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~~do not~~
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**Come inside and
join our world of
hospitality!**

**Annual Report
2013**

THE
REZIDOR
HOTEL GROUP

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The Rezidor Hotel Group Annual Report App provides you with an easy to navigate library of all the latest Annual Report and accounts and Responsible Business reports. Please find the Rezidor Report App for iPad on the App Store on iTunes.



100% Satisfaction Guarantee

Rezidor

at a glance

We are one of the most dynamic hotel companies and an integral part of the Carlson Rezidor Hotel Group, one of the largest hotel groups worldwide

- The Rezidor Hotel Group currently features a portfolio of **429 hotels** with **94,800 rooms** in operation and under development in **69 countries** across Europe, the Middle East and Africa. Rezidor's team of more than **35,000 people** represents 143 different nationalities
- Since November 2006, Rezidor has been listed on Nasdaq OMX Stockholm, Sweden
- Rezidor's core brands are Radisson Blu (upper upscale) and Park Inn by Radisson (midscale). In early 2014, we also launched our new offer in the luxury segment, Quorvus Collection, and the "lifestyle select" brand Radisson Red
- Our unique service philosophy **Yes I Can!** and our strong company values Being Host, Living Trust and Fighting Z-spirit set us apart within the international hospitality industry
- Rezidor features an industry-leading Responsible Business Programme, and has been recognised as one of the World's Most Ethical Companies every year since 2010 by Ethisphere Institute



429

hotels

94,800

rooms

69

countries

*Yes I Can!*SM

35,000

people

100% Satisfaction
Guarantee

2013

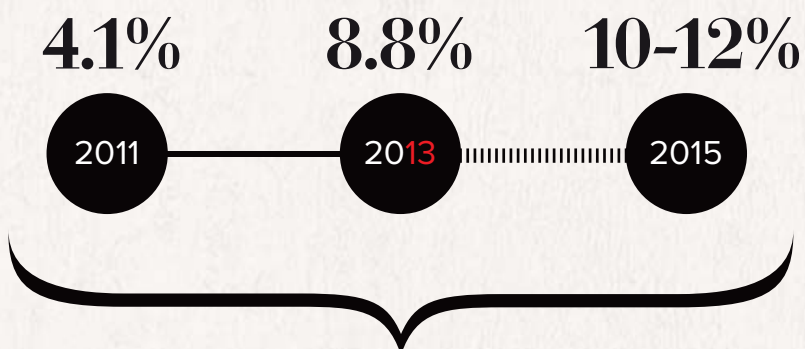
in Summary

- L/L RevPAR grew by **5.8%** (4.6)
- Revenue was almost unchanged from last year and amounted to **MEUR 919.5** (923.7)
- EBITDA improved to **MEUR 80.7** (50.7)
- The EBITDA margin grew by 3.3 pp to **8.8%** (5.5)
- Profit after tax was **MEUR 23.2** (-17.0)
- Ca **6,400** new rooms (32 hotels) were signed
- Ca **3,300** new rooms (14 hotels) were opened

Delivering Route 2015

EBITDA improved by an estimated 2.6 percentage points as a result of the combined efforts of the Route 2015 initiatives.

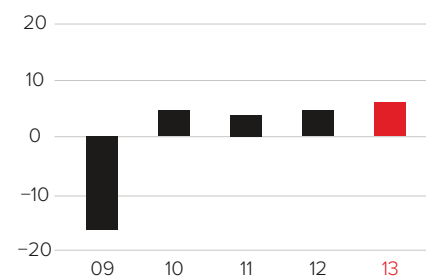
**DELIVERING
2015
ROUTE**



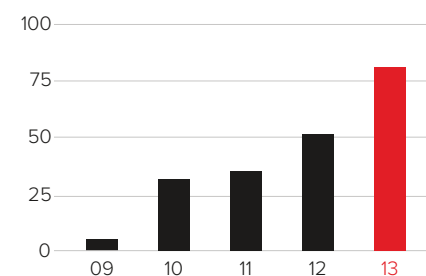
6-8%

targeted uplift in EBITDA margin by 2015 (over 2011) assuming RevPAR growth covers inflation.

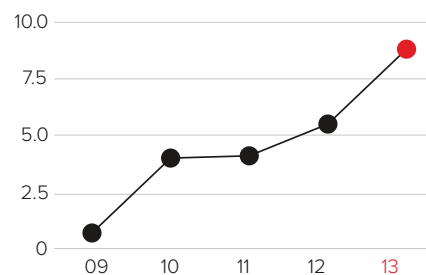
L/L RevPAR growth, %



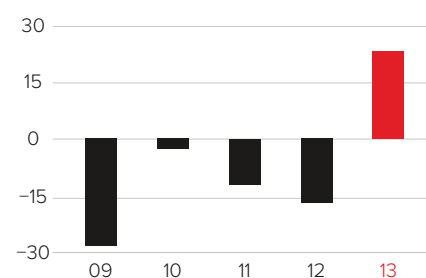
EBITDA, MEUR



EBITDA margin, %



Profit/Loss, MEUR



Taking Rezidor to the next level

We look back on a successful 2013. For 2014 and beyond, we have a multidimensional strategy to further increase our profitability.

Within the international hospitality industry, Rezidor is recognised for its unique business approach inspired by the service philosophy *Yes I Can!* and based on a set of strong company values: **Being Host, Living Trust, Fighting Z-pirit**. We are equally known for our rapid growth across Europe, the Middle East and Africa. Building on these foundations, we have now entered the next phase of Rezidor's history – focusing on improved profitability. With soft 2014 GDP projections for most countries in Europe, and economic uncertainties still being present, we cannot solely rely on market growth to lift our performance – we have to focus on what we can control ourselves. Through asset-light growth, combined with commercial and operational excellence, we aim to increase the EBITDA margin by 6–8% by 2015 (over 2011 numbers). This is an ambitious goal, but our turnaround programme Route 2015 is on track, and we see additional opportunities to further build on our momentum.

Delivering on our targets

In 2013, the EBITDA margin increased by 3.3 percentage points to 8.8%, with an estimated 2.6 percentage points delivered

through the Route 2015 initiatives. Our efforts in revenue generation resulted in a strong increase in market share (Revenue Generating Index) for our core brands, Radisson Blu and Park Inn by Radisson. Rezidor also achieved RevPAR growth across all geographic regions. Our hotel expansion remained focused on the emerging markets such as Russia/CIS and Africa, and we define Russia, Nigeria, Saudi Arabia, Turkey and Algeria as key focus countries. More than 85% of our signings in 2013 represented projects in emerging markets, and 60% of all projects are located in key focus countries. Our total signings were in line with 2012, and with our target. The number of hotels opened lags slightly behind due to the focus on emerging markets where pipeline wash-outs and delays occur more often than in mature markets. An accelerated conversion strategy and a re-defined management process from hotel signing to opening helps us to minimise such risks. Our organisation optimisation process, which was launched as "Project FIT" in 2012, after an in-depth review of our entire group, is delivering clear results. We are in line with delivering the targeted cost reductions of MEUR 13–15 through a streamlined and decentralised business



Develop. Delight. Drive. Deliver

Rezidor's 4D Strategy has four pillars: Develop Talent, Delight Guests, Drive the Business, Deliver Results. The strategy outlines the Group's priorities, and defines specific focus areas. 4D is designed as an engaging and empowering business approach: Every team member at hotel, area or corporate level plays a role in bringing 4D to life.



Watch Wolfgang M. Neumann, President & CEO, introducing Rezidor's new 4D Strategy launched in 2013.



We are well on track to deliver on our turnaround objective; and we have a clear vision for the future

model. Asset management became a crucial contributor to our turnaround. The newly created department is optimising our lease portfolio in the Nordics and Rest of Western Europe, and reported an EBITDA margin impact of 1.1 percentage points through the exits and restructuring of unprofitable leases over the past two years. To accelerate the execution of our key strategic initiatives, Rezidor's Board of Directors intends to propose a rights issue of approximately MEUR 60 in 2014.

Launching our 4D Strategy

Building on the principles of our turnaround plan Route 2015 and based on Rezidor's mission of providing unique *Yes I Can!* service, we launched a simple and yet powerful 4-dimensional strategy in 2013. Our 4-dimensional strategy has four fundamental pillars: **D**evelop Talent, **D**elight Guests, **D**rive the Business and **D**eliver Results. The strategy clearly outlines our priorities and defines specific focus areas in pursuit of our vision. We want to be perceived as:

- the most passionate team of hoteliers,
- the most innovative and responsible organisation,
- the most dynamic hotel company in EMEA, and
- the preferred hotel company to invest in and to do business with.

In line with our company culture, 4D is designed as an engaging and empowering business approach. Every team member at hotel, area or corporate level plays a role in bringing 4D to life and in working towards our mutual objectives.

Collaborating with Carlson

Our strong partnership with Carlson, a leading international hospitality and travel enterprise, has been built over the past 20 years. Carlson is the owner of our core brands and also our majority shareholder. We extended our cooperation in 2012 with the launch of the Carlson Rezidor Hotel Group, one of the largest and most dynamic hotel groups worldwide – comprising nearly 1,300 hotels in 100 countries. Together, we focus on global revenue generation and consistent brand delivery across the world. The past year saw joint commercial activities such as the creation of a global web platform and the global launch of Radisson Blu's innovative MICE concept "Experience Meetings".

In early 2014, Carlson Rezidor announced a new global brand architecture. The group's worldwide portfolio now features, besides the upper upscale Radisson Blu and the upscale Radisson, the exciting lifestyle select brand Radisson Red. Park Inn by Radisson remains the strong midscale proposition concentrating on Europe, the Middle East, Africa and Asia, while Country Inns & Suites focuses on the same segment mainly in the Americas. The global portfolio also includes Quorvus Collection, a new generation of expertly curated luxury hotels.

In the context of re-defining the brand architecture, Rezidor has terminated the partnerships with Regent Hotels & Resorts and Missoni.

Being prepared for the future

The wider Rezidor network including franchised and managed hotels of 35,000



employees is aligned through a clear vision. There is a strategic focus on the business, and we share a similar approach with Carlson, allowing us to continuously exploit synergies and joint opportunities. Our turnaround plan has solid traction and we will build on the momentum gained in 2013. While the fundamentals of our business are improving, the visibility for 2014 remains limited. We will maintain a cautious outlook and stay focused on further driving our business, delivering on our targets, and constantly creating improved value for our shareholders and stakeholders.

Welcome to our world!


Wolfgang M. Neumann
President & CEO

Radisson Blu Hotel, Berlin, Germany



The wider Rezidor network of 35,000 employees is aligned through a clear vision



■ Rezidor's operating regions
■ Carlson's operating regions



Engagement and empowerment

Rezidor's 4D Strategy is a long-term and multidimensional business approach – involving every employee within the group.

Our target to improve Rezidor's profitability and to increase the EBITDA margin by 6–8% by 2015 over 2011 numbers is built on our turnaround programme Route 2015. The programme is fully embedded in long-term strategy based on our mission, values and vision – the core elements of our company that each and every employee believes in and lives day by day.

Our **mission** is all about *Yes I Can!*, our DNA and the philosophy that sets us apart: We provide unique *Yes I Can!* service – this is our way of life, and demonstrates our positive attitude, our personal approach and the empowerment of our people. In everything we do, we build on our strong **values** that differentiate us: Being Host, Living Trust, and Fighting Z-pirit.

