent researcher Moodys.

RevPAR development for the full year, as reported by the independent researcher STR Global, witnessed a decline or modest increase across all markets on account of the continued economic slowdown, with the Middle East as the only exception. The data clearly indicates a strong first half year, but the slowdown in demand in the third and fourth quarter had a significant impact on European RevPAR growth. RevPAR in Europe for the first class segment was down 5.1% during 2008, impacted by heavy fall in occupancy, well down from the 1.6% growth reported in the first six months of 2008.

According to STR, the hotel performance data demonstrate that markets with a greater proportion of internationally branded hotels have managed to hold their rates better than others. A hotel brand provides a level of recognition through consistent service and product standards that provide guests with a level of familiarity, particularly in markets unknown to the traveller. The changes in customer lifestyle, demanding experiential stay, will mean that brand choice, as opposed to location choice, will lead the way in the future.

The Nordic Region

In terms of market profile, the Nordic Region is characterised by a large proportion of mid-market hotels and a high ratio of domestic demand. Another characteristic is the high proportion of branded hotels.

In the first half of 2008, the Nordic Region demonstrated significant average room rate growth in both first-class and mid-market hotels and reported a strong RevPAR growth of 7.1% and 6.2% respectively. For the full year, the region reported a modest RevPAR increase of 1.5% for first-class segment and an almost flat development for the mid-market segment. Euro denominated RevPAR was negatively affected due to the weakening of the Swedish and Norwegian currencies against the Euro by circa 4% and 2% respectively, which escalated during the fourth quarter of 2008

Rest of Western Europe

Western Europe is the largest tourism market in the world, as well as the most diversified. The hotel market in Western Europe is typically a mature market with a considerable number of international and domestic hotel operators competing for market share.

For the first six months of 2008, Rest of Western Europe reported a negative RevPAR development for both segments. The first-class segment decreased with 2.0% and the mid-market segment with 0.9%. After the abrupt shift in trend in the third and fourth quarter together with the heavy depreciation of the British pound against the Euro (circa 14%), RevPAR growth for the full year ended with a decrease of 6.6% for the first-class segment and 5.1% for the mid-market segment.

Eastern Europe, Russia and CIS

The Eastern Europe, Russia and CIS hotel market has in recent years been supported by economic and tourism growth. Capacity is still unable to meet that demand, both in the mid-market and upscale end of the market, although these opportunities are balanced by the building and opening of new

hotels. Another characteristic is the strong demand for international branded hotels.

For the first six months, RevPAR for the first-class segment and mid-market segment in Eastern Europe noted an increase of 5.6% and 3.0% respectively, impacted by strong growth in average room rates. The last two quarters witnessed a heavy drop in occupancy and RevPAR growth for the full year was slightly positive for the first-class segment and negative, –4.5%, for the mid-market segment. RevPAR in Russia and CIS for the first class segment grew by 11.1% in the first half of the year and by 7.5% for the full year.

The Middle East and Africa

Average levels of occupancy and average room rates in the Middle East have largely been on the increase in most markets since 2004, due to recovery in demand following a decline in the level of political instability in the region. With local economies surging and high accommodation demand, occupancy and RevPAR have risen strongly in the last few years.

Euro denominated RevPAR in the Middle East was negatively affected due to weakening of the US Dollar (circa 5%). Despite the currency effects, RevPAR for the first class segment grew by 13.4%, while the mid-market segment increased by 14.4%. Rand denominated RevPAR in South Africa saw increases of 14.5% and 16.9% in the first class and the mid-market segments respectively.

RevPAR growth, in EUR

	Jan–Mar 2008	Mar–Jun 2008	Jul–Sep 2008	Oct–Dec 2008	Jan–Dec 2008
Europe – First Class	–2.9%	1.6%	–4.9%	–14.0%	–5.1%
Europe – Mid-market	–1.4%	3.0%	–4.1%	–12.0%	–3.7%
The Nordics – First Class	1.6%	12.1%	–1.0%	–9.5%	1.5%
The Nordics – Mid-market	–0.7%	11.9%	–1.6%	–11.8%	0.1%
Rest of Western Europe – First Class	–4.2%	–0.4%	–6.7%	–15.5%	–6.6%
Rest of Western Europe – Mid-market	–2.2%	0.4%	–5.3%	–12.7%	–5.1%
Eastern Europe – First Class	1.5%	7.1%	1.6%	–9.1%	0.5%
Eastern Europe – Mid-market	6.4%	1.5%	–6.7%	–15.1%	–4.5%
Russia and CIS – First Class	4.2%	12.6%	12.0%	–4.1%	7.5%
Middle East – First Class	4.4%	13.5%	11.3%	23.3%	13.4%
Middle East – Mid-market	2.7%	9.7%	11.7%	33.0%	14.4%

Source: STR Global. Data is based on Rezidor and its peer group. Growth rates are Euro based.
Market data for the mid-market segment in Russia and the other CIS are not available.

Source: HVS International World Travel & Tourism Council, The World Tourism Organization (UNWTO), STR Global, Moodys (Global Credit Research – January 2009).

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 2008.

Operations

The Rezidor Hotel Group is one of the fastest growing hotel companies in the world. The hotels in the portfolio are principally operated under two key brands, Radisson and Park Inn, plus three development brands, Regent, Hotel Missoni and Country Inn.

As of December 31st 2008, Rezidor had 260 hotels in operation and 101 hotels under development, mainly located in EMEA (Europe, the Middle East and Africa). This corresponds to 76,740 rooms of which, 22,040 were under development.

Rezidor develops and licenses the Radisson Blu, Park Inn, Regent and Country Inn brands in the EMEA area under Master Franchise Agreements with Carlson Companies, a leading U.S. travel and hospitality company. Rezidor benefits from Carlson's global brand infrastructure, reservation system and other business initiatives. The licenses from Carlson are in effect until 2052, including Rezidor's extension options. In addition, Rezidor has a world wide licence agreement with fashion house Missoni for the development of hotels under the Missoni brand name.

Rezidor operates a carefully diversified portfolio of brands covering most of the hotel market segments: luxury, lifestyle, first-class full service, and mid-market full service. Of the key brands, Radisson Blu is a first-class, full service brand, while Park Inn is a mid-market, full service brand. Of the development brands, Regent is a traditional luxury brand, Hotel Missoni is a developed lifestyle brand and Country Inn is to be developed into a limited service brand.

Rezidor is focussing 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 54,700 rooms in operation by the end of 2008, 72% were managed or franchised.

Pipeline

During 2008, Rezidor signed 54 hotel agreements which represented a total of 12,600 rooms. By the end of the year Rezidor had a contracted pipeline (hotel projects officially signed with no condition precedent), of more than 22,000 rooms out of which 88% were managed or franchised. While the turmoil in the financial markets may result in some reduction to that pipeline, it is nonetheless a significant asset to the company when the rooms come into operation.

A turbulent year

The negative impact of the economic slow down on the European hotel market escalated during the last quarter of 2008 with double digit drops in industry RevPAR as a result.

The industry experienced a tough second half of 2008. Despite declining markets Rezidor continued to show strong profitability in the Nordics and the Middle East whilst profitability in Western Europe suffered from a sharper market decline, the renovation of a number of hotels and the ramping up of newly opened hotels. Industry RevPAR is expected to continue to decline further in 2009. In order to meet an increasingly weaker market an extended cost cutting programme was launched towards end of the year.

In operation as of Dec 31st, 2008

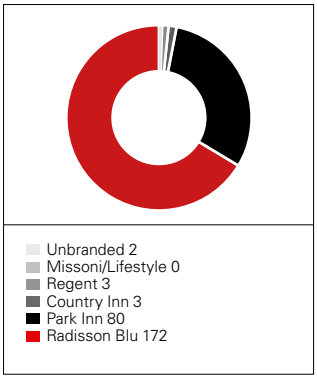
	Rezidor total	Radisson Blu	Park Inn	Country Inn	Regent	Missoni/ Lifestyle	Unbranded
Number of hotels	260	172	80	3	3	–	2
Number of rooms	54,700	39,183	14,660	169	554	–	134
Countries	45	44	18	3	3	–	2
Occupancy, %[1]	65.2	67.9	57.8	–	–	–	–
RevPar, EUR[1]	73.9	82.9	45.1	–	–	–	–

1) Including leased and managed hotels in operation.

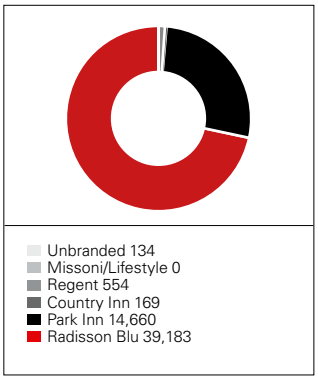
Pipeline as of Dec 31st, 2008

	Rezidor total	Radisson Blu	Park Inn	Country Inn	Regent	Missoni/ Lifestyle	Unbranded
Number of hotels	101	53	41	–	3	2	2
Number of rooms	22,040	13,001	7,314	–	928	297	500
Countries	33	28	13	–	3	2	1

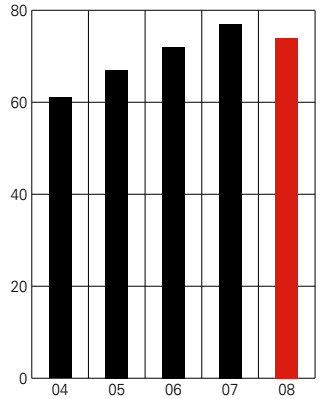
Number of hotels in operation, by brand 2008



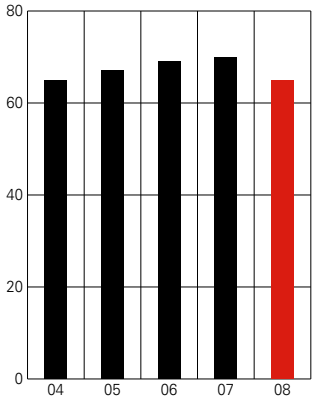
Number of rooms in operation, by brand 2008



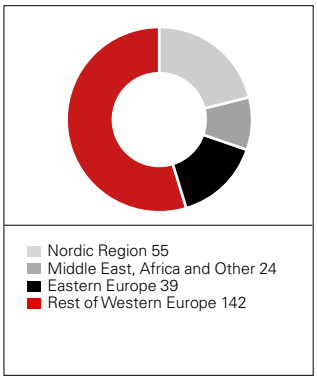
RevPAR, 2004–2008



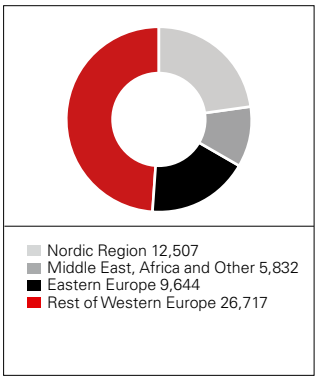
Occupancy, 2004–2008, %



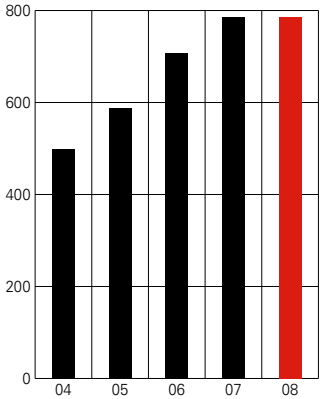
Number of hotels in operation, per region 2008



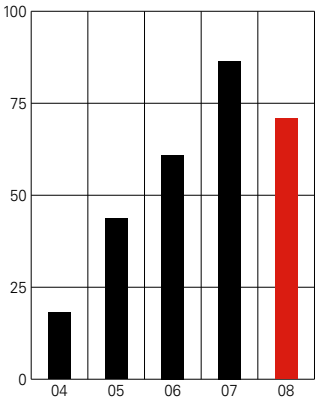
Number of rooms in operation, per region 2008



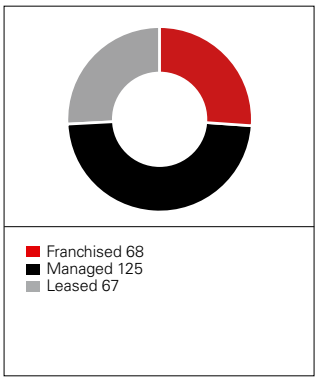
Revenue, 2004–2008, MEUR



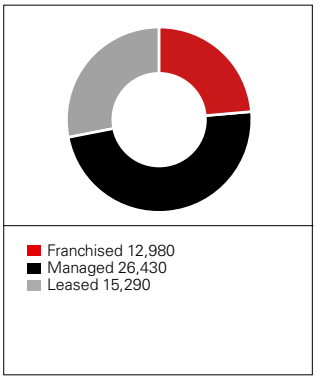
EBITDA, 2004–2008, MEUR



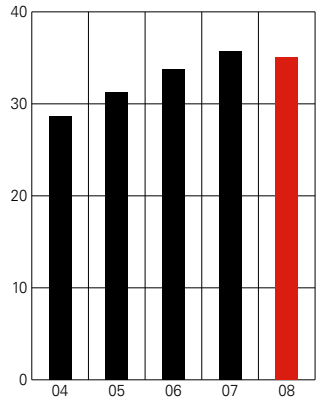
Number of hotels in operation, per contract type 2008



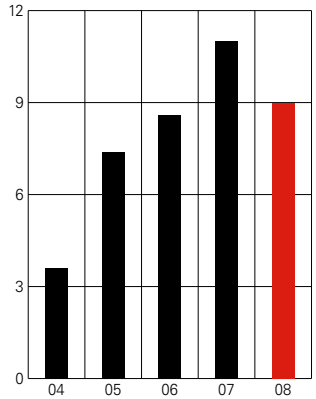
Number of rooms in operation, per contract type 2008



EBITDAR margin, 2004–2008, %



EBITDA margin, 2004–2008, %



Rezidor continues with the long term strategy to focus its growth on fee-based managed and franchised contracts to reduce risk in the portfolio. 2008 was a record year for new hotels to be built or converted to one of Rezidor's brands, and over 90% of these contracts were fee-based.

RevPAR and Occupancy

Total RevPAR for the Group was EUR 74. The growth in like-for-like RevPAR was 2.7%, but FX effects and new openings negatively impacted RevPAR by 3.7% and 2.5% respectively, giving a total decline in reported RevPAR of 3.5%.

The negative impact from FX was mainly due to the depreciation of the GBP (ca 14%), the USD (and the USD linked currencies in the Middle East) by ca 5%, the SEK (ca 4%) and the NOK (ca 2%) versus the EUR. However, the CHF appreciated by ca 4% versus the EUR during the year. All geographic segments noted decrease in occupancy levels, the effects of which were fully offset by increases in average room rates.

Like-for-like RevPAR

Like-for-like RevPAR in the Nordics followed the patterns for the market in general. The first half of the year noted a strong growth rate, driven by an increase in average rooms rates. The second half of 2008 however saw a weakening of the market and like-for-like RevPAR growth for the year was 2.9%. In Norway, Sweden and Denmark, like-for-like RevPAR grew by 4.5%, 0.4% and 0.1% respectively.

Rest of Western Europe noted a minor decline of 0.1%. The region saw a growth in like-for-like RevPAR in the first half of the year, coming from higher average rooms rates. The second half of the year was negatively affected by the financial turmoil and the economic slow-down, also having a negative effect on the average rooms rate in the fourth quarter. The negative development was especially noticed in the UK, Ireland and the Netherlands, whereas France and Germany managed to come in relatively well given the economic conditions with an increase in like-for-like RevPAR by 3.4% and 1.8% respectively.

Eastern Europe witnessed a strong growth in like-for-like RevPAR during the first six months. The development changed relatively dramatically in the last two quarters, but the region managed to come in at 4.3% for the full year. The increase was the result of an impressive growth in average room rate. The RevPAR growth was largely on account of Russia, which had a like-for-like growth of 13%. The development in other parts of the region was however less impressive and the Baltics noted a decrease of 14% for the full year.

Like-for-like RevPAR in the Middle East, Africa and Other saw a strong growth rate of 10.7%. This was a combination of a solid growth in average rooms rate and relatively stable occupancy with only a 1% drop in occupancy for the full year. South Africa noted an impressive 14% growth in like-for-like RevPAR and the UAE came with a 7% growth.

Income Statement for the Period 2008

2008 started well. The negative impact in Q1 from Easter was fully offset in Q2 and both revenue and EBITDA increased in the first half of the year. However, in the second half of the year, the consequences from the financial turmoil and the economic slowdown became apparent, negatively affecting the performance in most regions. The year also saw substantial negative FX effects, as many currencies weakened against the EUR, especially the GBP, but also the NOK and the SEK in the second half of the year.

Excluding FX effects, Total Revenue increased by MEUR 30.2. However, due to negative FX effects amounting to MEUR 30.6, Total revenue saw a minor decrease of MEUR 0.4. Share of rooms revenue increased slightly to 63.6% (63.4) of total hotel revenue. Rooms revenue increased mainly in Norway, Switzerland, France and Germany. These increases were however almost fully offset by reduced revenue in the UK. The opening of two new leased hotels contributed positively to rooms revenue.

The fee revenue went up by 6.1%, with good contribution from the net of 31 new hotels (ca 8,200 rooms) since the beginning of 2007. The biggest increase in fee revenue came from the Middle East, Africa & Other and followed by Eastern Europe. Rest of Western Europe and the Nordics noted a decline in fee revenue. The EBITDAR margin of 35.1% (35.7) only noted a minor decrease to last year despite more pre-opening costs of MEUR 2.3 and redundancy costs in 08 of MEUR 1.4. FX had a negative impact of ca MEUR 10.5 on EBITDAR. Central costs for 08 were stable at last year's level.

As a percent of leased hotel revenue, Rental Expenses (excluding shortfall payments) noted a slight increase to 28.7% (28.2). The two newly opened leased hotels affected Rental expenses by MEUR 2.3. Shortfall payments, included in the Rental expense line, went up by MEUR 5.8. This increase came from several hotels in Rest of Western Europe under management contracts with performance guarantees and was a result of the economic slowdown, especially affecting this region in the second half of the year. In addition shortfall payments in 2007 were positively impacted by a MEUR 1.7 repayment of shortfall guarantees.

The decline in Share of Income from Associates and Joint Ventures was mainly due to an arbitration award received in 07 amounting to MEUR 1.3.

EBITDA and EBITDA margin in comparison to that of 07 were negatively affected by the market slowdown, the aforementioned increase in pre-opening costs and redundancy cost as well as the arbitration award received in 07. Rent for new leased hotels and increased guarantee payments also had a total negative effect on Rental expense 08 of MEUR 9.3. FX also had a negative impact of ca MEUR 1.9 on EBITDA level.

Depreciation as a percent of leased hotel revenue increased to 4.1% (3.5), partly because of write down of fixed assets amounting to MEUR 2.2. Gain on sale of shares was a result of the disposal of shares in an operating company holding the lease for a hotel in South Africa, which was converted to a managed property.

Financial income in 2007 was partly affected by the capital gain from the sale of shares in RDS Hotelli AS (the owning company of Radisson Blu Hotel Tallinn, Estonia), which amounted to MEUR 3.2. Excluding this capital gain, Financial net improved from minus MEUR 2.5 to plus MEUR 0.7. The improved financial net was due to repayment of loans in 07 and reduced utilisation of bank overdraft as well as positive exchange differences.

The increase in the effective tax rate is due to tax losses incurred during the year, not capitalised as deferred tax assets as a result of the uncertainty in the market.

The Nordics

Since Q3 07, one franchised hotels was changed into leased hotel and one managed hotel was changed to a franchised hotel.

One managed (ca 40 rooms) and one franchised hotel (ca 200 rooms) joined the system during the year, contributing to revenue. 10 franchised hotels (ca 1,100 rooms) went offline but only with a marginal impact on the fee revenue. Leased hotel revenue also benefitted from the extensions during 2007 at two existing hotels in Oslo and Tromsø by 150 rooms and 83 rooms respectively.

The positive effect witnessed in the first half of 2008 resulted in a fairly strong full year result with slightly improved EBITDA margins for both leased and managed hotels. With increased rooms rate, offset by decreased occupancy, RevPAR was almost flat to 07. EBITDA margin for leased hotels in the region went up from 16.1% to 16.2% and for managed hotels from 80.6% to 81.9% during comparable periods. EBITDA for Nordics was negatively impacted by MEUR 1.2 from FX, coming from the weakened NOK and SEK. Total EBITDA margin in the Nordics was relatively stable at 19.1% (19.5).