Our **vision** is that we will be recognised as:

- the most passionate team of hoteliers; building outstanding guest loyalty by providing memorable experiences, and committing to attracting, developing and retaining talent.

We also want to be seen as:

- the most innovative and responsible organisation; leading the industry in anticipating trends and responding to changing customer needs, and caring for our planet by acting in a sustainable way. We aim to be
- the most dynamic hotel company in EMEA; operating distinctive and market leading brands, and being the leader in the Nordics and emerging markets. And finally, our goal is to be
- the preferred hotel company to invest in and to do business with; delivering consistent and compelling financial returns to our owners and shareholders, and valuing strong and long-term relationships with all stakeholders.

Our mission, values and vision are the fundamentals of our strategy that was developed in 2013 – a four-dimensional strategy that we call the **4D Strategy**. It provides a simple framework and invites us to go beyond the obvious while focusing our attention on the core components of our business. The 4D Strategy has four pillars: **D**evelop Talent, **D**elight Guests, **D**rive the Business, and **D**eliver Results.

We have launched 4D through buy-in and commitment on all levels: Every single team member at the hotel, area and corporate levels becomes involved and plays his or her role in bringing 4D to life. Through the pursuit of this encouraging strategy, we achieve a team feeling, encourage creativity and innovation, and generate new thinking – across all our hotels and offices where 4D is designed to have a direct, positive impact on our guests, employees, owners and stakeholders.

Develop Talent

Develop Talent is all about our team members as we are a true people business. Within this area, the 4D Strategy outlines how to attract and retain high calibre team members, how to invest in team member competencies and talents, how to drive a performance and talent management culture, and how to recognise performance and to ensure competitive compensation.

Delight Guests

Delight Guests gives full attention to our clients. We enhance and deliver the brands' promises, and create and deliver "bright spots" in our hotels – unique, personal and surprising positive experiences for our guests that make their stay with us a special one. We are also rekindling our innovation culture and rejuvenating Food & Drink; both key elements for successful hotel companies in the ever-changing world of today and tomorrow.



Drive the Business

Drive the Business concentrates on the creation of a company culture that maximises profitable total revenue and embraces the shifting dynamics of the market place. It also drives intelligent cost management and works towards increased operational flexibility. Another crucial part is profitable growth with a focus on emerging markets and selected key countries; and a proactive portfolio management.

Deliver Results

Deliver Results summarises the overriding targets of creating compelling results for our hotel owners and of maximising shareholder value.



GERALYN
Palm Beach

145

Co



Being Host

Be professional, responsible, focused on qualitative service and provide memorable experiences.

Together we deliver more

The Carlson Rezidor Hotel Group aligns its brands globally and further drives revenue generation activities across the world.

The Carlson Rezidor Hotel Group began in 2012 and is a strategic partnership of two dynamic enterprises: Carlson, a family-owned, US-based global hospitality & travel company, and Rezidor, publicly listed at Stockholm Stock Exchange. Carlson Rezidor's total global portfolio features nearly 1,300 hotels in 100 countries and territories, and the group employs 80,000+ people.

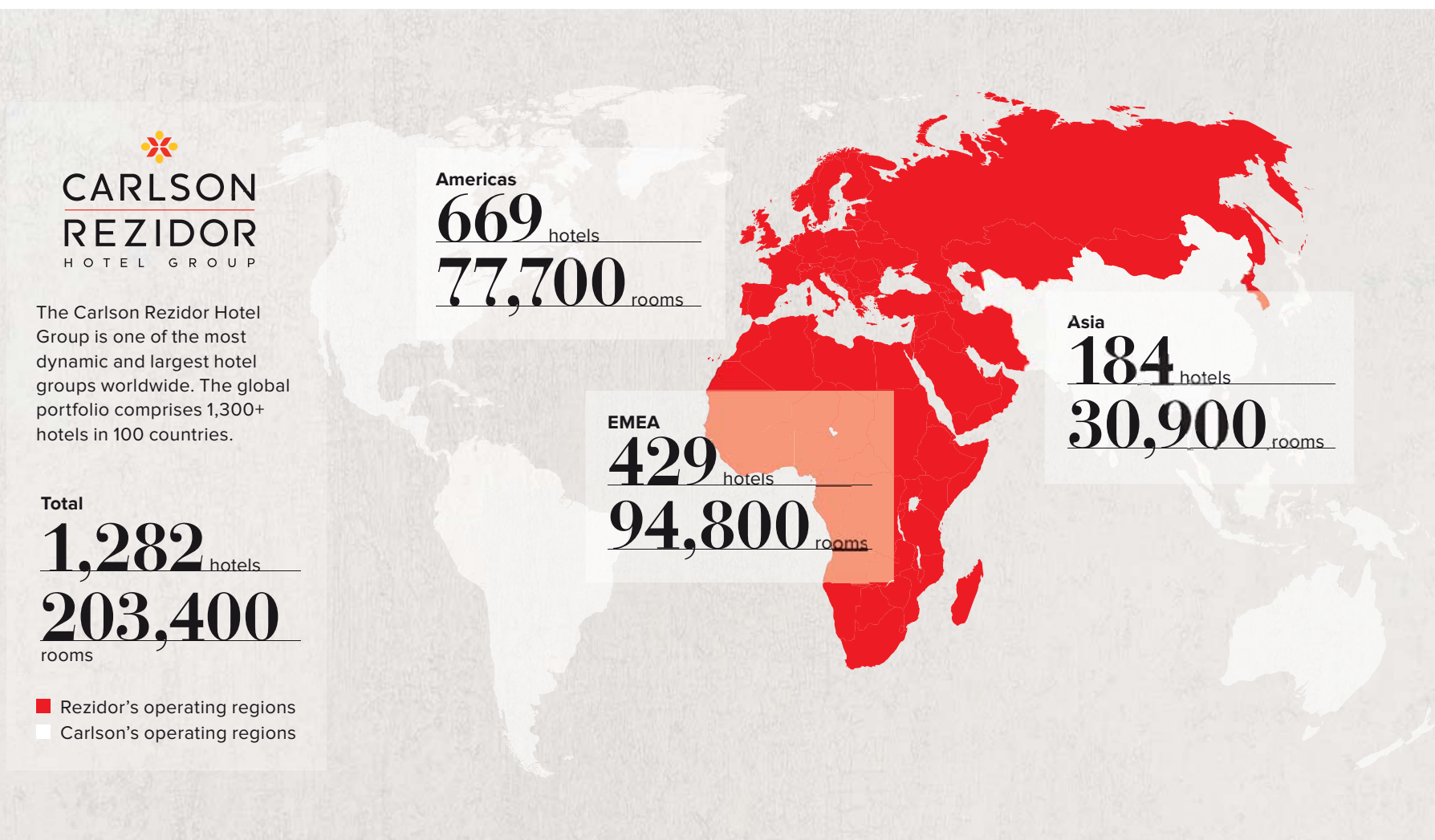
Through a number of joint activities, Carlson Rezidor aims to globally align their brands, and to achieve more than MUSD 400 in incremental revenue (MEUR 120 from Europe, the Middle East and Africa) as well as a RevPAR index increase of more than nine points by 2015.

Carlson and Rezidor have enjoyed a long common history over the past decades: Carlson is the owner of Rezidor's core brands Radisson Blu and Park Inn by Radisson, and the first Master Franchise

Agreements for Europe, the Middle East and Africa date back to 1994 for Radisson and to 2002 for Park Inn by Radisson.

When Rezidor went public in 2006, Carlson became the largest shareholder and is today the Group's majority shareholder (holding 50.03% of all shares).

In early 2014, Carlson Rezidor presented their new global brand architecture and introduced the lifestyle select brand Radisson Red and the luxury Quorvus Collection to the market.



Radisson Blu Royal Hotel, Dublin, Ireland



Compelling brands

In Europe, the Middle East and Africa, Rezidor operates and develops four of Carlson Rezidor's strong global brands – covering the market segments from midscale to luxury. All our brands are carefully selected and profiled to respond to the needs of our demanding domestic and international guests.



Hotels Designed To Say Yes!
Radisson Blu is iconic and contemporary with leading-edge style, where the delight is in the detail.
Read more on page 12.



Adding Color To Life™
Park Inn by Radisson is positive, vibrant and uncomplicated – focusing on today's essentials.
Read more on page 14.



Welcome To Something New
Lifestyle select: a whole new brand, a whole new segment, launching worldwide in 2015.
Read more on page 13.



Luxury Guaranteed
Quorvus Collection is a new generation of expertly curated luxury hotels inspired by the lifestyle and sensibilities of the contemporary global traveller.
Read more on page 15.

Luxury			
Upper Upscale			
Upscale			
Upper Midscale			
Midscale			
Economy			
	Limited service	Selected service	Full service

📍 Radisson Blu Riverside Hotel, Gothenburg, Sweden

Radisson **BLU**

218

hotels

52,800

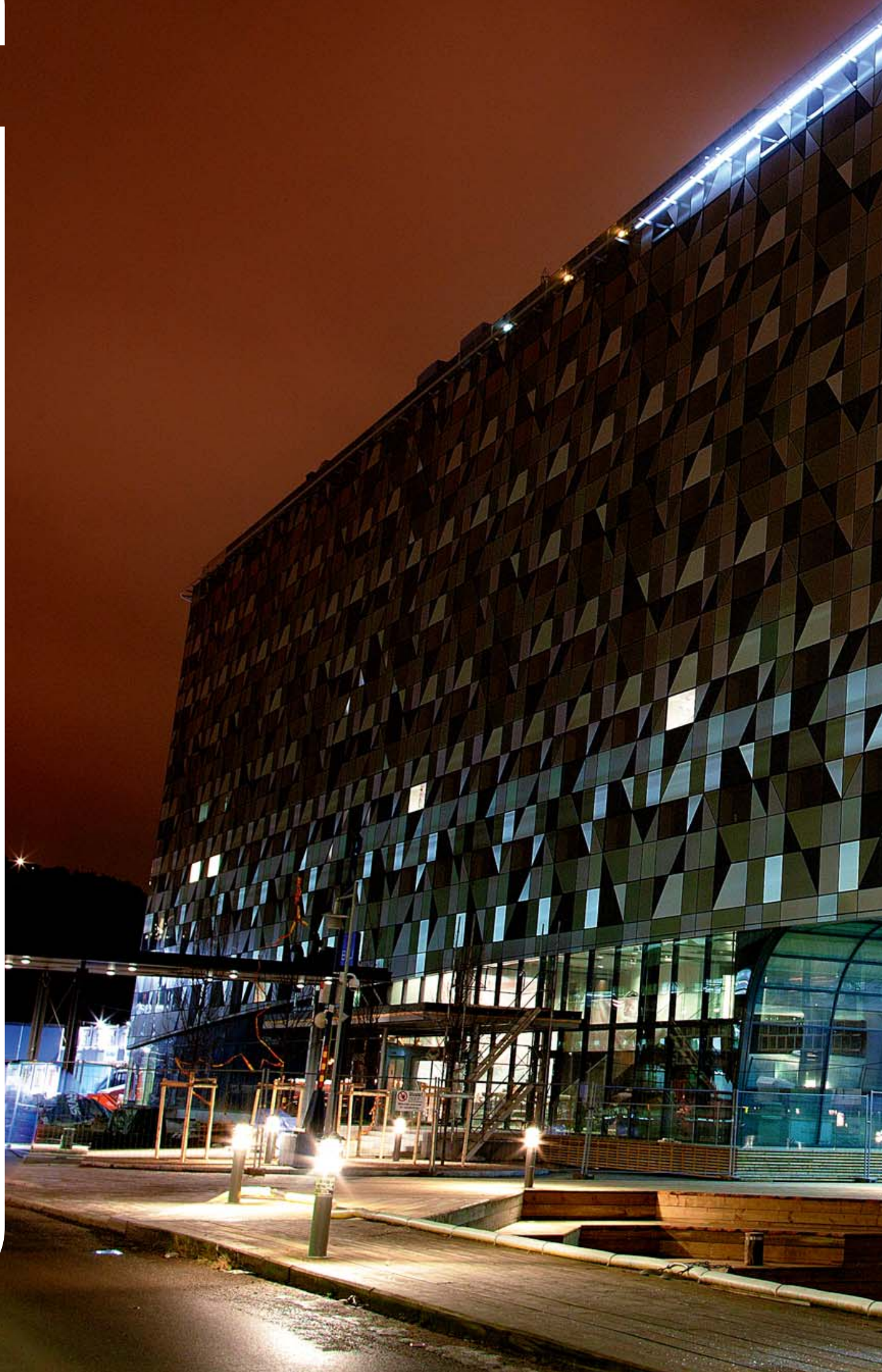
rooms

53

countries

Hotels Designed To Say Yes!