Rest of Western Europe

During 2008, 2 leased (ca 500 rooms), 10 managed (ca 1,600 rooms) and 6 franchised (ca 1,700 rooms) hotels joined the operations. 2 hotels changed from managed to franchised and 1 hotel changed from franchised to managed during the year. Despite the addition of these new hotels, revenue went down, mainly as a result of lower revenue in the UK and the weakening of the GBP.

EBITDA margin for leased hotels declined to 0.4% (3.1). This was primarily due to the soft performance of the Park Inn portfolio in the UK as well as the opening of the 2 new leased properties, and pre-opening costs associated with those two hotels. Also EBITDA margin from management fees declined to 46.3% (72.8). This was mainly on account of increased shortfall payments for contracts that had performance guarantees. Total EBITDA margin in Rest of Western Europe went down to 3.9% (8.1).

Eastern Europe

During 2008, 6 managed (ca 1,100 rooms) and 2 franchised (ca 300 rooms) hotels joined the operations. The growth in management fees over last year was positively affected by the aforementioned addition of new rooms, and RevPAR growth in the Russian hotels. This was however negatively impacted by lower RevPAR in the Baltic states. EBITDA margin from management fees declined mainly due to increased shortfall payment for one contract with a performance guarantee. EBITDA margin went down to 70.4% (83.6). In 2007, the EBITDA margin was positively impacted by Share of Income from Associates and Joint Ventures, which noted an exceptional increase on account of Rezidor's share (MEUR 1.3) in the arbitration award related to Park Inn Ekaterinburg.

The Middle East, Africa & Other

During the year, 5 managed hotels (ca 1,000 rooms) were opened, with a good contribution to fee revenue from this region. EBITDA margin in the region however went down from 92.9% to 87.3% for the comparable periods. This was primarily due to preopening cost for a new hotel originally under a lease contract. The property was however converted into a managed contract and capital gain when the company holding the lease contract was sold is reported under Gain on sale of shares.

Central Costs

Despite high inflation and the Company's expansion, Central Costs noted a minor decrease compared to last year. This was mainly due to lower variable salaries, the reversal of certain accruals and the positive impact of cost savings initiatives. As a percent of System-wide Revenue, which was estimated at MEUR 2,060 (2,000), Central Costs were relatively stable at 2.1% (2.2).

Balance Sheet end of 2008

Compared to last year, non-current assets remain at the same level. Intangible assets saw a small increase during the year, mainly coming from acquired subsidiaries. Investments in tangible assets amounted to MEUR 34.6, most of which were carried out in hotels in Norway and the UK. This increase from investments was however offset by depreciations and substantial negative translation differences due to the depreciation of the GBP, the NOK and the SEK. The positive effect on non-current financial assets from share of income from associates and joint ventures was reduced by dividend payments from one of the joint ventures and the partial repayment of a loan from another joint venture.

Net working capital, excluding cash and cash equivalents, at the end of the period was MEUR –55.8 (–45.8 as at 31st December 07). Compared to the same period last year accounts receivables went down due to lower sales in Q4 08 and an improved efficiency in working capital management. Cash and cash equivalents went down from MEUR 51.4 to MEUR 26.4 and bank overdrafts from MEUR 31.6 to MEUR 8.2.

Compared to 31st December 2007, equity was reduced by the dividend paid, which amounted to MEUR 14.8, and the share buy-backs, which amounted to MEUR 8.4. Equity was also negatively affected by significant negative translation differences which including tax effects amounted to MEUR 20.3. The accounting for the long term incentive plans had a small positive effect of MEUR 0.2 on retained earnings.

Cash flow for the Period 2008

Cash flow from operating activities amounted to MEUR 61.9 in 08, which was MEUR 13.8 below last year. This was mainly explained by the lower operating profit for the year and higher tax payments, however somewhat offset by adjustments for non-cash items, such as exchange differences. A better working capital management and the drop in the market in the second half of 08 however resulted in a positive cash flow effect from reduced accounts receivables.

Cash flow from investing activities amounted to MEUR –36.4. Like in 07, these investments were mainly related to leased hotels in Norway and the UK. Cash flow from investing activities was also negatively affected by minor investments in other intangible assets and financial assets. Cash flow from other investments/divestments was substantially lower than last year. This was on account of the positive effects in 07 from the sale of the shares in RDS Hotelli AS in Estonia and the repayment of certain loans given by Rezidor to associates and joint ventures (the owning company of Radisson Blu Hotel Tallin, Estonia).

Cash flow from financing activities of MEUR –46.2 was negatively impacted by a reduction in the use of overdraft facilities by MEUR 23.4, the share buy-backs amounting to MEUR 8.4 and the dividend payment in accordance with the AGM resolution in April amounting to MEUR 14.8.

The total credit facilities available for use amounted to MEUR 106.8. MEUR 1.1 was used for bank guarantees and MEUR 8.2

was used as overdrafts. At the end of December 08, Rezidor had MEUR 26.4 in cash and cash equivalents.

Other Important Developments

In the third quarter of 2008 Rezidor launched a cost reduction plan expected to result in annual cost savings of MEUR 20. In order to meet an increasingly weaker market Rezidor extended the existing cost cutting programme in the fourth quarter to a level of annual savings of around MEUR 30 and is constantly monitoring the need for additional reductions.

Radisson was awarded 'Most Improved Hotel Brand in Europe' (brand awareness) in September 2008, by the BDRC Pan European Hotel Business Guest Survey. In the Nordics, BDRC business traveller research recognises Radisson as "No. 1 Hotel Brand Nordic" and "Leading Choice Hotel Brand Nordic".

Risk Management

Rezidor Hotel Group AB 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 hotel as its own operation
- the company manage a hotel on behalf of a hotel owner and receive a management fee
- the company franchise one of its brands to an independent owner and receive a franchise fee.

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

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

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

Political Risks

Rezidor is operating in Europe, Middle East and Africa (EMEA). The company's growth focus includes emerging markets as Russia & CIS, 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 operate under management contracts with no or limited financial exposure in the emerging markets.

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

Partner Risks

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

Hotel Missoni is Rezidor's fifth brand and the company has the world wide 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 operate hotels. The company cooperate 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 turn over 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.

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 implemented in a finance manual within the parameters and guidelines set forth in Rezidor's finance policy. Operating routines and delegation authorisation with regard to financial risk management are documented in this finance manual.

According to the finance policy, the treasury function may use financial instruments, such as FX forwards, FX swaps, FX options and interest rate swaps to hedge against currency and interest rate risks. At year-end, the Company had not entered into any hedging contracts.

Interest Rate Risks

It is the policy of the Company that borrowings and investments should have short interest duration. Virtually all financial liabilities and receivables bear floating interest rates, and the Group is consequently subject to risks due to fluctuations in market interest rates. Since all interest-bearing receivables are measured at amortised cost, there is no impact from changes in market interest rates on the carrying values of these receivables and consequently no impact on the income statement or equity.

The main financing risk is related to Rezidor's ability to control and meet the 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).

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, the reporting currency, or the USD. As a result, the exposure to exchange rate fluctuations on fee revenue from managed and franchised hotels is mitigated by the company's policy to adjust prices based on such fluctuations, except for food and beverage where Rezidor do not adjust prices.

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

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. In 2008, the translation exposure gave rise to relatively substantial negative effects in both the income statement and the balance sheet due to the weakening of GBP, NOK and SEK.

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 30 days for both local hotel customers and for fees. The central treasury guidelines set strict rules for the follow-up of receivables overdue 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. Based on market conditions, interest rates, repayment schedules, security arrangements have been agreed upon.

Central treasury is responsible to coordinate the handling of surplus liquidity and liquidity reserve, 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 a 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.

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.

As part of Rezidor's efforts to streamline its banking structure and secure appropriate overdraft and credit facilities, a long term agreement was signed in 2008 with a leading European Bank. The new banking structure provides a cross-border cash pool in which a majority of the cash flows within

the Group will be concentrated. The new cash pool was partially implemented in December 2008 and is being fully implemented in the beginning of 2009. Through this bank agreement, the Company has also secured combined overdraft and guarantee facilities for a total amount of MEUR 105. In addition, the Group has credit facilities of MEUR 1.8 granted by other banks.

Market Risks

Apart from interest rate risks and currency risks, which are described above, the Company is also subject to price risk related to changes in fair value of the investments in other shares and participations. These investments, normally the result of equity financing in early stages of certain hotel projects, are classified as available-for-sale investments with changes in fair value recognised directly in equity. However, there is no active market for these shares and the value is consequently not subject to changes in quoted market prices.

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 average house rate (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 are 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 receive full revenues and are 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 Rezidor estimate that a EUR 1 RevPAR variation would result in a MEUR 5–6 change in EBITDA.

Share Capital

The share capital amounts to TEUR 10,000, corresponding to 150,002,040 registered shares, of which 3,694,500 were held by the Company, leaving 146,307,540 shares outstanding as of December 31st 2008. 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 2007, the Company bought back 945,200 shares in Q1 2008 at an average price of SEK 33.51 per share, representing an investment of TEUR 3,361 including commissions. On April 23rd 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 Stockholm Stock Exchange until the next Annual General Meeting. Following this new authorisation, the Company bought back 1,724,300 shares in Q3 2008 at an average price of SEK 27.36 representing an investment of TEUR 5,020 including commissions. In total, the Company bought back 2,669,500 shares in 2008 with an aggregated quota value of EUR 177,964, corresponding to 1.78% of total registered shares. Total amount paid, including commission, was TEUR 8,381. As of December 31st 2008, 3,694,500 own shares with an aggregated quota value of EUR 246,296, corresponding to 2.46% of total registered shares, were held by the Company. Total amount paid for these shares was TEUR 13,292. The authorisations at these two Annual General Meetings have been given to secure delivery of shares to participants in the two share based incentive programmes decided in 2007 and 2008 and to cover social security costs pertaining to these programmes as well as to ensure that the Group has a more efficient capital structure. A total of 1,089,207 shares has been bought back to secure delivery of shares in the incentive programmes and the related social security costs

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	(8,032)
Net loss for the year	(4,968)
Total	**184,297**

In the current context of economic uncertainty, the Board of Directors recommends to the Annual General Meeting a suspension of the dividend. The long-term policy is to distribute approximately one third of the annual net income. The Board of Directors proposes that the distributable funds as presented above are brought forvard.

Responsible Business

The Rezidor Hotel Group's Responsible Business programme was introduced in 2001 and builds on the environmental initiative established in the mid 1990s. It is a well established part of the company's operations in all brands across all regions and Rezidor recognises the importance of corporate responsibility as a part of daily operations.

Every hotel has a Responsible Business Coordinator to guide and advise employees on how to achieve the programme objectives and all new employees are offered Responsible Business training since 2002. The hotels in Rezidor's portfolio are becoming increasingly resource efficient and over the 2008 Rezidor have reduced energy consumption per square metre: water use per guest night as well as the generation of residual waste considerably. At the same time, Rezidor have also more than tripled the numbers of hotels that have received external certification from well-recognised eco-labelling schemes like the Nordic Swan, the Green Key and the Green Tourism Business Scheme.

Hotel operations are not covered by any environmental permits, however Rezidor's hotels are provided with an overview of applicable environmental and health and safety legislation through an internet-based legal database. Legislative demands mainly concern waste recycling, energy efficiency in buildings, legionella prevention and control of water effluents. Rezidor was not involved in any environmentally related legal disputes or complaints and has no known major environmental related debts. The Sustainability Report includes a more complete description of Rezidor's Responsible Business programme.

Compensation to Key Management Approved by the AGM 2008

At the Annual General Meeting on April 23rd 2008, the presented proposal from the Board of Directors for determining the principles for compensation to the company key management was approved. In summary, the proposal suggested that compensation shall be made in accordance with market terms. Key management is defined as the company's Executive Committee, which includes 11 persons, of which one is the CEO. The compensation should consist of a balanced mix of basic salary, variable bonus salary, pensions, a share-based incentive programme for the employees and conditions for termination and termination payments. Issues regarding the terms of employment for the CEO will be prepared by the Board of Directors' Compensation Committee and will be resolved by the Board of Directors. The CEO resolves 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.

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 2009 for Compensation to Key Management

The Board of Director's proposal for principles of 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. Key management refers to a diverse group of international executives. With key management means the Company's Executive Committee which includes 11 persons, including the CEO.

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

Matters regarding the terms of employment for the CEO will be prepared by the Board of Director's compensation committee and will be resolved by the Board of Directors. The CEO resolves upon the terms of employment for the other Company management after consent from the Board's compensation committee.

It is proposed that the Board of Directors shall be authorised to deviate from the principles for compensation of the Company key management if certain circumstances are at hand in a specific case.

Base Salary

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

Pension & Retirement

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

Variable Salary

The basis for the annual variable salary scheme for 2009 for the Executive Committee is based on components such as group consolidated profitability, group consolidated cash flow, divisional profitability, the company growth target in terms of opened and contracted rooms and strategic objectives. The combination and weighting of these components depends on the executive's role. The maximum variable salary for the Executive Committee (other than for the CEO, see Note 10) varies depending on target achievement and may for 2009 amount to between 40 and 75% of annual base salary depending on the executive's role.

Share-based Incentive Programmes

The Annual General Meetings in 2007 and 2008 approved two share-based incentive programmes to be offered the Executive Committee and other key employees: The details of these programmes are described in Note 33.

The Board of Directors will propose to the Annual General Meeting to be held on 23rd April 2009 the adoption of a new share based long term incentive programme (the

"LTIP 2009). The programme shall comprise no more than 30 participants. The extent of each senior executive's participation in the programme, and thus also the possibility to receive allotment of Performance Shares at the end of the qualification period of the programme, is based on the participant receiving an allocation of conditional shares based on a percentage of annual gross salary dependent on an executive's role. For the majority of the participants the percentage is 15% with higher percentages applying for the Executive Committee members are as follows:

- CEO and the CFO receive 50%,
- COO's (two persons), the CDO and the EVP of Brands receive 35%,
- Other Executive Committee members receive 25%

In addition, allotments of Performance Shares are conditional upon certain financial targets, linked to relative Total Shareholder Return ("TSR") and Earnings per Share ("EPS"), being achieved during the three year qualification period.

Conditions for Termination and Termination Payments

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

Other Benefits

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

Remuneration of the CEO

The CEO's employment agreement has been extended to February 28th 2012. 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. In 2008 a dividend of MEUR 14.8 was paid and shares for MEUR 8.4 were bought back.

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 dependant on the financial position and development of the subsidiaries.

Financial Reports

Five Year Summary

MEUR (except stated otherwise)	2008	2007	2006	2005	2004[1]
Income statement					
Revenue	784.8	785.2	707.3	587.0	498.7
EBITDA	70.9	86.5	61.0 [2]	43.7	18.1
EBIT	42.9	63.2	34.7	30.5	5.8
Financial income and expense, net	0.7	0.7	(2.2)	0.5	(1.6)
Profit/loss for the year	26.1	45.7	29.0	23.2	3.9
Balance sheet					
Balance sheet total	384.0	412.6	402.6	354.3	323.8
Total equity attributable to equity holders of the parent	184.1	201.3	176.2	88.9	68.0
Cash flow					
Cash f ow from operating activities	61.9	75.7	41.1	27.6	1.1
Cash f ow from investing activities	(36.4)	(28.9)	(18.4)	32.3	(27.1)
Cash f ow from financing activities	(46.2)	(46.3)	4.9	(60.8)	27.7
Financial key figures					
EBITDAR	275.7	280.5	238.8	183.4	142.7
EBITDAR Margin, %	35.1	35.7	33.8	31.2	28.6
EBITDA	70.9	86.5	61.0 [2]	43.7	18.1
EBITDA Margin, %	9.0	11.0	8.6 [2]	7.4	3.6
Total investments (tangible and intangible investments)	37.3	45.8	32.6	34.6	54.9
Operational key figures					
Number of hotels[3]	260	237	225	219	190
Occupancy, %[4]	65	70	69	67	65
RevPAR, EUR[4]	74	77	72	67	61
Return on capital employed, %	20.8	27.1	18.1	12.2	0.6
Return on equity, %	13.5	27.2	18.5	22.6	5.8
Share related key figures[5]					
Weighted average number of shares	147,502,253	149,836,224	149,979,887	149,942,456	149,942,456
Earnings per share, EUR	0.18	0.31	0.19	0.15	0.03
Proposed dividend per share, EUR	–	0.10	0.06	–	–

1) In 2004 the Parent Company for the group was Rezidor SAS Hospitality A/S.
2) Before IPO related costs.
3) Includes leased, managed and franchised hotels in operations.
4) Including managed and leased hotels in operation.
5) Share-related data has been calculated using 150,002,040 shares for 2005 and 2006 when Rezidor Hotel Group AB (publ) has been Rezidor's Parent Company. For the year ended December 31, 2004, the share related data has also been calculated using 150,002,040 shares outstanding, although the actual number of shares at this date was different ref ecting the number of shares outstanding in Rezidor's previous Parent Company, Rezidor SAS Hospitality A/S. For share-related data in 2004, the same number of weighted average number of shares as for 2005 has been used to obtain comparable figures.

Consolidated Statements of Operations

		For the Year Ended December 31	
TEUR (except for share related data)	**Notes**	**2008**	**2007**
Revenue	7, 8, 37	784,819	785,241
Costs of goods sold for Food & Beverage and other related expenses	9	(60,544)	(61,133)
Personnel cost and contract labour	10	(276,586)	(265,800)
Other operating expenses	11	(160,893)	(166,015)
Insurance of properties and property tax	12	(11,068)	(11,754)
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)		**275,728**	**280,539**
Rental expense	13	(208,950)	(200,252)
Share of income in associates and joint ventures	22, 23	4,102	6,219
Operating profit before depreciation and amortisation and gain on sale of shares and tangible assets (EBITDA)		**70,880**	**86,506**
Depreciation and amortisation expense	19, 20, 21	(28,545)	(24,353)
Gain on sale of shares and tangible assets	14	544	1,070
Operating profit (EBIT)	7	**42,879**	**63,223**
Financial income	15	3,199	5,198
Financial expense	15	(2,489)	(4,540)
Profit before tax		**43,588**	**63,881**
Income tax	16	(17,452)	(18,165)
Profit for the year		**26,136**	**45,716**
Attributable to:			
Equityholders of the parent		26,136	45,716
Minority interest		–	–
		26,136	**45,716**
Weighted average number of ordinary shares outstanding during the period	18	147,502,253	149,836,224
Earnings per share (EUR)			
Basic and diluted before allocation to minority interest	18	0.18	0.31

Comments to the Consolidated Statements of Operations

2008 started well. The negative impact in Q1 from Easter was fully offset in Q2 and both revenue and EBITDA increased in the first half of the year. However, in the second half of the year, the consequences from the financial turmoil and the economic slow-down became apparent, negatively affecting the performance in most regions. The year also saw substantial negative FX effects, as many currencies weakened against the EUR, especially the GBP, but also the NOK and the SEK in the second half of the year.

Excluding FX effects, Total Revenue increased by MEUR 30.2. However, due to negative FX effects amounting to MEUR 30.6, Total revenue saw a minor decrease of MEUR 0.4. Share of rooms revenue increased slightly to 63.6% (63.4) of total hotel revenue. Rooms revenue increased mainly in Norway, Switzerland, France and Germany. These increases were however almost fully offset by reduced revenue in the UK. The opening of two new leased hotels contributed positively to rooms revenue. The fee revenue went up by 6.1%, with good contribution from the net of 31 new hotels (ca 8,200 rooms) since the beginning of 2007. The biggest increase in fee revenue came from the Middle East, Africa & Other and followed by Eastern Europe. Rest of Western Europe and the Nordics noted a decline in fee revenue.

The EBITDAR margin of 35.1% (35.7) only noted a minor decrease to last year despite more pre-opening costs of MEUR 2.3 and redundancy costs in 2008 of MEUR 1.4. FX had a negative impact of ca MEUR 10.5 on EBITDAR. Central costs for 2008 were stable at last year's level.

As a percent of leased hotel revenue, Rental Expenses (excluding shortfall payments) noted a slight increase to 28.7% (28.2). The two newly opened leased hotels affected Rental expenses by MEUR 2.3. Shortfall payments, included in the Rental expense line, went up by MEUR 5.8. This increase came from several hotels in Rest of Western Europe under management contracts with performance guarantees and was a result of the economic slowdown, especially affecting this region in the second half of the year. In addition shortfall payments in 2007 were positively impacted by a MEUR 1.7 the repayment of shortfall guarantees. The decline in Share of Income from Associates and Joint Ventures was mainly due to an arbitration award received in 2007 amounting to MEUR 1.3.

EBITDA and EBITDA margin in comparison to that of 2007 were negatively affected by the market slowdown, the aforementioned increase in pre-opening costs and redundancy cost as well as the arbitration award received in 2007. Rent for new leased hotels and increased guarantee payments also had a total negative effect on Rental expense 2008 of MEUR 9.3. FX also had a negative impact of ca MEUR 1.9 on EBITDA level.

Depreciation as a percent of leased hotel revenue increased to 4.1% (3.5), partly because of write down of fixed assets amounting to MEUR 2.2. Gain on sale of shares was a result of the disposal of shares in an operating company holding the lease for a hotel in South Africa, which was converted to a managed property.

Financial income in 2007 was partly affected by the capital gain from the sale of shares in RDS Hotelli AS (the owning company of Radisson Blu Hotel Tallinn, Estonia), which amounted to MEUR 3.2. Excluding this capital gain, Financial net improved from minus MEUR 2.5 to plus MEUR 0.7. The improved financial net was due to repayment of loans in 2007 and reduced utilisation of bank overdraft as well as positive exchange differences. The increase in the effective tax rate is due to tax losses incurred during the year, not capitalised as deferred tax assets as a result of the uncertainty in the market.

Consolidated Balance Sheet Statement

		As of December 31	
TEUR	**Notes**	**2008**	**2007**
ASSETS			
Non-current assets			
Intangible assets			
Goodwill	19	13,190	12,628
Licenses and related rights	20	51,496	52,446
Other intangible assets	20	14,494	12,706
		79,180	**77,780**
Tangible assets			
Fixed installations in leased properties	21	36,227	37,896
Machinery and equipment	21	57,562	61,121
Investments in progress	21	9,927	8,849
		103,716	**107,866**
Financial assets			
Investments in associated companies	22	5,262	4,554
Investments in joint ventures	23	2,733	3,269
Other shares and participations	24	10,527	10,411
Pension funds, net	25	10,291	13,679
Other long-term interest-bearing receivables	26	11,036	10,416
Other long-term non-interest bearing receivables	26	1,195	1,456
		41,044	**43,785**
Deferred tax asset	16	20,150	21,758
		244,090	**251,189**
Current assets			
Inventories		5,342	5,724
Accounts receivable	27	48,286	56,059
Current tax assets	16	7,802	281
Other current interest-bearing receivables	28	2,705	1,812
Other current non-interest bearing receivables	29	46,395	42,723
Other short term investments	30	2,975	3,421
		113,505	**110,020**
Cash and cash equivalents	31	26,379	51,389
		26,379	**161,409**
Total assets		**383,974**	**412,598**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	32	10,000	10,000
Translation reserves		(6,682)	13,635
Other paid in capital		120,302	135,105
Retained earnings including profit for the year		60,502	42,522
Equity attributable to equity holders of the parent		**184,122**	**201,262**
Minority interest		215	215
Total equity		**184,337**	**201,477**
Non-current liabilities			
Deferred tax liabilities	16	25,783	25,447
Retirement benefit obligations	25	1,510	1,388
Provisions	34	1,007	488
Other long-term interest-bearing liabilities	35	1,431	87
Other long-term non-interest bearing liabilities		775	430
		30,506	**27,840**
Current liabilities			
Accounts payable		39,312	37,430
Current tax liabilities	16	18,384	7,604
Bank overdraft	35	8,198	31,573
Other current non-interest bearing liabilities	36	103,237	106,674
		169,131	**183,281**
Total liabilities		**199,637**	**211,121**
Total equity and liabilities		**383,974**	**412,598**
Contingent liabilities	38		
Leasing commitments	39		
Management contract commitments	40		

Consolidated Statement of Changes in Equity

TEUR	Share capital	Other paid in capital	Foreign currency translation reserve	Retained earnings	Equity attributable to equityholders of the parent	Minority interest	Total Equity
Equity as of Dec. 31, 2006	**127**	**153,978**	**20,578**	**1,482**	**176,165**	**215**	**176,380**
Exchange differences arising on the translation of foreign operations	–	–	(6,516)	–	**(6,516)**	–	**(6,516)**
Tax on exchange differences recognised directly in equity	–	–	(427)	–	**(427)**	–	**(427)**
Income and expense recognised directly in equity	–	–	*(6,943)*	–	**(6,943)**	–	**(6,943)**
Net profit for the period	–	–	–	45,716	**45,716**	–	**45,716**
Total recognised income and expense for the period	–	–	*(6,943)*	*45,716*	**38,773**	–	**38,773**
Long term incentive plan	–	–	–	235	**235**	–	**235**
Bonus issue	9,873	(9,873)	–	–	**–**	–	**–**
Dividend paid to shareholders	–	(9,000)	–	–	**(9,000)**	–	**(9,000)**
Cost of share buy back	–	–	–	(4,911)	**(4,911)**	–	**(4,911)**
Total transactions with shareholders and other changes in equity	*9,873*	*(18,873)*	–	*(4,676)*	**(13,676)**	–	**(13,676)**
Equity as of Dec. 31, 2007	**10,000**	**135,105**	**13,635**	**42,522**	**201,262**	**215**	**201,477**
Exchange differences arising on the translation of foreign operations	–	–	(17,235)	–	**(17,235)**	–	**(17,235)**
Tax on exchange differences recognised directly in equity	–	–	(3,082)	–	**(3,082)**	–	**(3,082)**
Income and expense recognised directly in equity	–	–	*(20,317)*	–	**(20,317)**	–	**(20,317)**
Net profit for the period	–	–	–	26,136	**26,136**	–	**26,136**
Total recognised income and expense for the period	–	–	–	*26,136*	**26,136**	–	**26,136**
Long-term incentive plan	–	–	–	225	**225**	–	**225**
Dividend paid to shareholders	–	(14,803)	–	–	**(14,803)**	–	**(14,803)**
Cost of Share buy-back	–	–	–	(8,381)	**(8,381)**	–	**(8,381)**
Total transactions with shareholders and other changes in equity	–	*(14,803)*	–	*(8,156)*	**(22,959)**	–	**(22,959)**
Equity as of Dec. 31, 2008	**10,000**	**120,302**	**(6,682)**	**60,502**	**184,122**	**215**	**184,337**

The accumulated costs related to the equity-settled share-based incentive programmes amount to TEUR 460 (235) and are recognised in retained earnings.

Comments to the Consolidated Balance Sheet Statements (previous page 75)

Compared to last year, non-current assets remain at the same level. Intangible assets saw a small increase during the year, mainly coming from acquired subsidiaries. Investments in tangible assets amounted to MEUR 34.6, most of which were carried out in hotels in Norway and the UK. This increase from investments was however offset by depreciations and substantial negative translation differences due to the depreciation of the GBP, the NOK and the SEK. The positive effect on non-current financial assets from share of income from associates and joint ventures was reduced by dividend payments from one of the joint ventures and the partial repayment of a loan from another joint venture.

Net working capital, excluding cash and cash equivalents, at the end of the period was MEUR –55.8 (–45.8 as at 31st December 07). Compared to the same period last year accounts receivables went down due to lower sales in Q4 08 and an improved efficiency in working capital management. Cash and cash equivalents went down from MEUR 51.4 to MEUR 26.4 and bank overdrafts from MEUR 31.6 to MEUR 8.2. Compared to 31st December 2007, equity was reduced by the dividend paid, which amounted to MEUR 14.8, and the share buy-backs, which amounted to MEUR 8.4. Equity was also negatively affected by significant negative translation differences which including tax effects amounted to MEUR 20.3. The accounting for the long term incentive plans had a small positive effect of MEUR 0.2 on retained earnings.

Consolidated Statement of Cash Flows

TEUR	Notes	For the Year Ended December 31 2008	2007
OPERATIONS			
Operating profit (EBIT)		42,879	63,223
Adjustments for non cash items:			
Depreciations, amortisations and write-downs	19, 20, 21	28,545	24,353
Gain (loss) on sale of shares and tangible assets and disposals	14	(544)	(1,070)
Change in pension assets/liabilities		3,510	(1,063)
Share of income in associated companies and joint ventures	22, 23	(4,102)	(6,219)
Exchange differences and other adjustments for non cash items		(974)	(5,519)
Interest received	15	2,022	2,040
Interest paid	15	(1,715)	(3,048)
Dividend from associated companies	22, 23	2,481	3,904
Other financial items	15	402	(1,492)
Tax paid		(15,677)	(4,997)
Cash flows from operations before change in working capital		**56,827**	**70,112**
Change in:			
Inventories		383	(427)
Current receivables		5,117	(2,446)
Current liabilities		(425)	8,428
Change in working capital		**5,075**	**5,555**
Cash flow from operating activities		**61,902**	**75,667**
INVESTMENTS			
Purchase of intangible assets	19, 20	(820)	(3,259)
Purchase related to investments in progress	21	(11,288)	(19,854)
Purchase of machinery and equipment	21	(16,040)	(15,356)
Purchase fixed installations	21	(7,229)	(7,356)
Purchase of shares and participations	17	(1,061)	1,469
Other investments and divestments of financial fixed assets		120	7,382
Total investments		**(36,318)**	**(36,974)**
Disposals of shares			
Net proceeds from sale of shares in subsidiaries	17	(65)	38
Proceeds from sale of other shares and participations	14, 23	–	8,053
Cash flow from investing activities		**(36,383)**	**(28,883)**
FINANCING			
Credit lines and/or overdraft facilities		(23,375)	(16,030)
New loan		442	461
Loan repayment		(76)	(16,815)
Total external financing		**(23,009)**	**(32,384)**
Transactions with shareholders			
Share buy back	32	(8,361)	(4,911)
Dividends paid to shareholders		(14,803)	(9,000)
Cash flow from financing activities		**(46,173)**	**(46,295)**
Cash flow for the year		**(20,654)**	**489**
Translation difference in cash and cash equivalents		**(4,356)**	**(75)**
Cash and cash equivalents, January 1		**51,389**	**50,975**
Cash and cash equivalents, December 31		**26,379**	**51,389**

Comments to the Consolidated Statement of Cash Flows

Cash flow from operating activities amounted to MEUR 61.9 in 08, which was MEUR 13.8 below last year. This was mainly explained by the lower operating profit for the year and higher tax payments, somewhat offset by adjustments for non-cash items, such as exchange differences. A better working capital management and the drop in the market in the second half of 08 however resulted in a positive cash flow effect from reduced accounts receivables.

Cash flow from investing activities amounted to MEUR –36.4. Like in 07, these investments were mainly related to leased hotels in Norway and the UK. Cash flow from investing activities was also negatively affected by minor investments in other intangible assets and financial assets. Cash flow from other investments/divestments was substantially lower than last year. This was due to the positive effects in 07 from the sale of the shares in RDS Hotelli AS in Estonia and the repayment of certain loans given by Rezidor to associates and joint ventures (the owning company of Radisson Blu Hotel Tallin, Estonia).

Cash flow from financing activities of MEUR –46.2 was negatively impacted by a reduction in the use of overdraft facilities by MEUR 23.4, the share buy-backs amounting to MEUR 8.4 and the dividend payment in accordance with the AGM resolution in April amounting to MEUR 14.8.

The total credit facilities available for use amounted to MEUR 106.8. MEUR 1.1 was used for bank guarantees and MEUR 8.2 was used as overdrafts. At the end of December 08, Rezidor had MEUR 26.4 in cash and cash equivalents. Net cash (including pension assets and retirement benefit obligations) amounted to MEUR 44.0 (47.7 as at 31st December 07).

Notes to the Group Accounts

NOTES TO THE GROUP ACCOUNTS

NOTE 1 GENERAL INFORMATION

Rezidor Hotel Group AB (publ), hereafter referred to as Rezidor or the Company, is a limited company incorporated in Sweden. Its registered office and principal place of business is in Sweden (Stockholm), address: Hemvärnsgatan 15, p.o. Box 6061, 171 06 Solna, Sweden. The corporate head office is based in Brussels, Belgium.

Rezidor is an international hospitality company which currently has 361 hotels in operation or under development in 55 countries. Rezidor operates under the brands Radisson Blu Hotels & Resorts, Regent International Hotels, Park Inn and Country Inns & Suites. Further information of the activities of the Company is described in Note 7.

The Annual Report as of December 31, 2008 was approved by the Board of directors of Rezidor Hotel Group AB (publ) on March 23, 2009. The Annual Report is subject to approval by the Annual General Meeting on April 23, 2009.

NOTE 2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all of the new and revised Standards and interpretations issued by the International Accounting Standards Board (the IASB) and the international Financial Reporting interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on January 1st 2008 and which were endorsed by the European Commission prior to the release of these financial statements. The amendments and pronouncement, which are presented below, have not had a material effect on the reported results of operations and financial condition for financial year 2008.

IFRS Standard and IFRIC Interpretations effective for 2008

Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Fiancial instruments: Disclosures
IFRIC 11 IFRS 2 – Group and Treasury share Transactions
IFRIC 12 Service Concession Arrangements
IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

RECENT ACCOUNTING PRONOUNCEMENTS

International Accounting Standards Board (IASB) has issued and European Commission has endorsed, IFRS 8 Operating Segments, effective for accounting preriods beginning on January 1st 2009. IASB has also issued Improvements to IFRSs 2008 (effective from January 1st or later), not yet endorsed by EU. In addition to these new standards, IASB has issued at the date of authorisation of these financial statements, amendments to the following existing standards, not yet endorsed by EU.

IFRS Standard and IFRIC interpretations	Effective for annual period beginning on or after
Amendment to IFRS 2 Share-based Payments	January 1, 2009
Amendment to IAS 1 Presentation of Financial Satements	January 1, 2009
Amendment to IAS 23 Borrowing Costs	January 1, 2009
Amendment to IAS 32 Financial Instruments: Reclassification	January 1, 2009
Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards	July 1, 2009
Amendment to IFRS 3 Business Combination	July 1, 2009
Amendment to IAS 27 Cosolidated and Separate Financial Statements	July 1, 2009
Amendment to IAS 39 Financial Instruments: Recognition and Measurement	July 1, 2009

The Company anticipates that the adoption of these Standards and interpretations in future periods will have no material impact on the financial statements for the Group.

International Financial Reporting Interpretations Committee (IFRIC) has published the following new interpretations not yet endorsed by EU:

Interpretation	Effective for annual period beginning on or after
IFRIC 13 Customer Loyalty Programmes	July 1, 2008
IFRIC 16 Hedges of a Net Investment in a Foreign Operation	October 1, 2008
IFRIC 15 Agreements for the Construction of Real Estate	January 1, 2009
IFRIC 17 Distributions of non-cash assets to owners	July 1, 2009
IFRIC 18 Transfers of Assets from Customers	July 1, 2009

The above new and revised standards and interpretations have not yet been applied.

The Company anticipates that the adoption of these Standards and interpretations in future periods will have no material impact on the financial statements for the Group.

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 1.1 Supplementary Rules for the Group has been applied, issued by the Swedish Financial Accounting Standards Council.

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 Group operates and consequently the financial statements are presented with EUR as the reporting currency. Any difference between the functional currency and the currencies in which the Group companies reports is recognised directly in the statement of shareholders equity.

GENERAL PROVISION ON RECOGNITION AND MEASUREMENT

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

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

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

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

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

BASIS OF CONSOLIDATION

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

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

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those 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 purchase method. The cost of the 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, plus any costs directly attributable to the business combination. 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 acquisition is recognised as an asset being the excess of the cost of the business combination over the Group's interest in 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.

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 jointly 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) from sale of shares and tangible fixed assets".

FOREIGN CURRENCY

Assets and liabilities in foreign currency

Foreign currency transactions are translated into the reporting currency using average monthly rates, which essentially reflect the rate of exchange at the date of transaction. Receivables, liabilities and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the rate of exchange at the balance sheet date. Exchange differences that arise between the

rate at the date of transaction and the one in effect at the date of payment, or the rate at the balance sheet date, are recognised in the income statement as financial income or expense

Translation of financial statements of foreign subsidiaries

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

The main exchange rates affecting the financial statements are:

		Year-end rate Dec. 31		Average rate Jan. 1 – Dec. 31	
Country	**Currency**	**2008**	**2007**	**2008**	**2007**
Denmark	DKK	7.45	7.46	7.46	7.45
Sweden	SEK	10.86	9.43	9.63	9.25
Norway	NOK	9.75	7.94	8.24	8.01
United Kingdom	GBP	0.95	0.73	0.80	0.68

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 out-standing and at the effective interest rate applicable. Dividend from investments is recognised when the shareholders rights to receive payment have been established.

Customer Loyalty programme

A Customer loyalty programme (named as goldpoints plus^{SM}) is used by the Company to provide customers with incentives to buy room nights. On 28th October 2007, Carlson Group took over the responsibility for the goldpoints plus^{SM} programme from Rezidor. Rezidor is liable three years for points awarded before that date. Each time a customer redeems points earned before the transfer of the programme to Carlson, the liability built up during the period for which Rezidor administered the programme, is reduced. Rezidor is not liable for points awarded under the loyalty programme after the date of transfer to the Carlson Group.

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 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, rental and licences, maintenance contracts and insurance property taxes.

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 and losses on securities and shares.

Taxation

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

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable

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

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

BALANCE SHEET

Goodwill

Goodwill, arising on the acquisition of a subsidiary or a jointly controlled entity, represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit prorate on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Licences and other rights and Other intangible assets

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

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

Property, plant and equipment

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

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

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

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

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

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

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

Impairment of tangible and intangible assets excluding goodwill

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

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

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

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 f ow 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 f ows.

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

Other shares and participations are classified as available-for-sale investments and measured at fair value. Gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period. Impairment losses recognised in profit and loss for equity investments are not subsequently reversed through profit and loss. Investments where the fair value cannot be measured reliably are measured at cost. In 2005, these investments were accounted for in accordance with the fair value option. After that, no revaluation has been made, as the fair value cannot be reliably measured.

Receivables

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

Other short-term investments

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

Accounts payable

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

Other interest- and non-interest bearing liabilities

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

Provisions

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

Retirement benefit obligations

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

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

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

Share-based payment transactions

Fair value at grant date for the two 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. 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 f ow statement is presented using the indirect method. It shows cash f ows 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 f ows from the acquisition and divestment of enterprises are shown separately under "Cash f ow from investing activities". Cash f ows from acquired enterprises are recognised in the cash f ow statement from the time of their acquisition, and cash f ows from divested enterprises are recognised up to the time of sale.

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

Cash f ows denominated in foreign currencies, including cash f ows in foreign subsidiaries, are translated to the functional currency using average monthly rates, which essentially ref ect the rates at the date of payment. Cash at year end is translated to the functional currency using the rates at the balance sheet date.

NOTE 4 FINANCIAL RISK MANAGEMENT

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

According to the finance policy, the treasury function may use financial instruments, such as FX forwards, FX swaps, FX options and interest rate swaps to hedge against currency and interest rate risks. At year-end, the Company had not entered into any hedging contracts.

INTEREST RATE RISKS

Cash flow risks

Virtually all financial liabilities and receivables bear f oating 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 approximately MEUR 0.1, based on the loans and receivables outstanding on December 31, 2008. The effect of changes in market rates on cash and cash equivalents is not considered in this simulation as the impact from market rate changes on bank account interest rates is considered limited.

Fair value risks

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

Off-balance sheet commitments

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

CURRENCY RISKS

The Company has operations in a vast number of countries with many different currencies and is therefore exposed to currency exchange rate f uctuations. 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).

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 f uctuations in the EUR, Rezidor's reporting currency, or the USD. As a result, the exposure to exchange rate f uctuations on fee revenue from Rezidor's managed and franchised hotels is mitigated through the company's policy to adjust prices based on f uctuations, except for food and beverage where Rezidor do not adjust prices.