Radisson Blu is Europe's largest upper upscale brand and one of the world's best-recognised hotel brands. It creates iconic buildings with contemporary interiors invoking an inviting, exciting ambience. Pioneering bold and innovative lobbies, guest rooms and public spaces with the latest technology and a range of highly individualised solutions, Radisson Blu offers a guest experience that is truly unique. The brand also has a number of distinctive room styles and restaurant concepts. The broad range of innovative services and facilities spreads from free internet to the creative "Experience Meetings" concept and the 100% satisfaction guarantee. Radisson Blu's *Yes I Can!* service philosophy is both the foundation and the driving force of the brand's strong culture. Radisson Blu hotels can be found in prime locations, including major cities, airport gateways, and leisure destinations.





Introducing a new concept:

Radisson **RED**

Welcome To Something New

Radisson Red is a "lifestyle select" brand: a select service concept that boasts a forward-thinking focus on design and detail, the customer experience, personal interaction, personal choice and recognition of the increasingly important role that technology plays in facilitating the best of everyday life. Radisson Red will be launched in 2015 in urban centres.

📍 Park Inn by Radisson, Amsterdam Airport Schiphol, The Netherlands



114

hotels

21,700

rooms

31

countries

Adding Color To LifeSM

Park Inn by Radisson is one of the world's most colorful and dynamic, midscale hotel brands – aimed at tech savvy, young and youthful travelers who know what they want from a hotel stay and are willing to pay for it, but also seek value for money. Accessible and inclusive, the brand is friendly, positive, vibrant and uncomplicated. From functional rooms to flexible meeting spaces, the guest experience is designed to be totally reliable and hassle-free. The modern Park Inn by Radisson experience focuses on the detailed delivery of the essentials for the way we live now: connection (Surf4Free internet access is available everywhere in the hotel), choice (through a great selection of destinations, flexible hotel spaces and meeting packages), and community (through the attitude *Yes I Can!*, Social Media and a passion for Responsible Business). The hotels can be found in capital cities and economic hubs – often close to city centres, airports and railway stations.

Introducing a new concept:


QUORVUS
 COLLECTION

Luxury Guaranteed

Quorvus Collection is a new generation of expertly curated luxury hotels inspired by the lifestyle and sensibilities of the contemporary global traveller.

Individual and inspiring, each property within the collection offers a distinguished guest experience – and an invitation to immerse oneself in the best a location can offer.

From a host of world-leading guest facilities to 'Q24', our signature suite of hallmark services, all Quorvus Collection properties offer a unique destination for guests and locals alike – a modern take on the luxury way of life.

A star in the making, the Quorvus Collection has strong growth ambitions with plans to see the portfolio grow to 20 hotels in operation and development by 2020. Different by scale, architecture, ambiance and design, our future portfolio will include historic landmark properties, contemporary residences, classic boutiques and urban retreats.

Travel & tourism

on the rise

The global hospitality industry remains strong, and market outlooks for Europe, the Middle East and Africa gain confidence.

International tourism performed above expectations through 2013, driven by growth in Europe, Asia-Pacific and the Middle East. International tourist arrivals increased 5%, and reached a new record of 1,087 million worldwide.

Europe reported the highest growth, with an estimated 20 million more arrivals (5%) despite slow economic growth throughout the region, and continues to be the most visited destination globally. Central/Eastern Europe and Southern Europe both performed well, with a growth of 7% and 6% respectively, whilst Africa received an extra two million arrivals (6%), led by growth in North Africa.

RevPAR growth across EMEA

RevPAR growth in 2013 across Europe was up a marginal 1.4%. Although occupancy experienced uplift, this was at the expense of the average rate. RevPAR growth in North, East and Western Europe has been driven by occupancy, while growth in Southern Europe has been helped along by increases in average rate, albeit from a relatively low base as the markets rebound and recover. Some of the top performers in terms of RevPAR growth were Lithuania (+28.4%), Ireland (+10.5%), Estonia (+8.7%) and Malta (+7.8%), but from a relatively low base.

Trading in the Middle East has been much more robust, with RevPAR up 6.8% (in US Dollar terms), led almost equally by

occupancy and average rate. However, there has been a mixed bag of results across the region, with such countries as Lebanon and Jordan witnessing a negative impact due to their proximity to the troubles occurring in Syria, whilst Oman, Bahrain and Kuwait are doing well as a result of increased investment.

Results in Africa have largely been subdued, with Northern Africa witnessing a 10.3% RevPAR decrease led by declines in occupancy. Performance was weighed down by a second bout of political unrest in Egypt and on-going instability in Libya that grossly affected occupancy levels; however growth in Morocco and Tunisia was stable. In Sub-Saharan Africa, Lagos in Nigeria saw a RevPAR decrease of 2.2% as increased competition put pressure on room rates, whilst Mauritius saw strong RevPAR growth of 6.9%.

A number of notable events in 2014 are likely to drive RevPAR growth across EMEA including the Commonwealth Games in Glasgow, Scotland and the 2014 Winter Olympics in Sochi, Russia. In the Middle East, large supply pipelines in the run up to 2020 World Expo in Dubai and the 2022 World Cup in Qatar will likely affect room rates achievable by hoteliers in the long term.

Low supply will push up rates

According to STR Global, the global hotel market includes approximately 14.6 million rooms across 157,000 hotels. The data

“2013 was an excellent year for international tourism”, said UNWTO Secretary-General, Taleb Rifai. “The tourism sector has shown a remarkable capacity to adjust to the changing market conditions, fuelling growth and job creation around the world, despite the lingering economic and geopolitical challenges. Indeed, tourism has been among the few sectors generating positive news for many economies.”

Market RevPAR development in 2013:

Eastern Europe	-1.1%
Northern Europe	-0.2%
Southern Europe	+6.0%
Western Europe	+1.4%

Source: Jones Lang LaSalle, STR Global and UNWTO



1,087 million

A new record of international tourist arrivals worldwide

6.8%

RevPAR growth in 2013 in Middle East

5.9%

Carlson Rezidor's market share in Europe, the Middle East & Africa

suggests there are around 3.2 million rooms in the EMEA and 1.1 million rooms across 9,600 hotels in Europe alone, with another 227,000 rooms across 1,100 hotels in the Middle East and Africa. Carlson Rezidor's market share of branded hotel supply in Europe, the Middle East and Africa is around 5.9% of total supply.

In terms of future supply, the UK has 38% of the total share of rooms to come online within Europe in 2014, and Manchester currently reports the highest supply growth in Europe. Other markets expecting significant supply growth include Moscow, Istanbul, London and Amsterdam.

STR Global projects a 3% increase in room supply in Europe over the next three

years to 2016. This relatively low supply growth will allow hoteliers to push up room rates as economies across the region continue to recover.

In the Middle East and Africa, developments total 117,600 rooms across 480 hotels. The UAE has the largest pipeline, followed by Saudi Arabia, Qatar and Egypt.

Hotel investments increase

Hotel investment volumes across EMEA reached EUR 8.2 billion by the end of Q3 2013, a 53% rise compared with the same period last year. Single asset deals secured a 54% share of transaction volumes overall and the rest came from a number of notable portfolio deals.

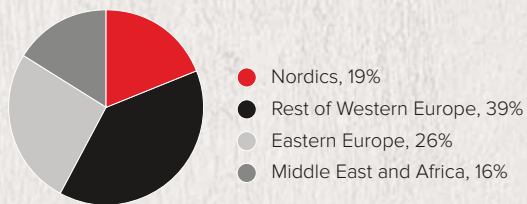
Market evidence suggests that debt markets are seeing a resurgence, not only with the established lenders returning to the market but also with the emergence of a number of new institutional lenders seeking to invest large debt sums in long-term investment. With the US market experiencing aggressive financing again, similar confidence is expected to return to EMEA in 2014 and 2015.

Our presence

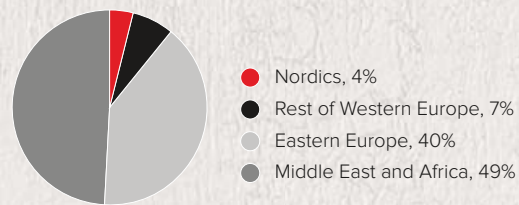
We are a leading player in Europe, the Middle East & Africa

Our current portfolio consists of 429 hotels with 94,800 rooms in operation and under development in 69 countries across Europe, the Middle East and Africa. Rezidor's main target areas for future growth are the emerging markets of Russia/CIS and Africa. We have also identified special key focus countries for upcoming projects – namely Russia, Nigeria, Saudi Arabia, Turkey and Algeria. Out of our pipeline of 19,500 rooms due to open within the next four years, 89% are located in these young and dynamic markets and destinations.