All hotels use a reservation system that is set up and managed by the Carlson Group, for which the hotels pay a fee to the Carlson Group. The fees are collected centrally by Rezidor and paid further on to the Carlson Group. As these fees are paid in USD, the Group is exposed to f uctuations in the value of the USD, also affecting the leased hotels. As for the managed and franchised hotels, this exposure is however limited as the fees collected from these hotels in USD also are matched by an outf ow 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. In 2008, the translation exposure gave rise to relatively substantial negative effects in both the income statement and the balance sheet due to the weakening of GBP, NOK and SEK.

A sensitivity analysis shows that if the EUR would fluctuate by 5% against other currencies in the Group, excluding DKK which is more or less pegged against the EUR, the effect on the consolidated equity would be approximately MEUR 7.7, based on the equity at year-end 2008. If the EUR would fluctuate by 5% against all other currencies in the Group, also excluding DKK; the effect would be MEUR 24.0 on total revenue, MEUR 2.3 on EBITDA and MEUR 1.0 on net income, if the income statement would be the same as in 2008.

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 receivables overdue 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 receivables overdue and impaired at year end is found under Note 27.

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, security arrangements have been agreed upon. Terms and conditions for such loans are decided upon centrally by Group financial management. Information about these loans, maturity dates, security arrangements etc is found under Note 26 and 28.

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

Cash not necessary for the normal course of business is deposited in a bank. During 2008 the banking structure has been streamlined and the number of banks used within the Group has been reduced, as further described under 'Liquidity risks' below. Central treasury is responsible to coordinate the handling of surplus liquidity and liquidity reserve, 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 a prior consent of central treasury and in accordance with the finance policy. According to the finance policy, the investments of surplus liquidity can only be made in creditworthy interest bearing securities, in securities with high liquidity, in investments/securities/deposits with short-term maturity and as regards deposits only in financial institutions with a rating of A-1/P1.

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

TEUR	As of Dec. 31	
Carrying amount	**2008**	**2007**
Other long-term interest-bearing receivables	11,036	10,416
Other long-term non-interest bearing receivables	1,195	1,456
Accounts receivables	48,286	56,059
Other current interest-bearing receivables	2,705	1,812
Other short-term investments	2,975	3,421
Cash and cash equivalents	26,379	51,389
Maximum credit exposure	**92,576**	**124,553**

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.

As part of Rezidor's efforts to streamline its banking structure and secure appropriate overdraft and credit facilities, a long term agreement was signed in 2008 with a leading European Bank, with solid credit ratings. The new banking structure provides a cross-border cash pool in which a majority of the cash flows within the Group will be concentrated. The new cash pool was partially implemented in December 2008 and is being fully implemented in the beginning of 2009. Through this bank agreement, the Company has also secured combined overdraft and guarantee facilities for a total amount of MEUR 105. In addition, the Group has credit facilities of MEUR 1.8 granted by other banks. The credit facilities are not subject to any covenants and the Group has not pledged any assets or given any guarantees to secure these facilities. At year-end, MEUR 8.2 was used as overdrafts and MEUR 1.1 for bank guarantees. Cash and cash equivalents amounted to MEUR 26.4, of which 25.3 was coming from bank deposits and MEUR 1.1 form petty cash in the hotels.

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

TEUR	As of Dec. 31	
Mature within 1 year	**2008**	**2007**
Accounts payables	39,312	37,430
Bank overdraft	8,198	31,573
	47,510	**69,003**
TEUR		
Mature after 1 year		
Other long-term interest-bearing liabilities	182	87
Other long-term non-interest bearing liabilities	775	430
	957	**517**
Undefined maturity		
Other long-term interest bearing liabilities	1,248	–
	1,248	**–**

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

MARKET RISKS

Apart from interest rate risks and currency risks, which are described above, the Company is also subject to price risk related to changes in fair value of the investments in other shares and participations. These investments, normally the result of equity financing in early stages of certain hotel projects, are classified as available-for-sale investments with changes in fair value recognised directly in equity. However, there is no active market for these shares and the value is consequently not subject to changes in quoted market prices. No relevant sensitivity analyses can be done.

FAIR VALUE

Other shares and participations, classified as available-for-sale investments with changes in fair value recognised directly in equity, are measured at cost in accordance with IAS 39 as at December 31, 2008 because their fair value cannot be reliably measured. The fair value cannot be reliably measured as there is no active market, there is no reliable transaction data for similar objects available and the nature of these investments could make future cash f ows projections difficult, for example when the hotels in these entities are in their ramp-up phase. There were no plans at year-end to dispose of these shares. 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 f oating 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, were as follows:

TEUR	As of Dec. 31	
Loans and receivables	**2008**	**2007**
Other long-term interest-bearing receivables	11,036	10,416
Other long-term non-interest bearing receivables	1,195	1,456
Accounts receivables	48,286	56,059
Other current interest-bearing receivables	2,705	1,812
Other short-term investments	2,975	3,421
Cash and cash equivalents	26,379	51,389
	92,576	**124,553**
Available-for-sale financial assets		
Other shares and participations	10,527	10,411
	10,527	**10,411**
Financial liabilities measured at amortised cost		
Other long-term interest-bearing liabilities	1,430	87
Other long-term non-interest bearing liabilities	775	430
Accounts payables	39,312	37,430
Bank overdrafts	8,198	31,573
	49,715	**69,520**

CAPITAL STRUCTURE

Rezidor defines its capital as equity and net cash, where net cash is cash and cash equivalents minus external borrowing, including the use of overdraft facilities. The objective is to have an efficient capital structure, considering both the financing needs of the Group and the shareholders' return. In order to achieve this, the long-term policy is to distribute approximately one third of the annual net income as dividend and to maintain a small net cash position and sufficient credit facilities. Depending on the financing needs of the Company, dividends may however be adjusted, shares bought back or new shares issued. In the current context of the economic uncertainty, the Board of Directors has therefore recommended the Annual General Meeting 2009 a suspension of the dividend.

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. 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 Rezidor 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 inf ation.

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 balance sheet date 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.

The method used for testing assets in use is the discounted cash f ow technique (DCF) using the internal discount rate (Weighted Average Cost of Capital) which is recalculated regularly and per region. The cash f ows discounted are based on long range plans. If the net present value of these long range plans 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.

When required, write-downs have been performed. A more severe economic downturn, affecting the markets in which Rezidor operates with major implications on the performance of the company's hotels, could trigger a need for further assessment of the carrying value of both tangible and intangible assets.

Assessment of onerous contracts in management and lease agreements

The same method as for impairment is applied to test if management contracts or lease agreements are onerous and, if applicable, a provision is recorded. At year-end, no provision for loss-making contracts was made. Should the economic climate get even worse, a renewed assessment might be needed.

Deferred tax assets

Deferred tax is recognised for temporary differences between stated and taxable income and for deferred tax receivables attributable to unutilised tax losses carry forward. The valuation of tax losses carry forward and ability to utilise tax losses carry forward is based on estimates of future taxable income. The assumptions used in estimating the future taxable income are the same as those used in the impairment tests. A more severe economic down-turn, affecting the markets in which Rezidor operates with major implications on the performance of Rezidor's hotels, could trigger a need for further assessment of the recoverability of tax losses carry forward and therefore also on the carrying value of deferred tax assets.

Assessment of the off-balance sheet commitments

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

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

Provisions

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

NOTE 7 SEGMENT DISCLOSURES

Information is provided for geographical markets and operating structures. For management and reporting purposes, the Group is mainly organised into a mix:

- of geographical markets (or regions)
- and of different types of contractual agreements (or operating structures).

These regions and these types of contractual agreements are the basis on which the Group reports respectively its primary segment and its secondary segment. The Rezidor Group's principal geographical markets, or regions, in which the Group operates its business, representing the primary segment consists of:

- **The Nordic Region** including Denmark, Finland, Iceland, Norway and Sweden;
- **The Rest of Western Europe** including Austria, Belgium, France, Germany, Ireland, Italy, Malta, the Netherlands, Portugal, Spain, Switzerland and the United Kingdom;
- **Eastern Europe** including Azerbaijan, Belarus, Bulgaria, Croatia, Czech Republic, Estonia, Georgia, Hungary, Kazakhstan, Latvia, Lithuania, Poland, Romania, Russia, Slovakia, Turkey, Ukraine, and Uzbekistan; and
- **Middle East, Africa and Other** including Bahrain, China, Egypt, Ethiopia, Jordan, Kenya, Kuwait, Lebanon, Libya, Mali, Morocco, Mozambique, Nigeria, Oman, Saudi Arabia, Senegal, South Africa, Tunisia, the United Arab Emirates and Qatar.

The Rezidor Group's types of contractual arrangements, in which the Rezidor hotels are operated, representing the secondary segment 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 for Regent and Missoni branded hotels, marketing fees are based 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 Regent or Missoni brands are not allowed.

- **Other** represents complementary Group revenue from administrative activities, but also includes the share of income from associates and joint ventures:
  Revenue, EBITDA, EBIT are disclosed within a primary geographical segment and also within a second operating structure segment.

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 segmental disclosure is made after elimination of intra-group and intra-segment transactions (i.e. internal fees).

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

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

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

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

EBITDA and EBIT

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

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

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

Total assets and capital expenditure (investments) are disclosed within the primary geographical segment and secondary segment (operating structure). 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 which are Radisson Blu and Park Inn. The number of hotels and rooms in operation is segmented by geographic market and by operating structure.

Continuation Note 7

SEGMENTATION – REVENUE

TEUR	Nordic region		Rest of Western Europe		Eastern Europe		Middle East, Africa and Other		Total			
For the year ended	**Dec. 31, 2008**	**Dec. 31, 2007**	**Dec. 31, 2008**	**Dec. 31, 2007**	**Dec. 31, 2008**	**Dec. 31, 2007**	**Dec. 31, 2008**	**Dec. 31, 2007**	**Dec. 31, 2008**	**%**	**Dec. 31, 2007**	**%**
Leased	335,273	326,990	355,552	365,770	–	–	–	–	690,825	88.0%	692,760	88.2%
Managed	7,512	7,798	26,798	26,584	24,188	21,904	13,983	11,288	72,481	9.2%	67,574	8.6%
Franchised	5,250	6,335	4,555	4,009	949	461	–	85	10,754	1.4%	10,890	1.4%
Other	9,294	12,374	1,465	1,643	–	–	–	–	10,759	1.4%	14,017	1.8%
Total	357,329	353,497	388,370	398,006	25,137	22,365	13,983	11,373	784,819	100.0%	785,241	100.0%

PER SEGMENT – EBITDA

TEUR	Nordic region		Rest of Western Europe		Eastern Europe		Middle East, Africa and Other		Central costs		Total	
For the year ended	**Dec. 31, 2008**	**Dec. 31, 2007**	**Dec. 31, 2008**	**Dec. 31, 2007**	**Dec. 31, 2008**	**Dec. 31, 2007**	**Dec. 31, 2008**	**Dec. 31, 2007**	**Dec. 31, 2008**	**Dec. 31, 2007**	**Dec. 31, 2008**	**Dec. 31, 2007**
Leased	54,410	52,655	1,476	11,339	–	–	(568)	–	–	–	55,318	63,994
Managed	6,149	6,285	12,400	19,346	17,094	16,794	10,547	8,453	–	–	46,190	50,878
Franchised	3,060	4,032	1,736	1,960	592	209	–	72	–	–	5,388	6,273
Other[1)]	4,664	5,886	(307)	(575)	18	1,700	2,231	2,040	–	–	6,606	9,051
Central costs	–	–	–	–	–	–	–	–	(42,622)	(43,690)	(42,622)	(43,690)
Total	68,283	68,858	15,305	32,070	17,704	18,703	12,210	10,565	(42,622)	(43,690)	70,880	86,506

1) Other also includes share of income in associates.

SEGMENTATION – EBIT

TEUR	Nordic region		Rest of Western Europe		Eastern Europe		Middle East, Africa and Other		Central costs		Total	
For the year ended	**Dec. 31, 2008**	**Dec. 31, 2007**	**Dec. 31, 2008**	**Dec. 31, 2007**	**Dec. 31, 2008**	**Dec. 31, 2007**	**Dec. 31, 2008**	**Dec. 31, 2007**	**Dec. 31, 2008**	**Dec. 31, 2007**	**Dec. 31, 2008**	**Dec. 31, 2007**
Leased	43,170	40,178	(11,663)	2,276	–	–	(568)	–	–	–	30,939	42,454
Managed	6,087	6,216	12,190	19,150	16,917	16,623	10,430	8,342	–	–	45,624	50,331
Franchised	2,973	3,932	1,633	1,872	581	199	–	71	–	–	5,187	6,074
Other[1)]	2,322	4,902	(1,367)	(589)	18	1,700	2,778	2,040	–	–	3,751	8,053
Central costs[2)]	–	–	–	–	–	–	–	–	(42,622)	(43,690)	(42,622)	(43,690)
Total	54,552	55,228	793	22,709	17,516	18,522	12,640	10,453	(42,622)	(43,690)	42,879	63,223

1) Other also includes share of income in associates and gain (loss) on sale of shares and fixed assets.
2) Reclassification of certain costs was made between Other EBITDA and central costs for 2007 to align the cost allocation approach for the two comparable periods. The adjustments led to a change in central costs and a corresponding change in Other EBITDA for 2007, which also impacted the numbers at the EBIT level.

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

TEUR	Nordic region		Rest of Western Europe		Eastern Europe		Middle East, Africa and Other		Total	
For the year ended	**Dec. 31, 2008**	**Dec. 31, 2007**	**Dec. 31, 2008**	**Dec. 31, 2007**	**Dec. 31, 2008**	**Dec. 31, 2007**	**Dec. 31, 2008**	**Dec. 31, 2007**	**Dec. 31, 2008**	**Dec. 31, 2007**
Share of income in associates	1,854	2,479	–	–	18	1,700	2,231	2,040	4,103	6,219
Gain (loss) on sale of shares and tangible assets	–	–	–	1,070	–	–	544	–	544	1,070
Total	1,854	2,479	–	1,070	18	1,700	2,775	2,040	4,647	7,289

Continuation Note 7

SEGMENTATION – BALANCE SHEET

TEUR	Nordic region		Rest of Western Europe		Eastern Europe		Middle East, Africa and Other		Total	
For the year ended	**Dec. 31, 2008**	**Dec. 31, 2007**	**Dec. 31, 2008**	**Dec. 31, 2007**	**Dec. 31, 2008**	**Dec. 31, 2007**	**Dec. 31, 2008**	**Dec. 31, 2007**	**Dec. 31, 2008**	**Dec. 31, 2007**
ASSETS	109 628	138 234	209 046	187 383	30 033	39 325	35 267	47 656	383 974	412 598
Leased	101 133	128 210	195 046	174 294	12 296	19 988	18 412	24 255	326 887	346 747
Managed	2 694	3 080	9 122	8 706	17 266	18 774	16 855	23 375	45 938	53 935
Franchised	3 794	4 578	4 476	4 382	471	563	–	26	8 740	9 549
Other	2 007	2 365	–	–	–	–	–	–	2 007	2 365
LIABILITIES	154 061	220 423	34 090	(26 301)	2 005	(166)	9 482	17 165	199 368	211 121

SEGMENTATION – INVESTMENTS[1)]

TEUR	Nordic region		Rest of Western Europe		Eastern Europe		Middle East, Africa and Other		Total	
For the year ended	**Dec. 31, 2008**	**Dec. 31, 2007**	**Dec. 31, 2008**	**Dec. 31, 2007**	**Dec. 31, 2008**	**Dec. 31, 2007**	**Dec. 31, 2008**	**Dec. 31, 2007**	**Dec. 31, 2008**	**Dec. 31, 2007**
Leased	9 742	22 681	27 490	23 144	–	–	28	–	37 260	45 825
Managed	–	–	–	–	–	–	–	–	–	–
Franchised	–	–	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	–	–	–
Total	**9 742**	**22 681**	**27 490**	**23 144**	**–**	**–**	**28**	**–**	**37 260**	**45 825**

1) Excluding cash f ow attributable to financial assets.

SEGMENTATION – SIGNIFICANT NON-CASH EXPENSES

TEUR	Nordic region		Rest of Western Europe		Eastern Europe		Middle East, Africa and Other		Total	
For the year ended	**Dec. 31, 2008**	**Dec. 31, 2007**	**Dec. 31, 2008**	**Dec. 31, 2007**	**Dec. 31, 2008**	**Dec. 31, 2007**	**Dec. 31, 2008**	**Dec. 31, 2007**	**Dec. 31, 2008**	**Dec. 31, 2007**
Depreciation and amortisation	14 443	14 352	13 979	9 920	123	64	0	16	28 545	24 353

SEGMENTATION – REVPAR AND OCCUPANCY[1)]

TEUR	Radisson Blu		Park Inn		Rezidor	
For the year ended	**31 dec 2008**	**31 dec 2007**	**31 dec 2008**	**31 dec 2007**	**31 dec 2008**	**31 dec 2007**
RevPAR, EUR	82,9	84,9	45,1	46,7	73,9	76,6
Occupancy, %	67,9	71,3	57,8	64,8	65,2	69,7

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

	Nordic region		Rest of Western Europe		Eastern Europe		Middle East, Africa and Other		Total	
As of Dec. 31, 2008 – In operation	**Hotels**	**Room**	**Hotels**	**Room**	**Hotels**	**Room**	**Hotels**	**Room**	**Hotels**	**Room**
Leased	23	6,129	44	9,161	–	–	–	–	67	15,290
Managed	8	2,106	61	10,106	32	8,386	24	5,832	125	26,430
Franchised	24	4,272	37	7,450	7	1,258	–	–	68	12,980
Total Rezidor	**55**	**12,507**	**142**	**26,717**	**39**	**9,644**	**24**	**5,832**	**260**	**54,700**

	Nordic region		Rest of Western Europe		Eastern Europe		Middle East, Africa and Other		Total	
As of Dec. 31, 2007 – In operation	**Hotels**	**Room**	**Hotels**	**Room**	**Hotels**	**Room**	**Hotels**	**Room**	**Hotels**	**Room**
Leased	23	6,129	42	8,678	–	–	–	–	65	14,807
Managed	7	2,064	51	8,480	27	7,444	19	4,870	104	22,858
Franchised	33	5,139	31	5,714	4	778	–	–	68	11,631
Total Rezidor	**63**	**13,332**	**124**	**22,872**	**31**	**8,222**	**19**	**4,870**	**237**	**49,296**

NOTE 8 REVENUE

Operating revenue per area of operation	For the year ended Dec. 31	
TEUR	**2008**	**2007**
Rooms revenue	439,468	439,092
F&B Revenue	230,609	231,866
Other hotel revenue	20,748	21,801
Hotel revenue	**690,825**	**692,759**
Fee revenue	83,235	78,464
Other revenue	10,759	14,017
Total revenue	**784,819**	**785,241**
Specification of fee revenue		
Management fees	26,912	28,029
Incentive fees	25,649	22,284
Franchise fees	5,292	5,015
Other fees	25,383	23,137
Total	**83,235**	**78,464**

- 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

	For the year ended Dec. 31	
TEUR	**2008**	**2007**
Cost of Food	37,500	37,346
Cost of Beverage	12,818	13,081
Cost of other income	5,680	5,837
Cost of other goods sold	3,694	3,896
Cost of tel, fax, internet	852	974
Total	**60,544**	**61,133**

NOTE 10 PAYROLL COST, NUMBER OF EMPLOYEES, ETC

PAYROLL COST	For the year ended Dec. 31	
TEUR	**2008**	**2007**
Salaries	194,344	191,836
Social security	33,629	32,967
Pension costs	6,466	3,557
Sub-total	**234,439**	**228,360**
Other personnel costs (other benefits in kind)	42,147	37,440
Total	**276,586**	**265,800**

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

TEUR 9,605 of the total salaries in 2008 was related to board members, managing directors and other senior officers within the Group, of which TEUR 2,538 was variable salary. TEUR 477 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	Salaries		Social security		Pension costs		Subtotal		Other personnel costs		Total	
TEUR	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Denmark	15,338	13,423	902	722	691	627	16,931	14,772	1,580	2,317	18,510	17,089
Norway	60,377	59,248	8,545	8,239	3,151	1,191	72,074	68,677	4,770	4,501	76,844	73,178
Sweden	17,658	16,636	5,925	6,472	826	935	24,409	24,042	2,471	2,553	26,881	26,596
United Kingdom	26,473	34,666	1,436	1,890	396	87	28,305	36,643	4,012	1,890	32,317	38,533
Germany	26,960	26,175	5,334	5,123	–	1	32,294	31,299	8,965	8,623	41,259	39,922
France	13,276	13,181	4,501	4,424	–	–	17,778	17,605	2,120	2,040	19,898	19,646
Belgium	21,314	19,816	5,329	5,007	1,236	562	27,879	25,385	15,490	13,031	43,369	38,416
Other	12,948	8,692	1,655	1,090	166	153	14,769	9,937	2,738	2,485	17,508	12,421
Total	**194,344**	**191,836**	**33,629**	**32,967**	**6,466**	**3,557**	**234,439**	**228,360**	**42,147**	**37,440**	**276,586**	**265,800**

The average number of employees in Rezidor's companies during 2008 was 5.592 (5.572) and is split as follows:

	For the Year Ended Dec. 31			
	2008		2007	
	Men	Women	Men	Women
Denmark	161	141	151	118
Norway	535	822	566	779
Sweden	210	339	201	336
United Kingdom	555	632	608	767
Germany	505	546	436	588
France	252	263	238	251
Belgium	136	173	176	125
Other	172	151	109	123
Total	2,526	3,066	2,485	3,087
Total men and women		5,592		5,572

	For the Year Ended Dec. 31			
	2008		2007	
	Men	Women	Men	Women
Members of the Board of Directors[1)]	7	2	6	3
Executive Committee (including CEO)	9	2	9	2

1) These numbers of members relate only to the members of the Board of Directors of the Parent Company.