Rooms in operation by region, %



Rooms in pipeline by region, %



429

hotels

69

countries

94,800

rooms

89%

of rooms in pipeline in emerging markets

Nordics

59 hotels **14,600** rooms in operation

4 hotels **750** rooms under development

1 hotel **400** rooms opened in 2013

Eastern Europe

77 hotels **19,600** rooms in operation

34 hotels **7,700** rooms under development

6 hotels **1,600** rooms opened in 2013

Rest of Western Europe

153 hotels **29,200** rooms in operation

8 hotels **1,500** rooms under development

5 hotels **800** rooms opened in 2013

Middle East, Africa & Other

48 hotels **12,000** rooms in operation

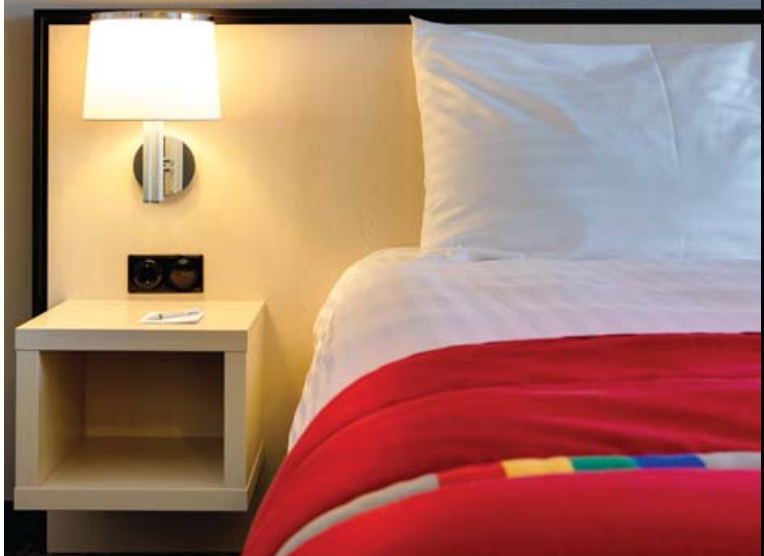
46 hotels **9,600** rooms under development

2 hotels **500** rooms opened in 2013

■ Rezidor's operating regions
□ Carlson's operating regions



📍 Park Inn Amsterdam Airport Schiphol, Netherlands
Opened: 2013
Contract type: Managed
Rooms: 150

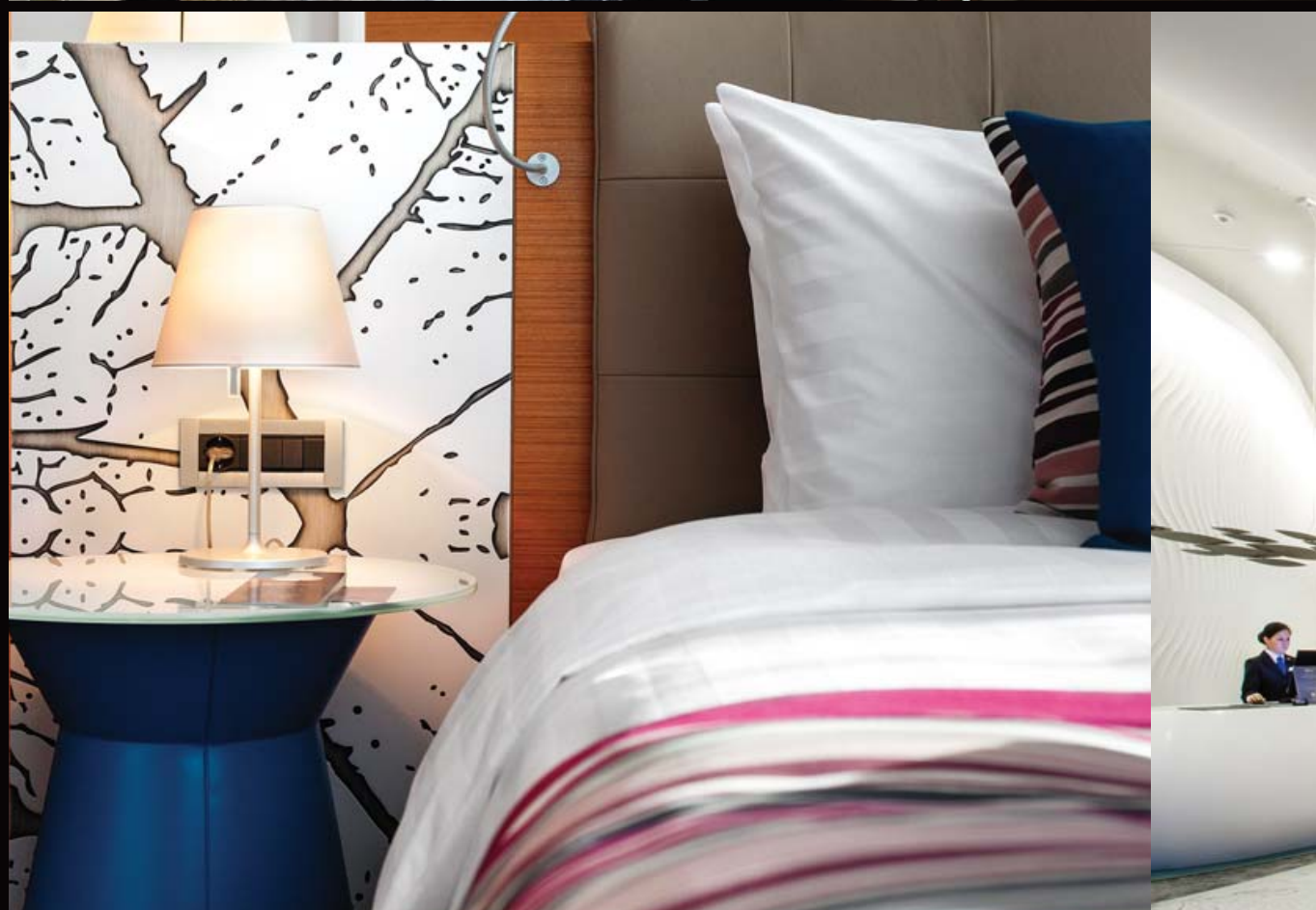




📍 **Radisson Blu Riverside Hotel,**
Gothenburg, Sweden
Opened: 2013
Contract type: Franchised
Rooms: 265

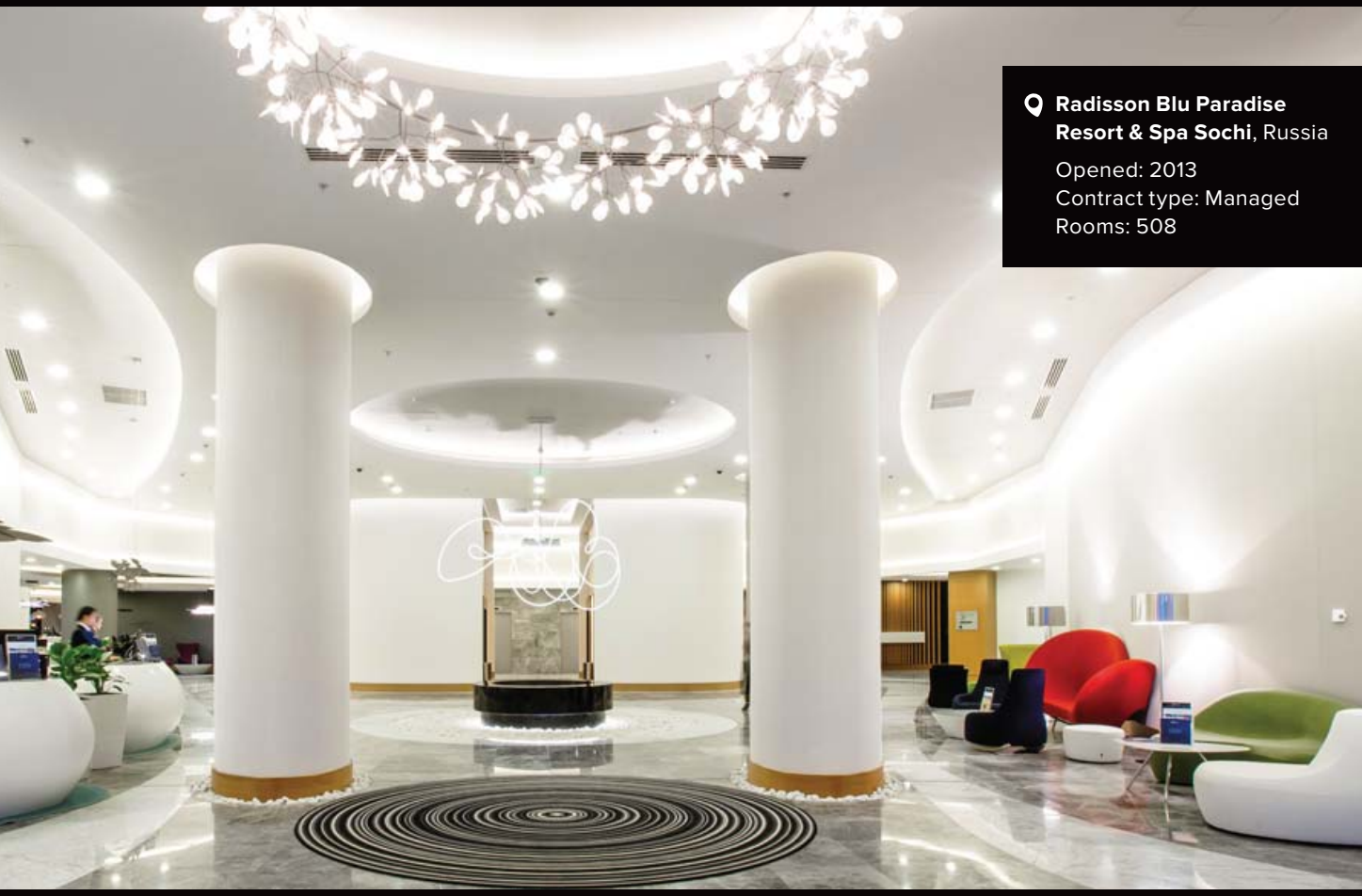


📍 **Radisson Blu Hotel,**
Istanbul Pera, Turkey
Opened: 2013
Contract type: Franchised
Rooms: 130





📍 **Radisson Blu Hotel,**
Maputo, Mozambique
Opened: 2013
Contract type: Managed
Rooms: 154



📍 **Radisson Blu Paradise**
Resort & Spa Sochi, Russia
Opened: 2013
Contract type: Managed
Rooms: 508



Facts & figures

In the course of 2013, we opened ca 3,300 rooms and added ca 6,400 rooms to the pipeline. All new rooms signed and opened were under fee-based management and franchise contracts, supporting our asset-light strategy. Rezidor's current pipeline features ca 19,500 rooms under development.

	In operation		Under development	
	Hotels	Rooms	Hotels	Rooms
By region:				
Nordics	59	14,565	4	748
Rest of Western Europe	153	29,151	8	1,459
Eastern Europe	77	19,606	34	7,736
Middle East, Africa & Others	48	11,955	46	9,593
Total	337	75,277	92	19,536
By brand:				
Radisson Blu	218	52,838	49	11,606
Park Inn by Radisson	114	21,687	41	7,532
Hotel Missoni & Others	5	752	2	398
Total	337	75,277	92	19,536
By contract type:				
Leased	68	16,732	—	—
Managed	181	41,247	83	17,732
Franchised	88	17,298	9	1,804
Total	337	75,277	92	19,536



Development dynamics

Profitable, sustainable and asset-light growth is a key driver of our turnaround programme and long-term business strategy.

Our long-term strategy and turnaround programme Route 2015 target a profitable, sustainable and asset-light growth that helps mitigate market volatility and drive margins. Centred around this core element, our development is built on three pillars:

- a concentration on our main brands Radisson Blu and Park Inn by Radisson;
- a geographic focus on emerging markets and selected key countries, and
- a dynamic business model with innovative deal structures and effective portfolio management. Through these growth strategies and the opening of our pipeline, we aim to contribute 2–2.5% to the 6–8% uplift of our EBITDA margin by 2015.

Two strong core brands

In 2013, we opened 14 hotels with 3,300 rooms and signed 32 new projects with 6,400 rooms – all properties under our main brands Radisson Blu and Park Inn by Radisson, and all on fee-based contracts. Openings included the Radisson Blu hotels in Istanbul Pera (Turkey), Maputo (Mozambique) and Rosa Khutor (Russia); and the Park Inn by Radisson hotels in Glasgow (UK) and Amsterdam Schiphol Airport (The Netherlands) – both being converted assets. Such conversions of existing hotels or office complexes play an important role in saturated mature markets like Rest of

Western Europe where opportunities for new-build hotels are limited, and where many independent hotels are looking for access to strong international distribution platforms. Converted hotels join the operating portfolio very quickly – usually six to 18 months after the agreement is signed – and conversions are an ideal development tool to cover and compensate for opening delays that occur, especially in emerging markets. Whereas the 2013 openings were split almost equally between mature and emerging markets, the signings underlined our clear commitment to emerging markets: about 90% of all future hotels will be located in aspiring and upcoming destinations.

A focus on emerging markets

The emerging markets of Russia/CIS & Baltics and Africa remain our most important development regions. Featuring huge natural resources, improved infrastructure and growing workforces and middle classes, these markets still lack modern and internationally branded quality hotels. Rezidor was the first international operator to arrive in Russia in 1991 and is established as the leading player in the market. In 2013, we were able to maintain and to further strengthen our pole position. Throughout Russia/CIS & Baltics we now operate 49 hotels with 13,000 rooms and are developing 25 hotels with 5,800 rooms. In Moscow alone, we added 1,000 rooms in one transaction to our growing portfolio and

signed the Radisson Blu and Park Inn Congress Hotels, located on the grounds of the historic All-Russian Exhibition Centre and opening in 2016, with an existing owner. We also extended our strong presence in Sochi to five operating hotels where our teams successfully hosted guests of the 2014 Winter Olympics. On the African continent, Rezidor is proud to hold the largest pipeline in sub-Saharan Africa (23 hotels with 4,100 rooms), and continues to concentrate efforts on stable capital cities, financial hubs and power houses like South Africa where the Radisson Blu Le Vendome Hotel Cape Town joined the portfolio. Last year, we also arrived in a new African country, and announced our very first hotel in Algeria: the Radisson Blu Hotel Algiers Hydra will welcome the first guests in early 2015.

In addition to this overriding emerging markets category, we identified specific key countries where we see the most promising growth potential for both Radisson Blu and Park Inn by Radisson. This selection includes Russia, the world's 7th largest economy; and Nigeria, one of Africa's fastest growing economies. Saudi Arabia is also listed as a nation where we aim to establish a critical mass of hotels: as one of the world's richest countries, the Kingdom enjoys continuous growth and accelerates its tourism development. Finally, Turkey and Algeria complement our key countries due to their strategic location and fast-expanding business sector.



Elie Younes,
Senior Vice President &
Head of Group Development



Believing in a people business

Why are personal relationships with owners and business partners so important at Rezidor?

“Our business is a people business where personal interaction and trust play a major role. Through constant close contact with our owners and business partners we are able to better understand their needs, to support them in the most efficient way and to ultimately deliver the optimum return on investment. We establish and nurture successful long-term relationships based on trust, transparency and responsibility.”

Which are the key elements of Rezidor's relationship building?

“Our executives and senior managers invest a lot of quality time in meeting our owners and business partners in their home countries to tailor our global approach to the local business needs. Especially in emerging markets like Russia and Africa, such personal visits are highly appreciated and offer very valuable insights. In 2013, we also launched regional owners' dinners combining business and leisure elements. This format worked extremely well and will be continued throughout 2014.”



We establish and nurture long-term relationships based on trust and transparency

A dynamic business model

We work with three contract types: The majority of our agreements are management contracts under which we provide management services for the hotel owner in exchange for a fee. Such agreements offer strong and stable margins and low risks, and are also the most suitable contract model in emerging markets. Lease contracts allow us to lease an asset from its owner and entitle us to the benefits – whilst also carrying the risks associated with the operations. Although naturally more volatile, leases offer opportunities for high profit in established mature markets like the Nordics where we enjoy high brand awareness. Under a franchise contract, the hotel owner operates the property under one of our brands in exchange for a royalty fee. They create very stable income streams but lower profits for Rezidor, and are mainly pursued in mature markets with established brand recognition and with experienced business partners. The three contract types are not only applied in their pure and classic version – we want our business model to be flexible and dynamic and individually, we evaluate

alternative agreements such as Manchise or Hybrid contracts which combine two contract models. In order to secure key projects in strategic locations, we also selectively use our balance sheet. And wherever we do business, we always look for strong partners whose deep local or regional knowledge is combined with our international management and branding expertise. The delivery of compelling results for our hotel owners is an ultimate target of our 4D Strategy – and we aim to go beyond that: The creation of personal, trustful and long-term relationships with our partners is anchored in our business philosophy and sets us apart. The positive feedback we get shows us that our approach is appreciated, and many owners have more than one project with us: In 2013, 48% of our owners were multi-unit owners. Well-conceived management of our existing fee-based portfolio is equally part of our business model. We proactively manage contract expirations, and detect early termination risks in order to secure strategic and valuable properties and to maximise their return.

National & international expertise

Our decentralised group structure with six areas driving the business allows us to be close to our owners and developers. We operate dedicated Business Development units in

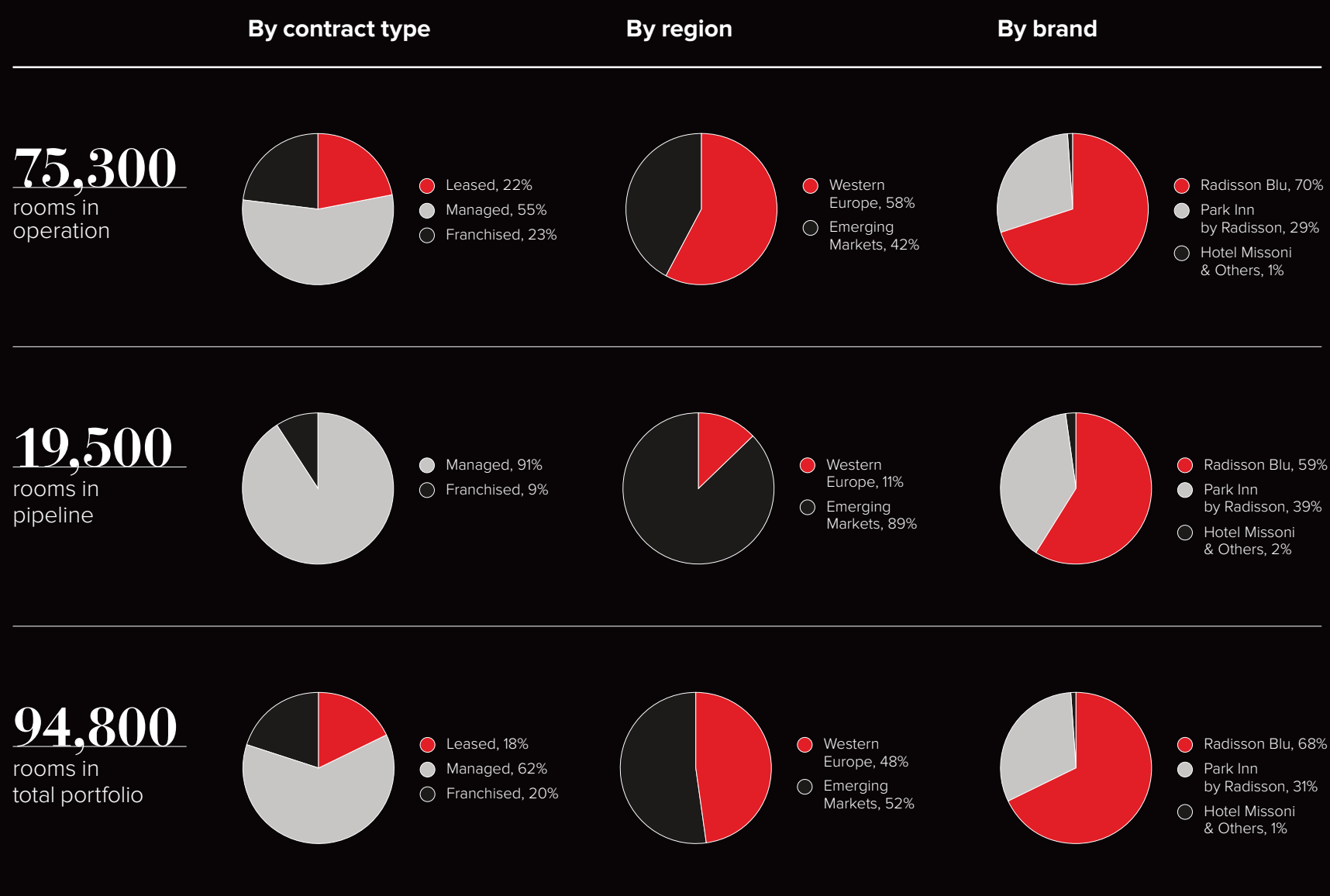
- Brussels, Belgium
- Moscow, Russia
- Dubai, United Arab Emirates
- Cape Town, South Africa

Our teams have a long-term local and regional expertise and a personal hands-on approach allowing them to respond fast to our business partners' needs and to develop tailor-made, sustainable and profitable solutions.

Conceptual Description of Our Contract Types

	Management contracts	Franchise contracts	Lease contracts
Brand, marketing, distribution, reservation	Rezidor	Rezidor	Rezidor
Employees	Third-party	Third-party	Rezidor
Rezidor financial commitment	In some cases, performance guarantees	None	Rent – fixed or variable 4–5% of leased revenue in maintenance investments
Revenue for Rezidor	Fee % of total revenue plus % of profit	Fee % of room revenue	All revenues
Expected EBITDA margin for Rezidor	70–80%	50%	8–15%

Our Portfolio



On the right path: Route 2015

Rezidor's turnaround programme gained further momentum in 2013 and yielded an estimated improvement in all instances.

R Rezidor's turnaround programme, Route 2015, was launched in December 2011. The programme targets an EBITDA margin uplift of 6–8 percentage points by 2015, assuming market RevPAR covers cost inflation. Route 2015 includes a set of revenue generation activities, expansion through management and franchise contracts, cost savings, cap utilisation and asset management initiatives. 2013 showed us that Route 2015 is well on track. The programme generated an estimated 2.6 percentage points improvement of the EBITDA margin (compared to 1.8 percentage points in 2012). Route 2015 is also fully embedded in our new long-term strategy based on four pillars: Develop

Talent, Delight Guests, Drive the Business, and Deliver Results.

Revenue generation

Revenue generation is the core element of the turnaround programme and is expected to lift the EBITDA margin by of 3–4 percentage points by 2015. In 2013, our activities led to solid success through growth in market share (RGI) of 1.6%. We also built on our strategic partnership with Carlson and further drove and accelerated global revenue generation projects and synergies. Focus areas were global sales, development of digital channels, distribution, and an overall optimisation of our revenue generation engines. In 2013, revenue generation contributed to an

estimated 0.7 percentage points increase of the EBITDA margin.

Fee-based growth

Through fee-based growth, especially in emerging markets and selected focus countries, Rezidor aims to improve the EBITDA margin by a total of 2–2.5 percentage points by 2015. For 2013, fee-based growth contributed to an estimated 0.3 percentage points increase of the EBITDA margin. During the year, we signed 32 hotels with ca 6,400 rooms. Hotel openings were slightly behind target due to delays in emerging markets and reached 14 hotels with ca 3,300 rooms. Rezidor's strong pipeline now comprises 92 hotels with 19,500 rooms which are all fee-based.