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

	For the Year Ended Dec. 31	
TEUR	2008	2007
Urban Jansson	67	65
Hubert Joly	27	–
Ulla Litzén	43	41
Marilyn Carlson Nelson	12	35
Benny Zakrisson	41	41
Harald Einsmann	38	38
Trudy Rautio	39	38
Jay S. Witzel	38	35
Barry W. Wilson	38	24
Göte Dahlin	39	24
Monica Caneman	–	11
Gunnar Reitan	–	14
	382	366

1) TEUR 259 of the total remuneration to members of the Board of Directors in 2008 is attributable to the remuneration approved by the Annual General Meeting on April 23rd, 2008 for the period beginning after that Meeting and ending on the next Annual General Meeting on April 23rd, 2009.

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

	For the Year Ended Dec. 31	
TEUR	2008	2007
Base salaries	4,554	4,576
Variable salaries	640	1,145
Pension costs to Executive Committee:		
Defined contribution plan	582	677
Defined benefit plan	39	37
Housing and company cars for the Executive Committee	618	606

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

The variable salary of the Executive Committee is subject to accruals each year. The basis for the annual variable salary scheme for 2008 for the Executive Committee is the consolidated profitability of Rezidor, the company growth target and strategic objectives. These variable salaries are based on the percentage achievement by each executive of set targets. They are capped to between 40 to 50% of annual base salary. The related variable salary costs recorded in the P&L as of the end of the year represent the best estimate made at the balance sheet dates. The final variable salary payment is dependent on certain factors that will finally be known at a date subsequent to the release of the financial statements. Therefore, variable salaries accrued in a specific year may be adjusted in subsequent periods as a result of the final parameters (like the final profitability of the company) deviating from the assumptions made at the balance sheet dates. For members of the Executive Committee (excl. the CEO) the notice period for termination of their agreements is between 3 and 6 months. If their agreements are terminated by Rezidor, the severance pay would amount to between one and three years annual remuneration. Remuneration to the CFO (Deputy President) was comprised in 2008 (2007) of: salary TEUR 600 (581), variable salary TEUR 62 (180), pension TEUR 168 (160), housing and company car TEUR 77 (74).

The basis for the proposed annual variable salary scheme for 2009 for the Executive Committee is based on components such as group consolidated profitability, group consolidated cash f ow, divisional profitability, the company growth target in terms of opened rooms and contracted rooms and strategic objectives. The combination and weighting of these components depends on the executive's role. They are capped to between 40% to 75% of annual base salary.

The remuneration for the CEO is as follows:

Remuneration – CEO	For the Year Ended Dec. 31	
TEUR	2008	2007
Base salaries[1)]	726	1,018
Variable salaries[2)]	144	172
Pension	299	377
Housing and company cars	139	139

1) The figure for 2007 includes a one-off payment in 2007 for accumulated vacation pay for previous years amounting to TEUR 270.
2) TEUR 79 of the bonus costs in 2008 is related to the provision made for the bonus entitlement for 2008. As further described below, the CEO in March 2009 agreed to forego his bonus for 2008 and the amount is consequently reversed in 2009.

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

On September 17th, 2008 the Board secured an extension of the term of the CEO's employment until February 28th, 2012. The remuneration of the CEO which from 1st January 2008 consisted of an annual net salary of CHF 950.796 (905.520) was according to the contract for the extended term, increased as of January 1st 2009 to 1.045.875 CHF. The minimum annual increase in the contracted net base salary of the CEO remained at 5% and with January 1st 2010 as the first annual revision. For 2008 the CEO is entitled to a variable salary of maximum of 50% of his annual base salary based on pre-set targets for the consolidated profitability of Rezidor, the company growth target and strategic objectives. Based on pre-set targets the variable salary as from January 1st 2009 will be 75% of annual base salary if targets are achieved. The variable salary may reach 150% of the CEO's annual base salary if higher targets are achieved and 200% of such salary if stretched goals are achieved. The annual variable salary shall be earned and paid in two portions: (i) 50% paid latest by 1st May each year, and (ii) 50% to be contingent upon that the CEO on February 28th, 2012 retires with pension from the Company and will become due and payable on March 1st, 2012. However if the CEO's employment is terminated by the Company without reasons or in the event of the CEO's death or non temporary incapacity to fulfil his duties by reason of sickness or injury prior to said date then the CEO shall nevertheless be entitled to receive the payment of the second portion of the variable salary. In addition,

Continuation Note 10

he is entitled to certain benefits such as housing, car and travel allowances. Either the Company or the CEO may terminate the agreement upon six months' written notice. The CEO participates in a contribution pension scheme to which the Company makes annual contributions in an amount equal to 41% of his annual net base salary until the termination of his employment. Under the contract which was signed in September 2008, the CEO's pension age is 65. Pursuant to the contract for the extended term it was agreed to divide the payment owed to the CEO pursuant to the original employment agreement and which fell due on February 28th, 2009 into three (3) equal instalments to be made on February 28th, 2009, February 28th 2010 and February 28th, 2011.This notwithstanding if the employment of the CEO is terminated by either the CEO or the Company after February 28th 2009 any amounts then unpaid of this sum shall be paid to the CEO upon the effective date of termination. The same shall apply in the event of his death or non temporary incapacity. Subject to the aforementioned the Company will be under no obligation to the CEO other than to provide all employment benefits during the term 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 current market conditions a further amendment to the CEO's contract was made in March 2009 pursuant to which the CEO agreed to forego his entitlement to the variable salary for 2008 and further defer the payment of the total amount owed to him until February 28th, 2012 when a lump sum payment will be due to him corresponding to three (3) times the annual base salary for 2010 plus a fixed amount of EUR 422,000. This nothwithstanding if the employment of the CEO is terminated by either the CEO or the Company after February 28th, 2009 this sum shall be paid to the CEO upon the effective date of termination. The same shall apply in the event of his death or non temporary incapacity. Subject to the aforementioned the Company will be under no obligation to the CEO other than to provide all employment benefits during the term of notice and such case the CEO shall not be entitled to any severance payment or any other kind of compensation as a result of the termination of his employment.

LONG-TERM EQUITY-SETTLED PERFORMANCE BASED INCENTIVE PROGRAMME

In addition to the remuneration outlined above, the CEO and the Executive Committee participate in a long-term equity settled incentive programme. The details of this incentive program 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 two incentive programmes decided on the Annual General Meetings in 2007 and 2008.

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

	As of Dec. 31	
	2008	**2007**
CEO	363,343	43,336
The rest of the Executive Committee	389,564	108,227
Total	752,907	151,563

NOTE 11 OTHER OPERATING EXPENSES

	For the Year Ended Dec. 31	
TEUR	**2008**	**2007**
Royalty fees and other costs to Carlson	8,023	8,292
Energy costs	23,771	23,304
Supplies	16,724	19,558
Marketing expenses	35,892	31,780
External fees	11,894	11,133
Laundry and dry cleaning	13,633	13,049
Contract services	4,468	4,054
Administration costs	10,094	9,978
Communication, travel and transport	9,396	8,526
Insurance costs	25	909
Operating equipment	2,504	2,747
Rentals and licences	3,819	3,303
Property operating expenses	6,373	6,596
Maintenance contracts	6,200	5,537
Other Expenses	8,077	17,249
Total	160,893	166,015

NOTE 12 INSURANCE OF PROPERTIES AND PROPERTY TAX

	For the Year Ended Dec. 31	
TEUR	**2008**	**2007**
Property & Miscellaneous taxes	9,504	10,072
Building insurance	1,564	1,682
Total	11,068	11,754

NOTE 13 RENTAL EXPENSE

	For the Year Ended Dec. 31	
TEUR	**2008**	**2007**
Fixed rent[1)]	164,501	161,120
Variable rent[2)]	33,743	34,230
Guarantee payments[3)]	10,706	4,902
Total	208,950	200,252

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 TANGIBLE ASSETS

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

	For the Year Ended Dec. 31	
TEUR	**2008**	**2007**
Sales price of shares	0	38
Net assets of sold entity	(544)	(1,032)
Net gain on sales of shares	544	1,070
Total net gain on sale of shares and tangible assets	544	1,070

The gain on sale of shares in 2008 was related to the sale of the shares in a company that held a lease contract in South Africa, which was converted into a managed contract in 2008. The gain on sale of shares in 2007 is related to the sale of the shares in a company that held a lease contract in France, which was converted into a managed contract in 2007.

NOTE 15 FINANCIAL ITEMS

	For the Year Ended Dec. 31	
TEUR	**2008**	**2007**
Interest income from external financial institutions	1,661	1,497
Interest income from other loans and receivables	361	544
Other financial income	390	3,157
Foreign currency exchange gains	787	–
Financial income	**3,199**	**5,198**
Interest expense to external financial institutions	1,636	2,929
Interest expense from other loans and payables	79	148
Other financial expense	774	536
Foreign currency exchange losses	–	927
Financial expense	**2,489**	**4,540**
Financial income and expenses, net	**710**	**658**

Other financial expenses are related to bank charges and similar items. Other financial income of TEUR 3,157 in 2007 refers to the capital gain on sale of shares in RDS Hotelli AS, classified as available-for-sale financial assets. The Proceeds from the sale were TEUR 8,053.

Net gain/loss per category of financial assets and liabilities

	For the Year Ended Dec. 31	
TEUR	**2008**	**2007**
Available-for-sale financial assets	–	3,157
Loans and receivables and financial liabilities measured at amortised cost	710	(2,499)
	710	658

All interest income and expense in 2008 and 2007 is related to financial assets and liabilities measured at amortised cost. No interest income in 2007 and 2008 was recongnised on impaired financial assets.

NOTE 16 INCOME TAXES

Income tax recognised in profit or loss	For the Year Ended Dec. 31	
TEUR	**2008**	**2007**
Tax expense/(income) comprises:		
Current tax expense/(income)	14,763	10,103
Adjustments recoginsed in the current year in relation to the current tax of prior years	(847)	(5,547)
Deffered tax expense/(income) relating to the origination and reversal of temporary differences	4,339	8,352
Effects of changes in tax rates and laws	(803)	4,886
Write-downs of deferred tax assets	–	371
Total tax expense/(income)	**17,452**	**18,165**
The total charge for the year can be reconciled to the accounting profit as follows:		
Profit from continuing operations	45,786	63,881
Income tax expense calculated at the local tax rate	12,037	16,202
Effect of revenue that is exempt from taxation	(1,823)	(4,173)
Effect of expenses that are not deductible in determining taxable profit	737	3,405
Effect of changes in the expected manner of recovery of assets	67	(527)
Effect of revaluations of assets for taxation purposes	90	–
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	5,076	709
Effect of previously unrecognised deferred tax attributable to tax losses, tax credits or temporary differences of prior years	(237)	(2,019)
Effect on deferred tax balances due to the change in income tax rate	(781)	4,886
Write-downs of deferred tax assets	–	371
Effect of withholding taxes	3,023	2,824
Other	110	2,034
Sub total	**18,299**	**23,712**
Adjustments recoginised in the current year related to the curren tax of prior years	(847)	(5,547)
Income tax expense recognised in profit or loss	**17,452**	**18,165**
Tax expense recognised directly in equity:		
Translation of foreign operations	3,082	427
Total	**3,082**	**427**

The average effective tax rate was 38.1% (28.4). The increase in the higher effective tax rate is due to tax losses incurred during the year, not capitalised as deferred tax assets as a result of the uncertainty in the market.

Continuation Note 16

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

2008	**Opening balance**	**Charged to income**	**Charged to Equity**	**Acquisitions / disposal**	**Exchange differences**	**Changes in tax rates**	**Closing balance**
Temporary differences							
Property, plant & equipment	(4,570)	290	–	–	769	95	(3,416)
Intangible assets	(9,219	(3,337)	–	(347)	(1)	678	(12,226)
Provisions	1	(12)	–	–	2	1	(8)
Doubtful debts	504	(1,488)	–	–	392	(1)	(593)
Untaxed reserves	(2,027)	(53)	–	–	339	30	(1,711)
Pensions	(3,331)	(505)	–	–	644	–	(3,192)
Other liabilities	(3,837)	1,988	–	–	(234)	–	(2,083)
Long term non-interest bearing receivables	(866)	4,106	–	–	2	–	3,242
Other current non-interest bearing liabilities	(196)	(899)	–	–	44	–	(1,051)
Other	(414)	557	–	–	–	–	143
	(23,955)	**647**	**–**	**(347)**	**1,957**	**803**	**(20,895)**
Unused tax losses and credits							
Tax losses	20,266	(4,986)	–	–	(18)	–	15,262
	20,266	**(4,986)**	**–**	**(347)**	**(18)**	**803**	**15,262**
Total	**(3,689)**	**(4,339)**	**–**	**(347)**	**1,939**	**803**	**(5,633)**

Continuation Note 16

2007	Opening balance	Charged to income	Charged to Equity	Acquisitions / disposal	Exchange differences	Changes in tax rates	Closing balance
Property, plant & equipment	240	(4,237)	–	–	(597)	24	(4,570)
Intangible assets	(7,067)	(2,053)	–	–	(107)	8	(9,219)
Provisions	–	1	–	–	–	–	1
Doubtful debts	654	(77)	–	–	–	(73)	504
Untaxed reserves	(3,156)	1,025	–	–	104	–	(2,027)
Pensions	(3,344)	(17)	–	–	30	–	(3,331)
Other liabilities	(2,179)	(1,886)	–	–	230	(2)	(3,837)
Long term non-interest bearing receivables	(3)	(858)	–	–	(1)	(4)	(866)
Other current non-interest bearing liabilities	3,872	(4,083)	–	–	15	–	(196)
Other	–	(65)	(427)	–	–	78	(414)
	(10,983)	**(12,250)**	**(427)**	**–**	**(326)**	**31**	**(23,955)**
Unused tax losses and credits							
Tax losses	22,198	3,527	–	(546)	4	(4,917)	20,266
	22,198	**3,527**	**–**	**(546)**	**4**	**(4,917)**	**20,266**
Total	**11,215**	**(8,723)**	**(427)**	**(546)**	**(322)**	**(4,886)**	**(3,689)**

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

	As of Dec. 31	
TEUR	**2008**	**2007**
Deferred tax assets	20,150	21,758
Deferred tax liabilities	(25,783)	(25,477)
Total	**(5,633)**	**(3,689)**

Unrecognised deferred tax assets

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

	As of Dec. 31	
TEUR	**2008**	**2007**
Tax losses	19,690	16,736
Temporary differences	721	2,382
Total	**20,401**	**19,118**

The unrecognised tax losses have no expiry date.

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

Deferred tax assets attributable to tax losses carry forward are recognised to the extent it is probable that future taxable profits will be available against which the unused tax losses can be utilised. When assessing the probability of utilisation, the amount of taxable temporary differences relating to the same taxation authority as the tax losses carry forward are taken into account as well as the projected future taxable profits. 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 and France. A more severe economic down-turn, affecting these markets, with major implications on the performance of Rezidor's hotels there, could trigger a need for further assessment of the recoverability of tax losses carry forward and therefore also on the carrying value of deferred tax assets.

NOTE 17 SOLD AND ACQUIRED OPERATIONS

Disposed subsidiaries	For the Year Ended Dec. 31	
TEUR	**2008**	**2007**
Fixed assets	241	22
Current assets	432	2,404
Cash and bank	65	–
Long-term intra-group liabilities	–	(1,812)
Current liabilities	(1,282)	(1,646)
Net assets disposed of	**(544)**	**(1,032)**
Capital gain	544	1,070
Sales price	–	38
Cash and bank in disposed operations	65	–
Total cash flow from disposed operations	**(65)**	**38**

In 2008 all shares in the wholly owned subsidiary holding the lease for a hotel in South Africa were sold as the contract was converted into a management contract. In 2007 all shares in the wholly owned subsidiary holding the lease for a hotel in France were sold as the contract was converted into a management contract.

Acquired subsidiaries	For the Year Ended Dec. 31	
TEUR	**2008**	**2007**
Non-current assets	1,159	21
Current assets	29	3,536
Cash and bank	–	1,469
Non-current liabilities	(347)	–
Current liabilities	(108)	(1,443)
Net assets in acquired operations	**733**	**3,583**
Acquired share of net assets	733	1,756
Acquisition price	**733**	**1,756**
Acquisition price paid prior years	(33)	
Acquisition price not yet paid	–	(1,756)
Cash and bank in acquired operations	–	(1,469)
Cash flow from acquired operations during the year	**700**	**(1,469)**
Additional purchase price related to acquisitions prior years	636	–
Additional purchase price not yet paid	(636)	–
Cash flow from additional purchase price	**–**	**–**
Total cash flow during the year from acquired operations	**700**	**(1,469)**

TEUR 1,041 of the non-current assets acquired in 2008 is attributable to a fair value adjustment of certain rights classified as 'Other intangible assets' in the balance sheet. TEUR 347 of non-current liabilities is attributable to deferred tax liabilities related to

these fair value adjustments. No goodwill has been recognised as a result of the acquisition in 2008. The additional purchase price of TEUR 636 in 2008 is related to the acquisition in 2007 of the remaining 49% of the shares in the joint venture in Middle East, Rezidor SAS Hotels & Resorts Middle East WLL. This additional purchase price has in its entirety been classified as goodwill in 2008. No fair value adjustments were made and no goodwill was recognised in 2007.

As of October 31st 2008, 100% of the shares in SARL Regence Plage were acquired, which holds the rights to a section of the beach in front of Rezidor's hotel in Nice, France. During the period November 1st 2008 to 1st December 2008, the acquired company did not contribute with any revenue to the consolidated income statement and reported net a loss of TEUR 63. If the company would have been consolidated the whole year, the contribution to the consolidated revenue would have been TEUR 446 and to the consolidated net result a negative impact of TEUR 232, including the amortisation of fair value adjustments and reversal of deferred tax liabilities.

Investments in shares in associated companies	For the Year Ended Dec. 31	
	2008	2007
Al Quesir Hotel Company S.A.E	361	–
Total	361	–

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:

	For the Year Ended Dec. 31	
	2008	2007
Profit for the year attributable to equity holders of the parent (TEUR)	26,136	45,716
Weighted average number of ordinary shares for the purposes of basic earnings per share	147,502,253	149,836,224
Total basic and diluted earnings per share	0.18	0.31

The basic earnings per share 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.

The participants of the equity-settled incentive programmes, approved by the Annual general Meetings in 2007 and 2008, 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. These criteria were not met as of December 31st, 2008 and in accordance with IAS 33 there was no dilution at year end.

NOTE 19 GOODWILL

TEUR	2008	2007
Cost		
Balance as of Jan. 1	15,935	15,543
Additions through business combinations	636	–
Derecognised on disposals	–	(78)
Effects of foreign currency exchange differences	(74)	572
Other	–	(102)
Balance as of Dec. 31	16,497	15,935
Accumulated impairment losses		
Balance of Jan. 1	(3,307)	(3,325)
Effect on foreign currency exchange differences	–	18
Balance as of Dec. 31	(3,307)	(3,307)
Carrying amount		
As of Jan. 1	12,628	12,218
As of Dec. 31	13,190	12,628

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units that are expected to benefit from that business combination. The net carrying amount of goodwill was as follows:

Cash generating units (CGU)	As of Dec. 31,	
TEUR	2008	2007
Radisson Blu Hotel, Amsterdam	1,867	1,867
Country Inns & Suites FRG Hotelmanagement Gmbh	3,818	3,814
Radisson Blu Hotel, Nice	6,329	6,324
Rezidor SAS Hotels & Resorts Middle East WLL	636	–
Others	540	623
Total net carrying amount	13,190	12,628

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill may be impaired. The recoverable amounts for all cash generating units have been estimated based on value in use calculations. 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.

Present value of expected cash flows have been estimated using a discount rate based on the weighted average cost of capital (WACC) that reflects current market assessments for the time value of money and the risks specific to the contract. Changes in selling prices and occupancy and direct costs are based on past practices and expectations of future changes in the market. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management over the related length of each respective contracts normally ranging from 15 to 20 years.

A discount rate of approximately 9% has been used when discounting future cash flows. Each individual hotel contract to which goodwill has been allocated 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 2009–2011, as prepared by Rezidor as part of its overall annual budget process, which are also the base for the long-range projections. The long term growth in revenues, costs and profit margins follow similar development pattern as the change in local consumer price index in line with the historical growth rates experienced in those regions except justified otherwise by other factors. Such factors include ongoing higher than inflation improvement in market RevPAR, building up of revenues due to renovation works already carried out (such as at Park inn Hotels in France), revenue turnaround and cost restructuring programmes at some of the mid-market hotels, and impact of re-branding of one or more properties.

In light of the foregoing assumptions and expectations and the respective contract valuations, the carrying values of the stated goodwill are not impaired.

NOTE 20 OTHER INTAGIBLE ASSETS

TEUR	Other intangible assets	Licences and related rights	Total
Cost			
Balance as of Jan. 1, 2007	13,925	55,387	69,312
Investments	3,259	19	3,278
Translation differences	(610)	1	(610)
Balance as of Jan. 1, 2008	16,574	55,406	71,980
Investments	2,067	20	2,087
Additions through business combinations	1,041	–	1,041
Reclassification	703	–	703
Translation differences	(764)	–	(764)
Balance as of Dec. 31, 2008	19,621	55,426	75,047
Accumulated amortisation and impairment			
Balance at January 1, 2007	(2,613)	(1,755)	(4,368)
Amortisation expense	(761)	(1,178)	(1,939)
Other	(513)	–	(513)
Translation differences	19	(27)	(8)
Balance as of Jan. 1, 2008	(3,868)	(2,960)	(6,828)
Amortisation expense	(1,238)	(966)	(2,204)
Impairment write-down	(64)	(4)	(68)
Translation differences	43	–	43
Balance as of Dec. 31, 2008	(5,127)	(3,930)	(9,057)
Carrying amount			
As of Dec. 31, 2007	12,706	52,446	65,152
As of Dec. 31, 2008	14,494	51,496	65,990

Continuation Note 20

TEUR 50,904 of the carrying amount of 'Licences and other related rights' is related to the contractual rights associated with the master franchise agreements with the Carlson Group. These rights were renegotiated in 2005 and in exchange for the new terms, the Carlson Group received 25% of the shares in Rezidor. This was achieved through a contribution in kind, where the value of the renegotiated terms was estimated to be TEUR 55,000. This amount is being amortised over the length of the contract, which expires in 2052.

NOTE 21 TANGIBLE ASSETS

TEUR	Fixed installations	Machinery and equipment	Investments in progress	Total
Cost				
Balance as of Jan 1, 2007	95,235	163,173	7,684	266,092
Investments	7,356	15,356	19,854	42,566
Disposals	(478)	(2,813)	(141)	(3,432)
Reclassification	8,120	9,800	(17,920)	–
Translation differences	516	1,341	408	2,265
Other reclassifications and adjustments	1,360	(1,721)	(1,036)	(1,397)
Balance as of Jan. 1, 2008	112,109	185,136	8,849	306,094
Investments	7,229	16,040	11,288	34,557
Additions through business combinations	113	12	–	125
Disposals	(76)	(5,058)	–	(5,134)
Reclassification	3,537	5,510	(9,750)	(703)
Translation differences	(13,352)	(20,434)	(460)	(34,246)
Balance as of Dec. 31, 2008	109,560	181,206	9,927	300,693
Accumulated depreciations and impairment				
Balance as of Jan 1, 2007	(67,597)	(110,912)	–	(178,509)
Eliminated on disposals of assets	423	3,046	–	3,469
Depreciations expense	(6,241)	(16,171)	–	(22,412)
Translation differences	(628)	(1,274)	–	(1,902)
Other reclassifications and adjustments	(170)	1,296	–	1,126
Balance as of Jan. 1, 2008	(74,213)	(124,015)	–	(198,228)
Eliminated on disposals of assets	76	5,058	–	5,134
Depreciation expense	(6,176)	(17,967)	–	(24,143)
Impariment write-down	–	(2,130)	–	(2,130)
Additions through business combinations	(62)	(7)		(69)
Translation differences	7,042	15,417	–	22,459
Balance as of Dec. 31, 2008	(73,333)	(123,644)	–	(196,977)
Carrying amount				
As of Dec. 31, 2007	37,896	61,121	8,849	107,866
As of Dec. 31, 2008	36,227	57,562	9,927	103,716

NOTE 22 INVESTMENTS IN ASSOCIATED COMPANIES

TEUR	Ownership (%) as of Dec. 31, 2007	Ownership (%) as of Dec. 31, 2008	Carrying value as of Dec. 31, 2007	Share of income	Investments	Exchange difference	Carrying value as of Dec. 31, 2008
Nordrus Hotel Holding A/S	26.08%	26.08%	2,266	18	–	2	2,286
Al Quesir Hotel Company S.A.E	20.00%	20.00%	2,239	141	361	171	2,912
Afrinord Hotel Investment A/S	20.00%	20.00%	49	16	–	(1)	64
Total			4,554	175	361	172	5,262

Summarised financial information for associated companies	As of and for the Year Ended Dec. 31	
TEUR	2008	2007
Total assets	34,790	29,957
Total liabilities	15,904	13,927
Net assets	18,886	16,030
Group's share in net assets	5,262	4,554
Revenue	5,360	13,450
Profit after tax	541	7,241
Group's share in net profit	175	2,062

NOTE 23 INVESTMENTS IN JOINT VENTURES

TEUR	Ownership (%) as of Dec. 31, 2007	Ownership (%) as of Dec. 31, 2008	Carrying value as of Dec. 31, 2007	Share of income	Dividend	Exchange difference	Carrying value as of Dec. 31, 2008
Casino Denmark A/S	50.00%	50.00%	–	–	–	–	–
Casino Denmark K/S	50.00%	50.00%	2,654	1,854	(2,481)	–	2,027
RHW JV Southern Africa (P) Ltd	50.00%	50.00%	615	253	–	(162)	706
Total			**3,269**	**2,107**	**(2,481)**	**(162)**	**2,733**

Rezidor's share of negative equity in the 50% (50%) owned SAS Royal Hotel Beijing Co Ltd and the long-term receivable from that company (Note 26) are seen as a net investment. The net investment is presented as receivable on the face of the balance sheet, and therefore not included in the table above.

Summarised financial information for joint ventures	**As of and for the Year Ended Dec. 31**	
TEUR	**2008**	**2007**
Total assets	35,503	33,753
Total liabilities	10,503	10,347
Net assets	25,000	23,406
Group's share in net assets	12,500	11,703
Revenue	31,526	33,053
Profit after tax	7,856	9,542
Group's share in net profit	3,928	4,154

TEUR 9,767 (8,438) of the Group's share of net assets and TEUR 1,820 (1,486) of Group's share of net profit in the table above is related to SAS Royal Hotel Beijing Co Ltd.

NOTE 24 OTHER SHARES AND PARTICIPATIONS

TEUR	Ownership as of Dec. 31, 2007	Ownership as of Dec. 31, 2008	Carrying value as of Dec. 31, 2007	Disposals	Exchange rate difference	Carrying value as of Dec. 31, 2008
Feri Otelcilik ve Turizm A.S	10.00%	10.00%	2,277	_	2	2,279
Doriscus Enterprise Ltd	14.39%	14.39%	5,704	_	155	5,859
First Hotels Co K.S.C.C	1.82%	1.82%	2,016	_	1	2,017
Timmendorf mbH & Co Beteiligungs KG	18.67%	18.67%	307	_	–	307
Others	–	–	107	(23)	(19)	65
Total			**10,411**	**(23)**	**139**	**10,527**

NOTE 25 PENSION FUNDS, NET

Pension obligations recognised in the Group balance sheet	**As of Dec. 31**	
TEUR	**2008**	**2007**
Pension funds over funded	10,291	13,679
Pension funds under funded	(1,510)	(1,388)
Total	**8,781**	**12,291**

DEFINED BENEFIT PENSION PLANS

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

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

	As of Dec. 31	
	2008	**2007**
Discount rate		
Norway	4.30%	5.10%
Belgium	6.25%	5.25%
Sweden	3.75%	4.50%
Expected return on Plan assets	4.56%	4.49%
Expected rate of salary increase	3.83%	3.83%
Other (local government rate in Norway)	4.25%	4.25%

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

	As of Dec. 31	
TEUR	**2008**	**2007**
Current service cost	1,661	431
Interest on obligation	1,774	2,163
Expected return on plan assets	(1,661)	(2,769)
Actuarial losses/(gains) recognised in the year	1,605	1,492
Losses/(gains) arising from curtailments or settlements	16	1,088
Pension costs for defined benefit plans	**3,395**	**2,405**

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

	As of Dec. 31	
TEUR	**2008**	**2007**
Present value of funded defined benefit obligation	45,732	42,630
Fair value of plan assets	(35,433)	(36,520)
Sub total	**10,299**	**6,110**
Deficit/(Surplus)	10,299	6,110
Net actuarial gains and (losses) not recognised	(19,080)	(18,401)
Net asset arising from defined benefit obligation	**(8,781)**	**(12,291)**

Continuation Note 25

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

	As of Dec. 31	
TEUR	**2008**	**2007**
Opening defined benefit obligation	42,630	39,190
Current service cost	1,661	348
Interest cost	1,774	2,163
Contributions from plan participants	75	–
Actuarial losses/(gains)	8,237	1,166
Losses/(gains) on curtailments	–	(384)
Exchange differences on foreign plans	(7,347)	1,455
Benefits paid	(1,298)	(1,308)
Closing defined benefit obligation	**45,732**	**42,630**

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

	As of Dec. 31	
TEUR	**2008**	**2007**
Opening fair value of plan assets	36,520	35,925
Expected return on plan assets	1,661	2,769
Actuarial gains/losses	2,419	(5,426)
Exchange differences on foreign plans	(6,671)	1,373
Contributions from the employer	2,509	322
Contributions from plan participants	139	75
Benefits paid – premium payments	(1,144)	1,482
Closing fair value of plan assets	**35,433**	**36,520**

The major categories of plan assets at the balance sheet

	As of Dec. 31	
Percentage of plan assets	**2008**	**2007**
Equity instruments	6%	24%
Debt instruments	67%	58%
Property	15%	15%
Other	12%	3%

In 2008 the experience adjustments on plan liabilities and plan assets amounted to TEUR 2,546 and TEUR –2,439 respectively. The expected contributions by the employer in 2009 amount to TEUR 2,204.

DEFINED CONTRIBUTION PENSION PLANS

These plans mainly cover retirement, sick and family pensions. The premiums are paid regularly during the year by group companies to different insurance companies. The size of the premium is based on wages. Pension costs for the period are included in the income statement and amount to TEUR 3,071 (1,152).

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 2008. 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 462 (477) Alecta's surplus can be passed on to the insurance-takers and/or the insured. At the end of 2008 Alecta's surplus in the form of the collective consolidation level was 112% (152). 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 26 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, 2008							
Loan from	**Counterpart**	**Nominal loan amount in thousands**	**Currency**	**Nominal value in TEUR**	**Impairment 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	962	–	962	Undefined duration 10,08%
SIHSKA A/S	SAS Royal Hotel Beijing Co. Ltd	17,677	USD	16,899	(7,132)	9,767	Undefined duration
Rezidor Hotel Grouop NV	Orchard Hotels A.S	200	EUR	200	–	200	3 months Euribor +1.5%
Rezidor Group	Other	107	EUR	107	–	107	Various interest bering deposits
Total of interest-bearing				**18,168**	**(7,132)**	**11,036**	
Rezidor Group	Other			1,195	–	1,195	Non–interest bearing
Total of non-interest-bearing				**1,195**	**–**	**1,195**	
Total long-term receivables				**19,363**	**(7,132)**	**12,231**	

As of Dec. 31, 2007							
Loan from	**Counterpart**	**Nominal loan amount in thousands**	**Currency**	**Nominal value in TEUR**	**Impairment 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	1,944	–	1,944	Undefined duration 10,08%
SIHSKA A/S	SAS Royal Hotel Beijing Co. Ltd	19,418	USD	18,065	(9,627)	8,438	Undefined duration
Rezidor Group	Other	35	EUR	35	–	35	Various interest bering deposits
Total of interest-bearing				**20,044**	**(9,627)**	**10,417**	
Rezidor Group	Other			1,456	–	1,456	Non–interest bearing
Total of non-interest-bearing				**1,456**	**–**	**1,456**	
Total long-term receivables				**21,500**	**(9,627)**	**11,873**	

NOTE 27 ACCOUNTS RECEIVABLES

TEUR	As of Dec. 31 2008	2007
Accounts receivables before allowance for doubtful accounts	54,150	61,371
Allowance for doubtful accounts	(5,864)	(5,311)
Accounts receivables net of allowance for doubtful accounts	48,286	56,059

As of Dec. 31, 2008	Accounts receivables before allowance for doubtful accounts	Allowance for doubtful accounts	Accounts receivables net of allowance for doubtful accounts
Accounts receivables not overdue	18,317	(430)	17,885
Accounts receivables overdue			
1–30 days	20,092	(837)	19,255
31–60 days	4,955	(90)	4,865
61–90 days	3,521	(513)	3,008
More than 90 days	7,265	(3,992)	3,273
Total overdue	35,833	(5,432)	30,401
Total ledger	54,150	(5,864)	48,286

Movement in the allowance for doubtful accounts

TEUR	2008	2007
Balance as of Jan. 1	5,311	4,417
Amounts written off during the year	(391)	(63)
Amounts recovered during the year	(124)	(82)
Increase/Decrease in allowance recognised in profit or loss	1,247	1,039
Translation difference	(179)	–
Balance as of Dec. 31	5,864	5,311

No collaterals are held as security for accounts receivables outstanding.

NOTE 28 OTHER CURRENT INTEREST BEARING RECEIVABLES

	As of Dec. 31, 2008		
Loan from	Counterpart	Amortised cost in TEUR	Interest rates
Rezidor Hotel ApS	SNC Paris Le Havre	1,903	6 months Euribor + 1%
Africa Joint Venture Holding A/S	Afrinord Hotel Investments A/S	802	Fixed rate – 11.5%
Total of current interest-bearing receivables		2,705	

	As of Dec. 31, 2007		
Loan from	Counterpart	Amortised cost in TEUR	Interest rates
Rezidor Hotel ApS	SNC Paris Le Havre	1,812	6 months Euribor + 1%
Total of current interest-bearing receivables		1,812	

No collateral was held as security for these receivables. TEUR 695 (0) was past due at year-end, but not impaired as the amounts were part of ongoing discussions about renegotiated terms for one loan.

NOTE 29 OTHER CURRENT NON-INTEREST BEARING RECEIVABLES

TEUR	As of Dec. 31 2008	2007
Prepaid expenses		
Prepaid Rent	12,302	13,613
Prepaid Heating	187	315
Prepaid Other	10,347	10,183
	22,836	24,111
Accrued Income		
Accrued Income – Fees	6,102	6,404
Accrued Income – Other	1,543	1,874
	7,645	8,278
Other current non-interest bearing receivables	15,914	10,334
Total	46,395	42,723

NOTE 30 OTHER SHORT-TERM INVESTMENTS

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

NOTE 31 CASH AND CASH EQUIVALENTS

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

TEUR	As of Dec. 31 2008	2007
Bank accounts	25,317	50,153
Cash on hand	1,062	1,236
Total cash and cash equivalents	26,379	51,389

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

NOTE 32 SHARE CAPITAL

Issued capital

TEUR	Share capital 2008	Other paid in capital 2008	Share capital 2007	Other paid in capital 2007
Opening balance as of Jan. 1,	10,000	135,105	127	153,978
Bonus issue, without new share issue	–	–	9,873	(9,873)
Dividend paid	–	(14,803)	–	(9,000)
Closing balance as of Dec. 31	10,000	120,302	10,000	135,105

Continuation Note 32

Fully paid ordinary shares	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 Q1 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 Q3 2008 at an average price of SEK 27.36. The weighted number of own shares held by the company in 2008 and 2007 was 2,499,787 and 166,184 respectively. The authorisations at the two Annual General Meetings to buy back shares have been given to secure delivery of shares to the participants in the two share based incentive programmes decided in 2007 and 2008 and to cover social security costs pertaining to these programmes as well as to ensure that the Group has a more efficient capital structure. A total of 1,089,207 shares has been bought back to secure delivery of shares in the incentive programmes and the related social security costs.

	Number of shares	Investment (TEUR)	Quota value (TEUR)	Per cent of registered shares
Own shares held at Jan. 1, 2007	–	–	–	–
Own shares bought back in 2007	1,025,000	4,911	68,3	0.68%
Own shares held at Dec. 31, 2007	**1,025,000**	**4,911**	**68,3**	**0.68%**
Own shares bought back in 2008	2,669,500	8,381	178,0	1.78%
Own shares held at Dec. 31, 2008	**3,694,500**	**13,292**	**246,3**	**2.46%**

	As of Dec. 31	
	2008	**2007**
Number of registered shares	150,002,040	150,002,040
Number of own shares held by the company	(3,694,500)	(1,025,000)
Number of shares outstanding	**146,307,540**	**148,977,040**

DIVIDEND PER SHARE

Dividend paid during 2008 amounted to TEUR 14,803 (EUR 0.10 per share). In the current context of economic uncertainty, the Board of Directors recommends the Annual General Meeting 2009 a suspension of the dividend. The long-term policy is to distribute approximately one third of the annual net income.

NOTE 33 SHARE-BASED PAYMENTS

LONG-TERM EQUITY-SETTLED PERFORMANCE-BASED INCENTIVE PROGRAMMES

The purpose of the programmes is to ensure that remuneration within the Group helps align executives with shareholder interests, that the proportion of remuneration linked to company performance increases and that it encourages executive share ownership. In order to implement the performance based share programme in a cost efficient and f exible manner, the Board of Directors was authorised by the AGMs in 2007 and in 2008 to decide on acquisitions of own shares on the stock exchange.

THE 2007 PROGRAMME

On May 4th, 2007, the Annual General Meeting approved a long-term equity settled performance-based incentive programme to be offered to approximately 25 executives within the Rezidor Group. The programme was launched on 15th June 2007 and the vesting period ends on 1st May, 2010. It contains two different award elements, a bonus based award and a savings based award.

The "bonus based award" entitles the participants to a certain number of shares equal in value to the participant's 2006 annual bonus payout. Shares are awarded at no cost for the participants. As of December 31st, 2008, the maximum number of shares that may be awarded under the bonus based award after the full vesting period was 125,116.

The "savings based award" is a matching share award equal to that number of Rezidor shares the participants have purchased and hold for a 3-year savings period, up to a value of 25% of the participants' 2007 salary. Shares are awarded at no cost for the participant. As of December 31st, 2008, the maximum number of savings based shares that can be awarded after the full vesting period was 100,685.

All 11 members of the Executive Committee participated in the programme entitling them to a maximum total of 151,563 shares, of which the CEO is entitled to a maximum of 43,336 shares. 14 other members of management are remaining in the programme, entitling them to a maximum of 74,238 shares.