Route 2015 generated an estimated 2.6 pp improvement of the EBITDA margin in 2013

**DELIVERING
2015
ROUTE**

Key Areas	2015 Target	2012 EBITDA Margin Impact	2013 EBITDA Margin Impact	2013 Comment	
Revenue generation	3–4%	0.6%	0.7%	<ul style="list-style-type: none"> RGI grew by 1.6% FY 2013 Carlson global partnership and synergies a key driver Increased focus on global sales, digital channels, distribution and RevGen optimisation 	●
Fee based growth	2–2.5%	0.4%	0.3%	<ul style="list-style-type: none"> 14 hotels with 3,300 rooms opened 32 hotels signed with 6,400 rooms 100% fee based pipeline of 100 hotels and 19,500 rooms 	●
Cost savings	0.5–1%	—	1.2%	<ul style="list-style-type: none"> Continued focus on project FIT which is ahead of the communicated target of MEUR 13–15 by 2015 Central Costs MEUR 42.3 (vs MEUR 47.9 in 2012) 	●
Cap utilisation	0.5%	0.3%	0.0%	<ul style="list-style-type: none"> 7 hotels filled their cap in 2012 with continued positive contribution from same hotels in 2013 	●
Asset management	—	0.5%	0.4%	<ul style="list-style-type: none"> 6 deals with an EBITDA impact of MEUR 4.1 Clear strategy established to accelerate activities for further exits of loss-making hotels 	●
Total	6–8%	1.8%	2.6%		●

● Broadly on target ● On or above target

Cost savings

Cost savings is expected to improve the EBITDA margin by 0.5–1 percentage points by 2015. To give further support to the turnaround programme, Rezidor initiated a separate plan in 2012 to optimise the cost base. Total savings are estimated at MEUR 13–15 and will come from a wide range of optimisation initiatives covering all areas of the organisation. In 2013, Rezidor reported strong results and cost savings contributed to an estimated 1.2 percentage points increase of the EBITDA margin. Through a continued focus on optimising the group's decentralised structure and business processes, we are ahead of the savings target. Also the results of dedicated savings initiatives related to purchasing and procurement are above target; and the company's central costs were MEUR 6 lower than last year.

Cap utilisation

Cap utilisation is expected to improve the EBITDA margin by 0.5–1 percentage points by 2015. To limit our financial exposure, in most of Rezidor's lease contracts the cumulative amount of shortfalls is limited by a contractual "cap", with shortfalls defined as the difference between the variable rent (percentage of turnover) and the fixed rent. In any year, if the variable rent is below the fixed rent, the difference is considered a shortfall. If the cumulative shortfall exceed a defined level, then the fixed rent no longer applies and only the variable rent is payable. This results in a decrease in actual rent payable.

Seven of our hotels filled their cap in 2012 with a continued positive EBITDA margin contribution in 2013 (no new additions during the year).

Asset management

The creation of a dedicated asset management department in early 2012 to optimise our leased portfolio, strongly paid off. In 2013, asset management contributed to an estimated 0.4 percentage points increase of the EBITDA margin. Asset management focuses on the exit and restructuring of unprofitable leases and the extension of profitable contracts. In 2013, six agreements were successfully signed with an EBITDA impact of MEUR 4.1. Combined with results from 2012, when Rezidor exited from nine unprofitable leases, these transactions, have resulted in significant rent reductions for Rezidor, and increased the company's EBITDA margin by ca. 1.1 percentage points in 2013. For 2014 and beyond, a clear strategy has been established to further accelerate the termination of loss making contracts.



Knut Kleiven, Deputy President and Chief Financial Officer



More resilience for Rezidor

Given the good interim results of Route 2015, Rezidor's strong 2013 achievements and the improved market conditions: Will you change and adapt the targets of your turnaround plan now?

"Since the launch of Route 2015, we have communicated a clear structure with specific and measurable targets. The past two years have proven that we are on the right track with an estimated accumulated impact of 4.4 percentage points by the end of 2013. For some of the key areas we are ahead of our own plans and for other we are slightly behind. Overall however, the target remains the same; an increase of 6-8 percentage points by 2015."

How will the proposed rights issue support Route 2015?

"Some of the monetary injections will certainly help driving Route 2015 initiatives, e.g. in the field of asset management. However, the major impact on earnings from the proposed rights issue will be generated after 2015, and as such be a logic continuation of our Route 2015 targets."



With Route 2015 we have communicated a clear target – and will stick to it



Living Trust

Earn trust through honesty and integrity, empower employees at all levels. We promise, we deliver results.



Joining forces, winning markets

Revenue generation is a key part of our strategy, and combines the best of sales, marketing, distribution and e-commerce.

Enhancing global sales

Our global sales system has been further strengthened in 2013 and is continuously shifting from a purely national to a holistic, global focus. A special taskforce – created in the second half of the year – is reviewing all current sales and system processes in order to capture incremental revenues globally. The team focuses on corporate revenues from large multinational enterprises, MICE revenues from leading agencies and meeting & event

organisers, leisure revenues from major tour operators, and airline crew opportunities from top airlines. Across EMEA, North America and Asia-Pacific, the Global Sales working processes, systems and focus areas are becoming increasingly aligned. This will ultimately ensure that our customers will be able to contact more than 1,300 of our hotels worldwide through one single point of contact.



A digital drive

A focus on online marketing and e-commerce has been instrumental to our 2013 performance and will further be driven in 2014. Our main objectives are to generate more traffic to our brand websites, to convert more online shoppers to online bookers and to master the customer relationship through our loyalty program and a personalised online customer experience. In 2013, we fully integrated customer reviews on our brand web sites in partnership with TripAdvisor, the world's largest travel site. We also included business listings, meta-search opportunities and a new affiliation program for eight feeder markets.

SHARE

YOUR MOST INSPIRING RADISSON BLU MOMENTS
USING THE #RADISSONBLU HASHTAG

USE OUR FREE INTERNET TO REGISTER
AND UPLOAD YOUR IMAGES.
GET A UNIQUE SET OF POSTCARDS FEATURING YOUR IMAGE

FREE INTERNET

HOTELS DESIGNED TO SAY YES!
radissonblu.ccm/discover-free-internet

Shaping Social Media

Social Media is an increasingly important tool to actively drive guest loyalty, online marketing and revenue through key channels like Facebook, Twitter, Instagram and Pinterest. On brand and hotel level, we increased the number of Facebook fans of Radisson Blu and Park Inn by Radisson to more than 500,000 in the course of the past year. 90% of our hotels run their own Facebook page. We launched our very first Instagram campaign in 2013 – promoting free WiFi at both Radisson Blu and Park Inn by Radisson. At our company's own Business School and in regional workshops, new Social Media Ambassadors were trained. On the e-reputation side, 260 hotels are now using "Revinat", the online monitoring tool to track Social Media activities and online customer reviews. These efforts are paying: in 2013, we counted 250,000 customer hotel reviews through Social Media channels versus 180,000 in 2012; and we reached an average rating of 4.2 out of 5 on TripAdvisor which impacts immediately the hotel's ranking and the conversion on our brand web sites.



Leveraging loyalty

Club CarlsonSM, our primary global loyalty programme, continued its strong performance and reached more than 2.5 million members in Europe, the Middle East and Africa and 11.7 million members worldwide. Club Carlson – covering more than 1,000 Carlson Rezidor hotels around the globe – is one of the travel industry's most rewarding loyalty programmes. Award Nights start at 9,000 Gold Points[®], with no blackout dates on standard rooms, and members enjoy free internet and benefits like complimentary upgrades, early check in and late check-out. Club Carlson allows us to build customer loyalty through personal recognition, benefits and rewards and represents enormous business potential for Carlson Rezidor. For their creative and effective customer communication in EMEA Club

Carlson received the Mega Award 2013 for "Loyalty Campaign of the Year", and will – through continuous investments in CRM technology – continue to drive innovative interaction with guests.

Applying efficient tools

Throughout the past year, we continued to optimise our revenue generation tools with highlights including Phase 1 of the global web platform which combined the best of Rezidor's and Carlson's sites, allowing a consistent online guest experience, and maximising web revenue contributions; and the innovative optimisation tool SNAP, driving the right price at the right time and now being used at 175+ hotels across Europe, the Middle East and Africa. In all EMEA areas, we also added new e-commerce positions to the teams and will further expand the revenue generation forces in 2014. Looking at the beneficial and continuously growing OTA (Online Travel Agent) market, we reviewed and evaluated our approach, and began the process of adding e-commerce partner resources to the Area Support Offices to better optimise this key revenue channel. In 2013, we also launched a Revenue Centre for the Nordics, and extended the UK Revenue Centre for Park Inn by Radisson to Radisson Blu. 2014 will see a clear focus on mastering the digital customer journey to increase significantly the contribution of our brand websites and mobile applications to drive hotel performance.





Fighting

Z-spirit

Always entrepreneurial, innovative and
opportunity driven – quick decision-making.

A talent for people

Our employees are our biggest asset. We attract, develop and retain great team members through a performance management programme.

Our business is a people business, and the training and development of our 35,000 team members is a key focus area for us; we care for each and every employee. Develop Talent is one of the four pillars of our long-term strategy: We want to attract and retain high-calibre team members, and we invest in their competencies and talents. It is our goal to drive a transparent and motivating performance and talent management culture that recognises performance and ensures competitive compensation. We are proud of our company culture that is acknowledged across our industry and beyond. Our people believe in and live the ethos *Yes / Can!* – the positive and personal service attitude towards our guests and business partners – in our strong values of **Being Host, Living Trust** and **Fighting Z-pirit**; and in our Group itself. 25,700 employees participated in our climate analysis 2013, this was the highest response rate ever. Also our overall employee satisfaction score increased once again and reached 87.0 versus 86.5 in 2012. With such a result, Rezidor is not only outperforming the hotel industry but many other businesses worldwide.

Managing performance

In 2013, we launched the first stage of our performance management process which is supported by a state-of-the-art web based application, aimed at being the most user-friendly tool possible. We also finalised our three performance management profiles: The **Rezidor Business Leader Profile** applies to our executive committee members, Vice Presidents, Directors, Area Vice Presidents, District and Regional Directors, General Managers, and Mentees. It focuses on seven core dimensions that are essential for success in our company: Commercial Awareness, Strategic Perspective, People Leadership, Problem Solving, Quality Results, Active Relationships, and Passion & Integrity. Based on this core profile and working with the same core dimensions, we have developed the **Rezidor Business Success Profile** for Managers and Heads of Department. The difference from the Business Leader Profile is that, whereas the Rezidor Business Leader Profile requires a long-term strategic perspective, the Rezidor Business Success Profile implies a wider strategic understanding. Finally, the third category, the **Rezidor Talent Profile**, targets line staff and puts the emphasis on a positive

Awards & Achievements 2013

We are proud that our people and products were recognised across the international hospitality industry, e.g.:

- Miroslav Forejtek (Park Inn Hotel Prague) was named **“General Manager of the Year”** at the Worldwide Hospitality Awards
- The Radisson Royal Hotel Moscow was celebrated at the **“World’s Leading Luxury Business Hotel”** at the World Travel Awards
- The Radisson Blu Hotel Nantes won the award as **“Hotel Opening of the Year”** at the European Hospitality Awards
- Radisson Blu was named **“Sweden’s Best International Hotel Chain”** by the Swedish Travel & Tourism Industry



Deborah Haines, General Manager of the Radisson Blu Belorusskaya Hotel Moscow



Diversity is our future

In 2013, Rezidor’s first Employee Value Proposition with the title “It’s Our Promise” was created. How was this process designed?