The award is dependent on an achievement of certain performance criteria during the financial years 2007 to 2009, of which 50% is related to growth in earnings per share (EPS) and 50% to total shareholder return (TSR) relative to a defined peer group of hotel companies. As for the EPS part, the participants are entitled to a 20% allotment if the three year annualised EPS growth is equal to or above 20%. The allotment increases proportionally based on the growth in EPS with a 100% allotment if the three year EPS growth is 174.4% (equal to 40% per year) or above. As for the TSR part, the participants are entitled to a 20% allotment if the three year TSR is equal to or above 0% (i.e. Rezidor TSR compared to Index TSR for the peer group). The allotment increases proportionally based on outperformance of Index TSR with a 100% allotment if the three year TSR is 26% (equal to 8% per year) or above Index TSR.

Fair value at grant date for incentive programme is recognised as an expense over the vesting period, adjusted for the number of participants that are expected to remain in service. An amount equal to the expense is credited to equity. The fair value at grant date of the EPS based awards was the share price at grant date, i.e. SEK 60 (EUR 6.36). The fair value at grant date of the TSR based awards was calculated as approximately 56% of the share price at grant date, i.e. SEK 33.47 (EUR 3.55). This value was calculated in a Monte Carlo simulation, in which the following parameters were used: share price volatility of 35.5% (Rezidor's share price volatility since the IPO to the grant date), risk-free interest rate of 3.79% (Swedish government 3 year interest at grant date), dividend yield of 1.18% (estimated using a 12 month trailing dividend yield), an average market correlation of 22.1% (the average correlation of Rezidor with the peer group).

THE 2008 PROGRAMME

On April 23rd, 2008, the Annual General Meeting approved a long-term equity settled performance-based incentive programme to be offered to not more than 30 executives within the Rezidor Group. Grant date was set to June 30th, 2008, and the vesting period ends in connection with the release of the first quarterly report in 2011.

Based on the outcome of certain performance criteria, the participants of the programme may at the end of the vesting period, at no cost, be awarded a certain number of so called performance shares in the Company relative their number of savings shares. The total value of savings shares is limited to 40 per cent of the 2008 base salary before taxes for the CEO, the CFO and three other senior executives and to 20 per cent of the 2008 base salary before taxes for other participants. As of December 31st, 2008, the maximum number of performance shares that may be awarded after the full vesting period was 636,606.

With the exception for the CEO, the CFO and three other senior executives, the participants are entitled to receive a certain number of so called matching shares

conditional upon continuous employment during the vesting period. As of December 31st, 2008, the maximum number of matching shares that may be awarded after the full vesting period was 31,085.

6 members of the Executive Committee participated in the programme entitling them to a maximum total of 601,344 shares, of which the CEO is entitled to a maximum of 320,007 shares. Above that, 13 other members of management participated in the programme, entitling them to 66,347 shares.

The award is dependent on certain performance criteria for the financial years 2008 to 2010, of which 25% is related to growth in earnings per share (EPS) and 75% to total shareholder return (TSR) relative to a defined peer group of hotel companies. As for the EPS part, the participants are entitled to a 20% allotment if the three year annualised EPS growth is equal to or above 15%. The allotment increases proportionally based on the growth in EPS with a 100% allotment if the three year EPS growth is 119.7% (equal to 30% per year) or above. As for the TSR part, the participants are entitled to a 20% allotment if the three year TSR is equal to or above 0% (i.e. Rezidor TSR compared to Index TSR for the peer group). The allotment increases proportionally based on outperformance of Index TSR with a 100% allotment if the three year TSR is 26% (equal to 8% per year) or above Index TSR.

Fair value at grant date for incentive programme is recognised as an expense over the vesting period, adjusted for the number of participants that are expected to remain in service. An amount equal to the expense is credited to equity. The fair value at grant date of the EPS based awards was the share price at grant date, i.e. SEK 25.50 (EUR 2.69). The fair value at grant date of the TSR based awards was calculated as approximately 56% of the share price at grant date, i.e. SEK 14.29 (EUR 1.51). This value was calculated in a Monte Carlo simulation, in which the following parameters were used: share price volatility of 39% (Rezidor's share price volatility since the IPO to grant date), risk-free interest rate of 4.7% (Swedish government 3 year interest at grant date), dividend yield of 3.7% (estimated using a 12 month trailing dividend yield), an average market correlation of 26% (the average correlation of Rezidor with the peer group).

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 2007	Granted during 2008	Forfeited during 2008	At the end of 2008
2007 plan	249,535	–	(23,734)	225,801
2008 plan	–	667,691	–	667,691
Total	249,535	667,691	(23,734)	893,492

Neither at the end of 2007, nor at the end of 2008, have the EPS and TSR performance criteria been met. Consequently, no shares would have been awarded had the vesting periods ended these years. Given the economic slowdown, it is deemed unlikely that EPS performance criteria in the LTIP 2007 will be met. The incentive programmes have not yet given rise to any dilution.

Total costs

The net costs recognised in the income statement during the period in accordance with IFRS 2 amounted to TEUR 225 (235). TEUR 351 of the costs related to the EPS part of the 2007 plan were reversed in the income statement in Q4 2008 as it is deemed unlikely that the EPS performance criteria will be met. The costs for social security recognised in the income statement in 2008 amounted to TEUR 35 (TEUR 53).

NOTE 34 PROVISIONS

TEUR	Provisions for employee benefits	Payroll provision	Provisions for legal case	Other provisions	Total
Balance as of Jan. 1, 2007	94	60	105	71	330
Additional provisions recognised	32	12	195	61	300
Reductions arising from payments	(11)	(60)	–	–	(71)
Reclassification	–	–	–	(71)	(71)
Balance as of Dec. 31, 2007	115	12	300	61	488
Additional provisions recognised	47	–	323	247	617
Reductions arising from payments	(25)	(12)	–	(61)	(98)
Balance as of Dec. 31, 2008	137	–	623	247	1,007

NOTE 35 BORROWINGS

	Current As of Dec. 31		Non-current As of Dec. 31	
TEUR	2008	2007	2008	2007
Unsecured – at amortised cost				
Bank overdrafts	8,198	31,573	–	–
Other loans	–	–	1,430	87
Total	8,198	31,573	1,430	87

TEUR 1,248 (0) of other loan is related to the financing of investments in a German hotel under a management contract. The repayment of the loan is linked to the amount of fees collected from this hotel.

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, 2008			
	TCHF	TEUR	TDKK	Total
Bank overdrafts	–	–	8,198	8,198
Other loans	18	1,412	–	1,430
Total	18	1,412	8,198	9,628

	As of Dec. 31, 2007		
	TEUR	TDKK	Total
Bank overdrafts	–	31,573	31,573
Other loans	87	–	87
Total	87	31,573	31,660

The average interest rates paid were as follows:

	For the Year Ended Dec. 31	
	2008	2007
Bank overdraft	4.54%	4.89%
Bank loans	–	4.52%
Other loans	6.99%	Various rates

All liabilities to financial institutions are repayable within one year

The Parent Company had a bank loan, which was fully repaid in 2007. The interest on bank loans in the table above relates to this loan.

SPLIT OF BANK OVERDRAFT

	As of Dec. 31	
TEUR	2008	2007
Bank overdraft facilities granted	106,800	135,967
Utilisation of bank overdraft: in guarantees	(1,139)	(8,681)
Utilisation of bank overdraft: in cash	(8,198)	(31,573)
Bank overdraft facilities unutilised	97,463	95,713

As part of Rezidor's efforts to streamline its banking structure and secure appropriate overdraft and credit facilities, a long term agreement was signed in 2008 with a leading European Bank, whereby the Group secured combined overdraft and guarantee facilities for a total amount of TEUR 105,000. In addition, the Group has credit facilities of TEUR 1,800 granted by other banks. At year-end 2008 the old credit facilities, in total TEUR 102,400, granted by two other banks had not been officially terminated. These old credit facilities have not been included in the table above for 2008.

NOTE 36 OTHER CURRENT NON-INTEREST BEARING LIABILITIES

	As of Dec. 31	
TEUR	2008	2007
Prepayments from customers	5,984	7,003
Accrued expenses & prepaid income	77,494	80,545
Other short term non-interest bearing liabilities	19,795	19,126
Total	103,237	106,674

Continuation Note 36

SPECIFICATION OF ACCRUED EXPENSES AND PREPAID INCOME

TEUR	Opening Balance as of Jan. 1, 2008	Utilisation	Additions	Release	Translation	Closing balance as of Dec. 31, 2008
Vacation pay including social costs	14,021	(10,320)	11,982	(252)	(1,577)	13,854
Accrual for overtime including social costs	503	(410)	373	(32)	(55)	379
Accrual for bonus including social costs	6,023	(5,537)	3,499	(165)	(257)	3,564
Accrual for energy costs	3,398	(2,582)	2,826	(122)	(410)	3,110
Other accrued expenses	52,514	(31,266)	40,133	(2,408)	(6,601)	52,372
Prepaid income	4,085	(1,465)	1,653	–	(58)	4,215
Total	80,545	(51,580)	60,467	(2,980)	(8,958)	77,494

NOTE 37 RELATED PARTIES

Related parties with significant inf uence are: The Carlson Group (Carlson) owning 44.39% of the shares, Key Management of Rezidor, joint ventures and associated companies.

CARLSON

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

The related party transactions with Carlson are split as follows:

	Sale		Operating cost		Amonts owed by the related parties		Amounts owed to the related parites	
TEUR	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007
Carlson Inc,	_	301	8,029	9,776	753	1,273	959	2,266
Carlson Travel Agencies	_	–	657	556	–	–	180	88

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.

In December 08, Rezidor entered into an agreement with Carlson, whereby Carlson acquired the right to use certain brand tools, concepts, manuals and intellectual property developed by Rezidor for the Radisson Blu brand. Carlson has paid TEUR 1,800, equal to the estimated fair value for the products which were delivered in January 09. The agreement gives Carlson the future right to acquire the right to use some additional products of the same nature for fair value.

KEY MANAGEMENT

Compensation to Key Management such as remuneration to the Board of Directors, CEO and Executive Committee is disclosed in Note 10. Within this context a member of the Executive Committee has received from Rezidor Hotel Group an interest-bearing loan amounting to TEUR 41 in order to acquire shares of Rezidor Hotel Group as part of the long-term equity settled performance-based incentive programme from 2007. The loan was granted effective 12th September 2007 and will mature at the end of May 2010. The related rate of interest is Euribor 3-month plus 0.6% per annum.

JOINT VENTURES AND ASSOCIATED COMPANIES

	As of Dec. 31	
TEUR	2008	2007
Loans due from joint ventures and associated companies	9,766	8,438
Revenue (Management Fees) from joint ventures and associated companies	1,482	1,213

More information about shares in joint ventures and associates and the loans to the entities is disclosed in Note 22, 23 and 26.

NOTE 38 ASSETS PLEDGED, CONTINGENT LIABILITIES AND COMMITTED INVESTMENTS

	As of Dec. 31	
TEUR	2008	2007
Assets pledged		
Securities on deposit	2,977	3,421
Total assets pledged	2,977	3,421
Contingent liabilities		
Guarantees provided for management contracts[1)]	–	5,817
Guarantees provided for renovation works	–	1,663
Miscellaneous guarantees provided	1,139	1,201
Total guarantees provided	1,139	8,681

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

The investment plans for the future depend on numerous factors, including changes in economic, political or other conditions in the locations where the Company may propose to make investments, or events which have a material adverse effect on the tourism and the hospitality management and leisure industry in these locations, among other factors. In Africa, the Company operates through a 20.0% associate, Africa Joint Venture Holding A/S ("Africa Holding"), to develop/acquire projects in Africa. With respect to Africa Holding, the total commitment as of December 31, 2008 was TEUR 7,000 and the Company made a capital contribution of TEUR 50 during 2006. Afrinord has partly financed the Radisson Blu Bamako, Mali, through a loan agreement of TEUR 4,000 in 2008, of which the Company's contribution was TEUR 800. The remaining commitment is consequently in TEUR 6,150. A decision to invest in a project in Africa requires an approval by four out of five shareholders.

LITIGATION

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 2008. 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, 2008.

Below is a description of pending material legal proceedings:

In May 2006, Stonehaven Trust Limited ("Stonehaven") submitted a claim against Rezidor's subsidiary Rezidor Hotels ApS Danmark (previously SAS Hotels A/S Danmark) before the Brussels Commercial Court. Stonehaven is claiming MEUR 35.4 as compensation for the alleged wrongful termination of negotiations in 2001 of a management agreement to be entered into upon finalisation of the acquisition as well as after the completion of the full renovation of a hotel in Bruges, Belgium. The claim is in respect of wasted time, costs and the profit Stonehaven would have obtained from the management agreement had it been entered into. The case is currently pending before the Commercial Court of Brussels. Rezidor believe, based on legal advice and opinions provided by the company's external legal counsel, that the claim is without merit. Accordingly Rezidor have not included any provision in the accounts to cover this claim, neither for the costs of defence.

In November 2005, the Radisson SAS hotel in Amman, Jordan was a target of a terrorist bomb attack which killed or injured a number of people and damaged the Radisson SAS hotel building. The hotel owner has received notice of 42 claims. The majority of the claims do not have amounts specified and Rezidor have been informed by the company's insurers that are handling the cases that the Jordanian court will appoint an expert for the determination of reasonable damages. The Radisson SAS hotel in Amman was trading under a franchise agreement which was terminated by Rezidor per 31 May 2007. Per 31 December 2008 no formal claim for compensation originating from the terrorist attack has been made against Rezidor or any of Rezidor's subsidiaries. Rezidor believe that as the company did not operate the hotel, and based on legal advice provided by the company's external legal counsel, that Rezidor are not liable for damages to third parties caused by the terrorist bomb attack. The franchisee alleges that Rezidor wrongfully terminated the franchise agreement and has initiated legal proceedings in Jordan. Rezidor also believe, based on legal advice provided by the company's external legal counsel, that Rezidor have lawfully terminated the franchise agreement. Accordingly Rezidor have not included any provisions in the accounts to cover any of these potential claims, neither for costs for defence.

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

In August 2003, Carestel NV and Carestel Motorway Services NV (together "Carestel") initiated legal proceedings against Rezidor's subsidiaries, The Rezidor Hotel Group NV/SA (previously Rezidor SAS Hospitality NV), Rezidor Hotels ApS Danmark (previously SAS Hotels A/S Danmark) and GH Holding NV, claiming damages for breach of the company's obligation under Belgian law to negotiate with Carestel in good faith. The claim relates to certain aborted acquisition negotiations held in 2002 and 2003 regarding the proposed acquisition of certain subsidiaries of Carestel that owned a Belgian hotel portfolio. The amount claimed by Carestel is approximately MEUR 9.7, representing legal costs, lost management time, loss of reputation, misuse of confidential information and the difference between the price obtained by Carestel from the sale of the relevant subsidiaries to a third party and the price proposed to be paid by Rezidor SAS Hospitality NV. Rezidor have submitted pleadings in defence of the claim and the case is currently pending before the Commercial Court of Brussels. Rezidor believe, based on legal advice and opinions provided by the copmany's external legal counsel, that the claim is without merit and, in any event, that the amount of the damages claimed is overstated. Accordingly Rezidor have not included any provision in the accounts to cover this claim or for the costs of defence.

In 2002, twelve persons who suffered from a bacterial infection that lead to legionnaires disease filed claims against Rezidor's subsidiary SAS Atlantic Hotel A/S in respect of the Radisson SAS Hotel Atlantic AS (now merged with Rezidor Hotels Norway AS) in Stavanger, Norway. Rezidor have notified the company's insurer of the claims who has acknowledged full coverage of the claims. Out of the twelve cases, ten have been settled. Accordingly Rezidor have not included any provision in the accounts to cover this claim.

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 2008, Rezidor had 80 leasing contracts for hotels in operation and under development that had some financial commitments, compared to 77 such contracts in 2007. 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	2008 Number of leasing agreements expiring	Year	2007 Number of leasing agreements expiring
2009	1	2008–2009	3
2010–2014	5	2010–2014	4
2015–2019	12	2015–2019	13
2020–2024	22	2020–2024	22
2025–2029	19	2025–2029	18
2030–2034	19	2030–2034	16
2035–2039	1	2035–2039	1
2040–2045	1	2040–2045	0

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, 2008 are shown in the following table. For further information regarding rent payments, please refer to Note 13.

Future minimum lease payments

TEUR	2008	2007
Within 1 year	159,288	159,832
1–5 years	868,779	900,617
After 5 years	1,983,607	2,168,484
Total	**3,011,674**	**3,228,933**

Revenue from sub leases recognised in 2008 amounted to TEUR 3,398. The expected future sub lease payments to be received from all fixed rent agreements are shown in the table below:

Future minimum sub lease income

TEUR	2008
Within 1 year	3,374
1–5 years	11,727
After 5 years	–
Total	**18,499**

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 50 Management contracts in 2008, as compared to 46 in 2007. The management contracts containing such financial risk for the group will expire as presented in the table below:

Year	2008 Number of management agreements expiring	Year	2007 Number of management agreements expiring
2009	0	2008–2009	0
2010–2014	5	2010–2014	5
2015–2019	4	2015–2019	7
2020–2024	11	2020–2024	11
2025–2029	17	2025–2029	15
2030–2034	11	2030–2034	6
2035–2039	1	2035–2039	1
2040–2045	1	2040–2045	1

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

Total maximum future capped guarantee payments

TEUR	2008	2007
Within 1 year	77,758	81,239
1–5 years	118,754	139,555
After 5 years	25,564	34,121
Total	**222,076**	**254,915**

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 2008, Rezidor paid TEUR 10,706 (4,902 in 2007) as shortfalls under its management agreements with guarantees (see Note 13).

NOTE 41 AUDITORS' FEES

Group	For the Year Ended Dec. 31	
TEUR	2008	2007
Deloitte		
Audit assignments	1,910	1,657
Other assignments	351	478
Total Deloitte	**2,261**	**2,135**
Other audit firms		
Audit assignments	61	65
Other assignments	441	347
Total other audit firms	**502**	**412**
Grand Total	**2,763**	**2,547**

Fees paid to Deloitte for audit assignments include fees related to support in Rezidor's internal audit work. These fees amounted to TEUR 292 (TEUR 351).