“We created a dedicated taskforce that consisted of 30 handpicked employees representing different teams, areas and brands on hotel and corporate level. These ambassadors spent an intense and enriching seminar together and created a passionate and powerful Employee Value Proposition, summarising the very heart of Rezidor.”

Which key element stands behind the Employee Value Proposition?

“We believe that diversity is our future. Rezidor is a global player and present in more and more markets – especially in emerging regions. We are a melting pot of great people from different countries and cultures, and want to combine the best of globalism and individualism, internationalism and localism.”



We are a melting pot of great people from different countries and cultures

attitude and attentive, active and ambitious daily business contribution. This profile reduces the seven core categories to five – leaving out Strategic Perspective and People Leadership.

Talent reviews across all levels

Structured people development also requires regular talent review meetings, which we have introduced and executed in 2013 for all our areas and functions. These comprehensive sessions include targeted development plans for all team members, and also address the question of succession planning – essential to ensure business continuity. These programmes are now integrated into our core business processes.

Within the field of training, all our General Managers attended the dynamic courses “Proactive Leadership” and “Performance Management Process” in 2013 to accelerate their development, optimise their performance and achieve their personal, professional and company objectives. In 2014, all our 2,800+ Heads of Department will join the seminar “Performance Management Process”. This is the biggest training roll-out ever in Rezidor’s history. For our General Managers, we will start a dedicated hotel asset management seminar; for our newcomers an updated new hire orientation; and for our online students a state-of-the-art e-learning system called “Learning Link”, replacing the previous Carlson Learning Network. Our

prestigious Mentor Mentee Programme will be continued and offer young leaders the opportunity to learn under the patronage of an experienced senior manager. Also our company-own management development institute continues to grow: the Business School @ Rezidor (attended by 950 participants in 2013) will be held at four different hotels in Europe, the Middle East and Africa in the course of 2014 and feature a broad range of seminars by internal and external trainers. This unique approach to talent development is highly appreciated by our growing pools of talent and contributes to the expansion of our talent pipeline.

An Employee Value Proposition

One of our key projects in 2013 was the creation of an Employee Value Proposition – summarising the unique elements that set us apart and make us distinctive as an employer of choice. The Employee Value Proposition is a fundamental reason why a team member joins us or stays with us; it symbolises the relationship between the company and the employee, and creates an emotional connection. Through a group-wide staff survey, discussions at General Manager and area meetings, and with the help of a cross-area and cross-departmental work group, we achieved a creative, comprehensive and compelling result: “It’s Our Promise” is the name of our brand new Employee Value Proposition featuring our DNA: *We are powered by*

passion; We genuinely care; We innovate to shape our future; We act responsibly; We stand out together; We grow talent, talent grows us; It’s all about you!

Individual career plans

A key area of interest in the past year has also related to the question of diversity and inclusion within Rezidor – an increasingly important topic for global leaders which has major potential to be beneficial for all concerned, the communities in which we work, our team members and the company. Our aim is to challenge existing patterns and thinking, discuss flexible approaches to our working conditions and mobility, and to develop truly individual and meaningful career plans for our people. Diversity also means to focus our efforts to be an employer of choice for our female team members: In 2013, our CEO & President Wolfgang M. Neumann announced our target to have 30% of females in leadership positions by the end of 2016 – a goal that will strongly influence our people development in 2014 and beyond.

30%

women in leadership positions
by the end of 2016

📍 Radisson Blu Yas Island, Abu Dhabi, United Arab Emirates



Name: Olalekan Temitope Kolawole
Profession: Doorman

Building a better world

An holistic Responsible Business Programme sets Rezidor apart. We care for our people and our planet, and act in a sustainable way.

Due to our strong Scandinavian roots, Responsible Business including Safety & Security has a long tradition at Rezidor: Our first corporate security manual was introduced in 1988, and our first environmental policy dates back to 1989. We were also one of the first international hotel groups to introduce a company-wide Responsible Business programme. Since 2009, Rezidor has been a member of the United Nations' Global Compact – a global policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption. Today, we have an industry-leading Responsible Business practice based on three main pillars: **Think Planet** (minimising our impact on the environment); **Think People** (taking care of the health and safety of guests and employees), and **Think Together** (respecting social and ethical issues in the company and the communities in which we operate). Our Safety & Security programme TRIC=S is acknowledged as best practice for corporate security management. TRIC=S stands for Threat Assessment + Risk Mitigation + Incident Response Capability + Crisis Management Preparedness = Safe, Secure Hotels. Developed within Rezidor, providing bespoke safety and security solutions for Carlson Rezidor hotels and offices, and being

constantly developed further, TRIC=S includes threat trend monitoring in all countries where we are present, regular information, briefings and trainings for employees, and detailed guidance, procedures and tools to prevent and prepare for, and respond to any incident that may occur. For our efforts and achievements within Responsible Business and Safety & Security, we have been named one of the world's most ethical companies every year since 2010.

Think Planet

Within Think Planet we have defined an energy saving initiative that was launched in 2012 and targets a 25% reduction in energy consumption in all our hotels by the end of 2016. We have closed 2013 with 4,2% energy savings per occupied room and have stabilised utility costs. In addition we achieved a further reduction in water consumption to 340 litres per guest night. The winner of our internal "Go for Gold" Think Planet competition was the Radisson Blu Hotel Waterfront Cape Town in South Africa: Through simple actions like changing 1,400 light bulbs to LED and investing in better control for air conditioning, the hotel achieved fantastic energy savings of 28% in 2012. Lumi the firefly, Think Planet's mascot, awarded each employee with a foldable bicycle – a trendy and environmentally friendly reward.

Our hotels continue to go green: At the end of 2013, we counted 232 hotels awar-

ded with an independent, third-party eco-label – this equals more than two thirds of all our hotels in operation. We were proud to also celebrate the 2014 Winter Olympics in green hotels: All five properties in and around Sochi have the eco-label "Green Key".

Our global loyalty programme Club Carlson launched a Think Planet innovation this year: Since Earth Day 2013, all meetings at Carlson Rezidor hotels worldwide have climate protection on the agenda: Club Carlson for Planners offsets the carbon of the meeting venue as a free environmental extra. Since the launch of the programme, we have already offset nearly 10,000 tons of carbon and planted as many trees in Kenya's Rift Valley.

Think People

Rapidly expanding in emerging markets, we believe in being a local force for good: The majority of our newly hired team members come from the community and region, and we offer dedicated training opportunities for our newcomers. In emerging markets, we believe in creating inclusive business opportunities through employment. Specific focus countries are South Africa and Ethiopia where Rezidor hotels run successful training for underprivileged young adults. In 2013, our achievements in this area were recorded and broadcasted on CNBC Africa in the documentary film "It's Africa's Time" (www.itsafricastime.org/category/episode-eleven/).

In 2013, Rezidor also became a lead partner for the Youth Career Initiative (YCI), a global programme in partnership with the international hotel industry offering six months training to provide disadvantaged young people with life and work skills. So far, we have supported YCI with training in Poland, Romania, Jordan and Ethiopia and have recently launched the programme in Radisson Blu Hotel Dakar, Senegal.

Think Together

In September 2013, we celebrated our 10th Responsible Business Action Month – and our most successful one ever! Rezidor hotels across Europe, the Middle East and Africa organised almost 700 charity activities; among the highlights included a street-golf tournament in Amsterdam, a bike ride along the 750km Baltic

Way, and the popular “Box Appeal” in the Middle East filling boxes with necessities for people in need. All together, we raised EUR 127,000 for Carlson Rezidor’s global charity partner World Childhood Foundation. Childhood is an organisation under the patronage of Queen Silvia of Sweden and focuses on assisting children at risk of abuse and exploitation. Another EUR 560,000 was collected during the year for a series of local charities in more than 260 communities in 56 countries.

Our caring spirit was also demonstrated after Typhoon Hayan, the natural disaster hitting the Philippines in late 2013. Our corporate offices and our hotels collected over EUR 65,000 for the country in support of our 1,100 Filipino colleagues at Rezidor.



Inge Huijbrechts, Vice President
Responsible Business



White winter, Black Sea, green hotels

Over 230 Rezidor hotels are eco-labelled. Which properties received such a label most recently?

“In January 2014, five hotels in Sochi received the Green Key: three Radisson Blu and two Park Inn by Radisson properties that welcomed guests of the Winter Olympics and Paralympics just a few weeks later.”

What is a Green Key hotel?

“Every Green Key accredited hotel meets 90 sustainability criteria and is audited by a Green Key expert. Such properties contribute to the local community and to a sustainable future: They lower their carbon footprint, use less energy, water and chemicals, and produce less waste. As a result, they stand out from the competition. In Sochi, it was a challenge to prepare for this mega sporting event and to go through the process of achieving the Green Key at the same time, but our teams showed their *Yes I Can!* spirit and made it all happen!”



**A Green Key hotel
contributes to the
local community
and to a sustainable
future**

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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 2013.

Operations

Rezidor Hotel Group AB (Rezidor) is a hospitality company managing hotels, brands and assets owned by third parties. Rezidor operates the two core brands Radisson Blu and Park Inn by Radisson. In February 2014 Rezidor added two more brands to its portfolio, the "lifestyle select" brand Radisson Red and the Quorvus Collection targeting the luxury segment. All brands are developed and licensed by Rezidor in Europe, the Middle East and Africa (EMEA) under Master Franchise Agreements with Carlson, a privately held hospitality and travel company. In parallel, Rezidor ended the partnerships with Regent Hotels & Resorts and Missoni.

By the end of 2013 the group operated 337 hotels with ca 75,300 rooms in 56 countries.

Strategies and Development

The hotels in Rezidor's portfolio are either operated by Rezidor itself under a lease contract, by providing management services for a hotel owner under a management contract, or by a separate operator using one of the brands under a franchise contract. Rezidor's strategy is to grow with management and franchise contracts and only exceptionally with lease contracts. Management and franchise contracts offer a higher profit margin and more stable income streams. Of Rezidor's ca 75,300 rooms in operation at the end of the year, 78% were under management or franchise contracts.

Rezidor's strategy is to focus its expansion in the emerging markets of Eastern Europe, the Middle East and Africa. These markets represent attractive development opportunities that are fuelled by strong growth in room demand combined with undersupply and low operating costs. However, compared to the mature markets

in Western Europe, the emerging markets face greater uncertainties when it comes to financing and a higher risk of delays and cancellations.

Fourteen new hotels with ca 3,300 rooms opened during 2013, all under management and franchise contracts, in key locations, such as Sochi, Istanbul, Amsterdam and Maputo. Fifteen hotels with ca 2,000 rooms left the system, resulting in net openings of ca 1,300 rooms.

Rezidor's pipeline (rooms under development) features ca 19,500 rooms, scheduled to open within four years and represents 26% of the rooms in operation. The entire pipeline comprises management and franchise contracts and 89% are located in the emerging markets. Rezidor is expanding through organic growth by converting existing hotels to one of Rezidor's brands and opening newly built hotels. During 2013, Rezidor signed agree-

ments for 32 new hotels which represent ca 6,400 rooms, all under management and franchise contracts.

Focus on Profitability

One of Rezidor's main challenges over the years has been to improve the profitability of the leased hotel portfolio in the Rest of Western Europe (ROWE). In December 2011, Rezidor announced the turnaround plan Route 2015 which includes a number of initiatives that combined are expected to increase the EBITDA margin by 6 to 8 percentage points by 2015 against full year 2011 numbers; assuming market RevPAR growth covers inflation. These initiatives are crucial to help reach the group's EBITDA margin target of 12% over a business cycle.