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:

		As of Dec. 31 2008		As of Dec. 31 2007	
	Registered in	Ownership %	Share capital	Ownership %	Share capital
Bahrain					
Rezidor SAS Hotels & Resorts, Middle East W.L.L	Manama town	100	MUSD 1.0	51	MUSD 1.0
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.	Brussels	100	MEUR 0.1	100	MEUR 0.1
Rezidor Hotel Brussels S.A.	Brussels	100	MEUR 15.5	100	MEUR 15.5
Rezidor Park Belgium S.A.	Brussels	100	MEUR 0.1	100	MEUR 0.1
Cyprus					
Doriscus Enterprises Limited	Limassol	14.39	MEUR 19.8	14.39	MEUR 18.7
China					
Rezidor Royal Hotel, Beijing, Co., Ltd	Beijing	50	MUSD 9.0	50	MUSD 9.0
Denmark					
Rezidor Hotels ApS Danmark	Copenhagen	100	MDKK 210.0	100	MDKK 210.0
Rezidor Falconer Center A/S	Frederiksberg	100	MDKK 1.2	100	MDKK 1.2
Rezidor International Hotels Management A/S	Copenhagen	100	MDKK 2.0	100	MDKK 2.0
SIHSKA A/S	Copenhagen	100	MDKK 3.0	100	MDKK 3.0
Rezidor Scandinavia Hotel Aarhus A/S	Aarhus	100	MDKK 0.5	100	MDKK 0.5
Rezidor Riga Hotel A/S	Copenhagen	100	MDKK 1.5	100	MDKK 1.0
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

		As of Dec. 31 2008		As of Dec. 31 2007	
	Registered in	Ownership %	Share capital	Ownership %	Share capital
Rezidor Hotel investment Egypt A/S	Copenhagen	100	MDKK 1.0	100	MDKK 1.0
Rezidor Hotel investment France ApS	Copenhagen	100	MDKK 2.5	100	MDKK 2.5
Hotel Investment Turkey A/S	Copenhagen	51	MDKK 1.0	51	MDKK 1.0
Nordrus Joint Venture ApS	Copenhagen	100	MDKK 0.6	100	MDKK 0.6
Rezidor Hotel Investment A/S	Copenhagen	100	MDKK 1.0	100	MDKK 1.0
Rezidor Russia A/S	Copenhagen	100	MDKK 5.0	100	MDKK 5.0
Rezidor Country A/S	Copenhagen	100	MDKK 3.0	100	MDKK 2.0
Rezidor Park ApS	Copenhagen	100	MDKK 5.0	100	MDKK 2.5
Rezidor Regent A/S	Copenhagen	100	MDKK 4.0	100	MDKK 3.0
Rezidor Lifestyle A/S	Copenhagen	100	MDKK 2.0	100	MDKK 2.0
Rezidor Loyalty Management A/S	Copenhagen	100	MDKK 1.0	100	MDKK 1.0
Rezidor Cornerstone A/S	Copenhagen	100	MDKK 2.4	100	MDKK 2.4
Rezidor Hotel Management & Development A/S	Copenhagen	100	MDKK 2.5	100	MDKK 1.5
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 30
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
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	25	MEUR 0.0
Germany					
Zweite Rezidor Regent Berlin GmbH	Hamburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotels Deutschland GmbH	Hamburg	100	MEUR 0.2	100	MEUR 0.2
Rezidor Hotels Management GmbH	Hamburg	100	MEUR 0.2	100	MEUR 0.2
Rezidor Marliane Betriebs GmbH	Hamburg	100	MEUR 0.0	100	MEUR 0.0
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 Investitions 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 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 Regent Berlin GmbH	Hamburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Karlsruhe GmbH	Hamburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Frankfurt am Main GmbH	Hamburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor 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	Duisburg	100	MEUR 0.0	0	MEUR 0.0
Timmendorf mbH & Co Beteiligungs KG	Timmendorfer Strand	18,67	MEUR 3,1	18,67	MEUR 3,1

Continuation Note 43

		As of Dec. 31 2008		As of Dec. 31 2007	
	Registered in	**Ownership %**	**Share capital**	**Ownership %**	**Share capital**
Kuwait					
First Hotels Company KSCC	Safat	1.82	MKWD 40.0	1.82	MKWD 40.0
Netherlands					
Rezidor Hotel Amsterdam B.V.	Amsterdam	100	MEUR 0.0	100	MEUR 0.0
Norway					
Rezidor Hospitality Norway AS	Oslo	100	MNOK 102.0	100	MNOK 102.0
Rezidor Hotels Norway AS	Oslo	100	MNOK 11.0	100	MNOK 11.0
Rezidor Shared Service Center AS	Oslo	100	MNOK 0.1	100	MNOK 0.1
Rezidor Park Norway AS	Oslo	100	MNOK 0.1	100	MNOK 0.1
Russian federation					
Nordrus Hotels Limited Liability Company	Moscow	26.08	MRUB 0.0	26.08	MRUB 0.0
South Africa					
RHW Joint Venture Southern Africa (Pty) Ltd	Cape Town	50	MRAND 12.0	50	MRAND 12.0
RHW Management Southern Africa (Pty) Ltd	Cape Town	50	MRAND 0.0	50	MRAND 0.0
Sweden					
Rezidor Hotel Holdings AB	Stockholm	100	MEUR 0.1	100	MEUR 0.1
Rezidor Hotel AB	Solna	100	MSEK 5.2	100	MSEK 5.2
Rezidor Sweden AB	Stockholm	100	MSEK 0.1	100	MSEK 0.1
Rezidor Hospitality Sweden AB	Solna	100	MSEK 18.0	100	MSEK 18.0
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	99	MCHF 0.1
Rezidor Hotels Switzerland AG	Basel	99.7	MCHF 0.1	97	MCHF 0.1
The Rezidor Bar & Restaurant Company AG	Basel	99.7	MCHF 0.1	97	MCHF 0.1
Turkey					
Feri Otelcilik ve Turizm A.S	Istanbul	10	BTL 135	10	BTL 135
Maçka Otelcilik Anonim Sirketi	Istanbul	56	BTL 50	56	BTL 50
United Kingdom					
Rezidor Hotels UK Ltd.	Manchester	100	MGBP 32.2	100	MGBP 32.2
Rezidor Portman (Holdings) Ltd.	Manchester	100	MGBP 0.0	100	MGBP 0.0
Rezidor Hotel Manchester Ltd.	Manchester	100	MGBP 0.0	100	MGBP 0.0
Rezidor Hotel Leeds Ltd.	Manchester	100	MGBP 0.0	100	MGBP 0.0
Rezidor Hotel Edinburgh Ltd.	Manchester	100	MGBP 0.0	100	MGBP 0.0
Rezidor Hotel Stansted Airport Ltd.	Manchester	100	MGBP 0.0	100	MGBP 0.0
Rezidor Lifestyle Glasgow Ltd.	Manchester	100	MGBP 0.0	100	MGBP 0.0
Rezidor Hotel Management Ltd.	Manchester	100	MGBP 0.0	100	MGBP 0.0
Rezidor Park UK Ltd.	Manchester	100	MGBP 0.0	100	MGBP 0.0
Park Hotel Heathrow Ltd.	Manchester	100	MGBP 0.0	100	MGBP 0.0
Park Hotels Management Ltd.	Manchester	100	MGBP 0.0	100	MGBP 0.0
Rezidor Lifestyle Edinburgh Ltd.	Manchester	100	MGBP 0.0	100	MGBP 0.0
United States of America					
RC International Marketing Services, Inc.	Minnesota	100	MUSD 0.1	100	MUSD 0.1

Parent Company, Statements of Operations

		For the Year Ended December 31	
TEUR (except for share related data)	**Notes**	**2008**	**2007**
Revenue	2	3,728	3,576
Personnel cost	3	(2,882)	(2,993)
Other operating expenses	4, 5	(9,494)	(3,464)
Operating loss before depreciation and amortisation		**(8,648)**	**(2,881)**
Depreciation expence	8	(70)	(55)
Operating loss		**(8,718)**	**(2,937)**
Financial income	6	3,475	1,811
Financial expense	6	(1,632)	(1,461)
Loss before tax		**(6,875)**	**(2,586)**
Income tax	7	1,907	699
Loss for the period		**(4,968)**	**(1,887)**
Proposed dividend per share (in Euro)		0.00	0.10

Parent Company, Balance Sheet Statements

		As of December 31	
TEUR	**Notes**	**2008**	**2007**
ASSETS			
Fixed assets			
Machinery and equipment	8	245	139
Investments in progress	8	6	123
Shares in subsidiaries	9	231,560	231,335
Deferred tax asset	7	–	778
		231,811	**232,375**
Current assets			
Inventories		1	1
Accounts receivable		7	25
Receivables group companies	10	16,190	16,536
Income tax receivable		28	13
Other Receivables		12	10
Prepaid expenses and accrued income	11	222	256
Cash and cash equivalents		1	5,778
		16,461	**22,619**
Total assets		**248,272**	**254,994**
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		10,000	10,000
		10,000	10,000
Non-restricted equity			
Share premium reserve		197,297	212,100
Retained earnings		(8,032)	(4,893)
Net loss for the year		(4,968)	(1,887)
		184,297	**205,320**
Total equity		**194,297**	**215,320**
Liabilities			
Current liabilities			
Accounts payable		82	106
Liabilities group companies	12	52,435	37,409
Accrued expenses and prepaid income	14	1,295	2,021
Other liabilities		163	138
		53,975	**39,674**
Total liabilities		**53,975**	**39,674**
Total equity and liabilities		**248,272**	**254,994**
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, 2006	**127**	**230,973**	**–**	**(3,299)**	**227,801**
Allocation of last year's result	–	–	(3,299)	3,299	–
Dividends paid	–	(9,000)	–	–	(9,000)
Increase of share capital	9,873	(9,873)	–	–	–
Share buy back	–	–	(4,911)	–	(4,911)
Long term incentive plan	–	–	235	–	235
Group contribution	–	–	4,281	–	4,281
Tax effect on group contribution	–	–	(1,199)	–	(1,199)
Net loss for the period	–	–	–	(1,887)	(1,887)
Equity as of Dec. 31, 2007	**10,000**	**212,100**	**(4,893)**	**(1,887)**	**215,320**
Allocation of last year's result	–	–	(1,887)	1,887	–
Dividends paid	–	(14,803)	–	–	(14,803)
Share by back	–	–	(8,381)	–	(8,381)
Long term incentive plan	–	–	225	–	225
Group contribution	–	–	9,589	–	9,589
Tax effect on group contribution	–	–	(2,685)	–	(2,685)
Net loss for the period	–	–	–	(4,968)	(4,968)
Equity as of Dec. 31, 2008	**10,000**	**197,297**	**(8,032)**	**(4,968)**	**194,297**

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

Parent Company, Statement of Cash Flows

		For the Year Ended December 31	
TEUR	Notes	2008	2007
OPERATIONS			
Operating loss		(8,718)	(2,937)
Adjustments for non cash items:			
Depreciation and amortisation	8	70	55
Interest received	6	255	1,509
Interest paid	6	(1,632)	(1,452)
Other financial items		3,220	293
Tax paid		(15)	–
Cash flows from operations before change in working capital		**(6,820)**	**(2,532)**
Change in:			
Current receivables		4,369	91
Current liabilities		(232)	(2,146)
Change in working capital		**4,137**	**(2,055)**
Cash flow from operating activities		**(2,683)**	**(4,587)**
INVESTMENTS			
Purchase of machinery and equipment	8	(58)	(145)
Change in interest bearing receivables		–	16,800
Other investments		–	7,672
Cash flow from investing activities		**(58)**	**24,327**
FINANCING			
Dividends paid to shareholders		(14,803)	(9,000)
Share buy-back		(8,381)	(4,911)
Change in interest bearing liabilities		20,148	(10,260)
Cash flow from financing activities		**(3,036)**	**(24,171)**
Cash flow for the year		**(5,777)**	**(4,431)**
Cash and cash equivalents, January 1		**5,778**	**10,209**
Cash and cash equivalents, December 31		**1**	**5,778**

Notes to the Parent Company

NOTES TO THE PARENT COMPANY

NOTE 1 GENERAL INFORMATION

The Parent Company has prepared its Annual Report in accordance with the Swedish Annual Accounts Act, RFR 2.1 (Accounting for legal entities) of the Swedish Financial Accounting Standards Council and applicable statements from its emerging issues Committee. Pursuant to RFR 2.1, 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.

NOTE 2 REVENUE DISTRIBUTION

	At the Year Ended Dec. 31	
TEUR	**2008**	**2007**
External revenue	354	385
Revenue from group companies	3,374	3,191
Total Revenue	3,728	3,576

NOTE 3 PERSONNEL

Payroll cost	At the Year Ended Dec. 31	
TEUR	**2008**	**2007**
Salaries	1,811	1,738
Social security	760	890
Pension costs	144	167
Other personnel costs (other benefits in kind)	167	198
Total	2,882	2,993

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 Rezidor Group, Mr Ritter, of TEUR 108 (TEUR 107) (excluding social costs). The remainder of its remuneration is paid by the 'Rezidor Hotel Group S.A.' in Belgium. Also refer to Note 10 of the Group Accounts for complete information regarding his employment agreement.

In addition, total remuneration to the Board of Directors amounted to TEUR 382 (TEUR 366). 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 2008 was 38 (38).

Average number of employees	As of Dec. 31			
	2008		**2007**	
	Men	**Women**	**Men**	**Women**
Sweden	11	27	12	26

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

Sick-leave (%)	As of Dec. 31	
	2008	**2007**
Sick-leave as a proportion of regular working hours	4.73	5.71
Proportion of total sick-leave relating to continous absence for 60 days or more	24.49	52.74
Sick-leave women	5.91	7.52
Sick-leave men	2.01	1.97
Sick-leave employees aged 29 or younger	3.85	3.52
Sick-leave employees aged 30–49	5.37	3.03
Sick-leave employees aged 50 or older	4.76	13.18

NOTE 4 OTHER OPERATING EXPENSES

	At the Year Ended Dec. 31	
TEUR	**2008**	**2007**
External service fees	855	757
Other external expenses	1,103	1,643
Expenses from Group companies	7,328	865
Rent	208	199
Total	9,494	3,464

NOTE 5 AUDITORS' FEES

	At the Year Ended Dec. 31	
TEUR	**2008**	**2007**
Deloitte		
Audit assignments	506	377
Other assignments	37	167
Total Deloitte	543	544
Other audit firms		
Other assignments	14	–
Total other audit firms	14	–
Grand total	557	544

NOTE 6 FINANCIAL INCOME AND EXPENSES

	At the Year Ended Dec. 31	
TEUR	**2008**	**2007**
Interest income from financial institutions	255	252
Interest income from Group companies	–	1,257
Foregin currency exchange gains	3,220	302
Financial income	3,475	1,811
Interest expenses to financial institutions	–	(521)
Interest expenses to Group companies	(1,632)	(940)
Financial expense	(1,632)	(1,461)
Financial income and expenses, net	1,843	350

NOTE 7 TAX

	At the Year Ended Dec. 31	
TEUR	**2008**	**2007**
Deferred income	1,907	699
Recorded tax	1,907	699

Reconciliation of effective tax

TEUR	**2008**	**%**	**2007**	**%**
Loss before tax	(6,877)		(2,856)	
Tax at the domestic income tax rate of 28%	1,926	28	724	28
Tax effect of expenses that are not deductible in determining taxable income	(18)		(25)	
Recorded tax	1,907	28	699	24
Deferred tax in the balance sheet				
Attributable to tax losses carried forward	–		778	

NOTE 8 TANGIBLE FIXED ASSETS

Machinery and equipment

TEUR	**2008**	**2007**
Balance as of Jan. 1, 2008	207	185
Investments	52	22
Reclassification	123	–
Balance as of Dec. 31, 2008	382	207
Accumulated depreciations and impairment		
Balance as of Jan. 1, 2008	(68)	(13)
Depreciations expense	(70)	(55)
Closing accumulated depreciation	**(138)**	**(68)**
Balance as of Dec. 31, 2008	**245**	**139**

Investment in progress

TEUR	**2008**	**2007**
Acquisition value as of Jan. 1, 2008	123	–
Investments	6	123
Reclassification	(123)	–
Balance as of Dec. 31, 2008	6	123

NOTE 9 SHARES IN SUBSIDIARIES

	As of Dec. 31	
TEUR	**2008**	**2007**
Opening book value	231,335	231,100
Investments in subsidiaries (Rezidor Hotel Holdings AB)	225	235
Closing book value	231,560	231,335

The increase in the book value in 2008 and 2007 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	231,560

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

NOTE 10 RECEIVABLES GROUP COMPANIES

	As of Dec. 31	
TEUR	**2008**	**2007**
Receivables Group companies, cash pool	6,478	12,094
Other	9,712	4,442
Total	16,190	16,536

NOTE 11 PREPAID EXPENSES AND ACCRUED INCOME

	As of Dec. 31	
TEUR	**2008**	**2007**
Prepaid rent	48	53
Other	174	201
Total	222	254

NOTE 12 LIABILITIES GROUP COMPANIES

	As of Dec. 31	
TEUR	**2008**	**2007**
Liabilities Group companies, cash pool	28,419	35,050
Interest bearing liabilities to Group companies	23,319	2,200
Other	697	159
Total	52,435	37,409

NOTE 13 CREDIT FACILITIES

Rezidor Hotel Group AB (publ) had a total of TEUR 5,302 in credit facilities as of December 31st, 2007. 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 new banking structure provides a cross-border cash pool, which the Parent Company is part of. The total credit facilities in this new credit structure are described in Note 4 to the consolidated financial statements.

NOTE 14 ACCRUED EXPENSES

	As of Dec. 31	
TEUR	**2008**	**2007**
Vacation pay including social costs	352	328
Salaries and remuneration	267	291
Other accrued expenses	676	1,402
Total	1,295	2,021

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 statement of the Parent Company have been prepared in accordance with generally accepted accounting principles in Sweden and give a true and fair view of the Parent Company's financial position and results of operations.

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

Stockholm March 23, 2009

Urban Jansson
Chairman of the Board

Hubert Joly
Vice Chairman of the Board

Göte Dahlin
Board Member

Trudy Rautio
Board Member

Harald Einsmann
Board Member

Benny Zakrisson
Board Member

Ulla Litzén
Board Member

Jay Witzel
Board Member

Barry Wilson
Board Member

Kurt Ritter
President and CEO

Mats Hansson
Union Representative

Our audit report was submitted on March 23, 2009.
Deloitte AB

Peter Gustafsson
Authorised public accountant

Audit Report

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

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the managing director of Rezidor Hotel Group AB (publ) for the financial year 2008. The Annual Report and consolidated accounts are included on pages 64–109 of this document. The Board of Directors and the managing director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the managing director and significant estimates made by the Board of Directors and the managing director when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

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

We recommend to the annual general meeting of shareholders that the income statements and balance sheets of the Parent Company and the group be adopted, that the profit of the Parent Company be dealt with in accordance with the proposal in the administration report and that the members of the Board of Directors and the managing director be discharged from liability for the financial year.

Stockholm, March 23, 2009

Deloitte AB

Peter Gustafsson
Authorised Public Accountant

This document is a translation of the Swedish original.

Financial Definitions and Terminology

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

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

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

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

Debt/equity ratio
Net debt divided by total equity.

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

EBIT
Operating profit before net financial items and tax.

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

EBITDA margin
EBITDA as a percentage of Revenue.

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

Equity/assets ratio
Total equity divided by total assets.

FF&E
Furniture, Fittings and Equipment.

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

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

General Manager
This title refers to the position as hotel manager.

Like-for-like hotels
Comparable hotels in operation during the same previous period compared.

Net working capital
Current non-interest bearing receivables minus current non-interest bearing liabilities.

Occupancy (%)
Number of rooms sold in relation to the numbers of rooms available for sale.

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

Operating cash flow per share
Operating cash flow divided by average number of shares outstanding.

Return on capital employed
(ROA – Return on Assets)
Operating profit, excluding restructuring costs and impairment losses divided by average capital employed.

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

Revenue
All related business revenue (including rooms revenue, food & beverage revenue, other hotel revenue, fee revenue and other non-hotel reenue from administration units).

RevPAR
Revenue Per Available Room – Rooms revenue in relation to rooms available.

RevPAR like -for-like
RevPAR for like-for-like hotels at constant exchange rates.

System-wide revenue
Hotel revenue (including rooms revenue, food & beverage, conference & banqueting revenue and other hotel revenue) from leased, managed and franchised hotels, where revenue from franchised hotels is an estimate. It also includes other non-hotel revenue from administration units, such as revenue from Rezidor's print shop that prepares marketing materials for Rezidor hotels and revenue generated under Rezidor's loyalty programs.

Yield
Dividend as a percentage of the market price.

REGIONS

Nordic Region (NO)
Denmark, Finland, Iceland, Norway and Sweden.

Rest of Western Europe (ROWE)
Austria, Belgium , France, Germany, Ireland, Italy, 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, Poland, Romania, Russia, Slovakia, Turkey, Ukraine and Uzbekistan.

Middle East, Africa and Other (MEAO)
Bahrain, China, Egypt, Ethiopia, Jordan, Kenya, Kuwait, Lebanon, Libya, Mali, Morocco, Mozambique, Nigeria, Oman, Saudi Arabia, Senegal, South Africa, Tunisia, the United Arab Emirates and Qatar.

Annual General Meeting and Financial Information

Annual General Meeting

The Annual General Meeting of shareholders will be held at 10.00 a.m. CET on Thursday, 23 April 2009 at the Radisson SAS Royal Viking Hotel, Vasagatan 1, Stockholm.

Participation

Shareholders who wish to participate must be recorded in the shareholders' register maintained by Euroclear Sweden AB (former VPC AB), on Friday, 17 April 2009.

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 Friday, 17 April 2009.

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 Friday, 17 April 2009. 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), by facsimile to +46 8 10 53 67 (marked Rezidor's AGM) 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 2007 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:

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2009 Calendar

Annual General Meeting: April 23
Interim Report, January – March: April 23
Interim Report, January – June: July 22
Interim Report, January – September: October 30

Corporate Website

www.rezidor.com

Production: Intellecta Corporate.
Illustrations: Shutterstock & Ellinor Kellner (portraits). Photos: Rezidor.
Print: Intellecta Infolog, Stockholm, March 2009 (ISO 14001 and 9001 certified).

TEUR	1 januari – 31 december 2008	2007