An important element of the strategy, which will benefit Rezidor and its shareholders, is a stronger emphasis on revenue generation, partly through achieving more

31-Dec 2013	In Operation		Under development	
	Hotels	Rooms	Hotels	Rooms
By region:				
Nordics	59	14,565	4	748
Rest of Western Europe	153	29,151	8	1,459
Eastern Europe	77	19,606	34	7,736
Middle East, Africa & Others	48	11,955	46	9,593
Total	337	75,277	92	19,536
By brand:				
Radisson Blu	218	52,838	49	11,606
Park Inn by Radisson	114	21,687	41	7,532
Hotel Missoni & Others	5	752	2	398
Total	337	75,277	92	19,536
By contract type:				
Leased	68	16,732	—	—
Managed	181	41,247	83	17,732
Franchised	88	17,298	9	1,804
Total	337	75,277	92	19,536

synergies with Rezidor's partner and brand owner Carlson. Rezidor and Carlson are working together in several areas, such as the customer loyalty programme Club Carlson, global sales, travel intermediaries, brand websites, revenue optimisation tools and key intermediaries. Since January 2012, Rezidor and Carlson do business together as the "Carlson Rezidor Hotel Group" to facilitate this work.

In addition to different revenue initiatives, the targeted approach to improve Rezidor's EBITDA margin includes growing the group's fee-based hotel portfolio, cost savings and the full utilisation of contractual caps on performance guarantees. Rezidor has also established a dedicated Asset Management department in order to optimise the existing portfolio of leased assets. In total it is estimated that the turnaround plan resulted in a 2.6 percentage point improvement in EBITDA margin in 2013 with 0.7 percentage points coming from revenue generation, 0.3 percentage points from fee-based growth, 1.2 percentage points from cost savings and 0.4 percentage points from asset management. The total impact is in line with the goals, and further improvement is expected as per the original turnaround plan. In 2012 the program is estimated to have yielded a 1.8 percentage points improvement in EBITDA margin.

Another key strategic initiative is to continue to invest in Rezidor's leased hotel portfolio at an accelerated pace, and further position the company to take advantage of the positive development in the marketplace. The company is currently investing approximately 6 to 7% of revenues in its leased portfolio annually, in excess of a normal expected run-rate over time of approximately 5%. Rezidor intends to continue investing at this accelerated rate over the next 2–3 years to further upgrade the quality and profile of its offering to customers.

RevPAR Development

Rezidor's like-for-like (L/L) RevPAR for leased and managed hotels improved by 5.8% compared to 2012 primarily driven by occupancy growth. L/L RevPAR for leased hotels grew by 3.1%. All geographic segments reported L/L RevPAR growth over last year.

The strongest growth was seen in the Middle East and Africa linked to strong growth in South Africa and the UAE which

offset the impact of the continued political turmoil in North Africa and Egypt.

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

The Nordics rebounded from a modest growth in 2012 to a stronger growth in 2013 led by developments in Denmark and Norway.

In Rest of Western Europe, the RevPAR growth was also above last year's pace with all key countries experiencing growth led by Ireland, the Netherlands and the UK. The RevPAR development for the year is presented in the tables below.

RevPAR	FY 2013
L/L growth	5.8%
FX impact	-3.2%
Units out	2.9%
New openings	-3.0%
Reported growth	2.6%

Income Statement

Total revenue was almost unchanged from last year and amounted to MEUR 919.5

(923.7). Revenue was negatively impacted by the exit of nine leased hotels at the end 2012 as well as by the strengthening of the Euro. Fee revenue grew by 11.0% as a result of a strong underlying performance in the emerging markets. The change in revenue compared to last year is presented in the table below.

EBITDAR improved by MEUR 16.7 to MEUR 317.0 and the EBITDAR margin increased by 2.0 percentage points to 34.5%. This was a result of the additional high margin fee revenue and the cost reduction initiatives launched in 2012. As a consequence of these initiatives coupled with non-repeating consultancy costs in 2012, central costs were MEUR 5.6 lower than last year. The margin increase compared to 2012 was also helped by a MEUR 2.3 write-down of fee receivables in Q2 2012 and the exit of the nine leases by the end of 2012.

EBITDA improved by MEUR 30.0 to MEUR 80.7 and the EBITDA margin improved by 3.3 percentage point to 8.8%. As noted earlier, EBITDA improved by an estimated 2.6 percentage points

RevPAR by brand	L/L Occupancy		L/L Average Room Rates		L/L RevPAR		Reported RevPAR	
	FY 2013	vs. 2012	FY 2013	vs. 2012	FY 2013	vs. 2012	FY 2013	vs. 2012
In EUR								
Radisson Blu	69.1%	2.2pts	119.6	1.8%	82.6	5.1%	78.2	1.9%
Park Inn by Radisson	65.9%	4.4pts	70.3	1.3%	46.3	8.5%	43.2	3.3%
Group	68.2%	2.8pts	107.8	1.5%	73.5	5.8%	69.2	2.6%

RevPAR by geography	L/L Occupancy		L/L Average Room Rates		L/L RevPAR		Reported RevPAR	
	FY 2013	vs. 2012	FY 2013	vs. 2012	FY 2013	vs. 2012	FY 2013	vs. 2012
In EUR								
Nordics	70.9%	1.7pts	136.4	1.6%	96.7	4.2%	94.4	3.8%
Rest of Western Europe	72.1%	2.9pts	105.4	-0.3%	76.1	3.8%	73.3	3.4%
Eastern Europe	63.3%	2.8pts	89.1	-0.1%	56.5	4.5%	52.3	-1.2%
Middle East, Africa & Others	65.5%	3.5pts	110.6	7.6%	72.5	13.6%	66.2	8.0%
Group	68.2%	2.8pts	107.8	1.5%	73.5	5.8%	69.2	2.6%

Revenue	L/L	New	Out	FX	Change
MEUR					
Rooms Revenue	16.3	—	-17.2	-10.7	-11.6
F&D Revenue	2.2	—	-6.5	-5.5	-9.8
Other Hotel Revenue	3.3	4.3	-0.7	-0.6	6.3
Total Leased Revenue	21.8	4.3	-24.4	-16.8	-15.1
Fee Revenue	11.5	5.4	-1.4	-3.7	11.8
Other Revenue	-0.0	—	0.0	-0.9	-0.9
Total Revenue	33.3	9.7	-25.8	-21.4	-4.2

due to the combined efforts of the Route 2015 initiatives.

Total rent as a percentage of leased hotel revenue decreased from 30.2% to 30.0%. The decrease is mainly due to re-negotiated terms for two leased hotels in Q4 2013, nine exited hotels at the end of 2012 and a negative rent adjustment of MEUR 1.7 in Q4 2012. Shortfall guarantees were lower than last year due to released provisions for onerous contracts of MEUR 1.3 in 2013 and provisions of MEUR 2.4 for onerous contracts in 2012. The strengthening of the Euro had a negative impact on EBITDA this year of MEUR 2.6.

EBIT was MEUR 44.2 compared to MEUR –1.1 last year and the EBIT margin improved by 4.9 percentage points to 4.8%. The margin increase compared to last year was impacted by lower write-downs of fixed assets (MEUR 5.0 in 2013 versus MEUR 12.3 in 2012) as well as a termination cost of MEUR 1.9 in 2013 versus MEUR 9.4 in 2012.

Profit after tax amounted to MEUR 23.2 compared to a loss of MEUR 17.0 last year.

MEUR	2013	2012
Revenue	919.5	923.7
EBITDAR	317.0	300.3
EBITDA	80.7	50.7
EBIT	44.2	–1.1
Profit/loss for the period	23.2	–17.0
EBITDAR margin, %	34.5%	32.5%
EBITDA margin, %	8.8%	5.5%
EBIT margin, %	4.8%	–0.1%

The Nordics

L/L RevPAR grew by 4.2% primarily as a result of growth in occupancy (4.2%). The best performing country was Denmark with a RevPAR growth of 5.5% linked to renovations last year in Copenhagen and a number of congresses/events in 2013. Norway also had strong growth, 4.8%, while Sweden was only slightly above last year (0.7%).

Total revenue fell by MEUR 5.6 (or 1.3%) compared to last year. The decrease is mainly related to the strengthening of the Euro versus last year and the exit of two leased hotels in Sweden at the end of 2012.

The EBITDA and EBIT margin were slightly higher than last year despite the negative revenue development and higher payroll costs. This is mainly explained by

a MEUR 0.9 in termination costs for the exit from two hotels under lease contracts in Sweden in Q4 2012 and a MEUR 1.7 rent adjustment in Q3 2012 with a negative effect on the margins in 2012.

MEUR	2013	2012	Change
L/L RevPAR, EUR	96.7	87.7	4.2%
Total Revenue	421.7	427.3	–1.3%
EBITDA	55.5	51.6	7.6%
EBITDA margin, %	13.2%	12.1%	1.1 pp
EBIT	38.3	33.1	15.7%
EBIT margin, %	8.6%	7.7%	0.9pp

The Rest of Western Europe

L/L RevPAR improved by 3.8% driven by an increase in occupancy (4.1%) against a backdrop of a decline in rate. All key markets reported positive developments with Ireland (8.5%), the Netherlands (6.1%) and the UK (5.5%) leading the way.

Total revenue fell by MEUR 4.0 (or 0.9%) compared to last year. The strengthening of the Euro, the exit of the seven leased hotels in France in Q4 2012 had a negative impact on revenue, but a positive impact on the margins and results.

The EBIT margin saw a substantial increase compared to last year. Besides the above mentioned factors, the increase was impacted by lower termination costs (MEUR 1.9 in 2013 versus MEUR 8.5 in 2012), lower write-downs of fixed assets (MEUR 5.0 in 2013 versus MEUR 12.3 in 2012) and a reduction in provisions for onerous contracts.

MEUR	2013	2012	Change
L/L RevPAR, EUR	76.1	69.5	3.8%
Total Revenue	432.2	436.2	–0.9
EBITDA	26.9	7.9	240.5%
EBITDA margin, %	6.2%	1.8%	4.4pp
EBIT	8.1	–24.1	–133.6%
EBIT margin, %	2.3%	–5.5%	7.8pp

Eastern Europe

L/L RevPAR grew by 4.5% linked to increased occupancy (4.6%) which offset a slight decline in rate. The Baltics (11.8%) led the way benefitting from a number of events including the EU Presidency in Lithuania in the second half of the year. Poland, which had the highest RevPAR growth last year (12.6%) linked to the European Football Championship 2012, man-

aged a modest growth (0.4%) via increased crew and leisure volumes.

Despite the strengthening of the Euro and the fact that one hotel switched from a management contract to a franchise contract, fee revenue grew by 3.8% versus last year due to new hotels added to the portfolio since the beginning of 2012.

The EBIT and EBITDA margin were slightly below last year due to higher losses on accounts receivables.

MEUR	2013	2012	Change
L/L RevPAR, EUR	56.5	53.4	4.5%
Total Fee Revenue	37.8	36.4	3.8%
EBITDA	23.4	25.3	–7.5%
EBITDA margin, %	61.9%	69.5%	–7.6pp
EBIT	23.1	24.2	–4.5%
EBIT margin, %	61.1%	66.5%	–5.4pp

The Middle East, Africa and Others

L/L RevPAR improved by 13.6% as a result of growth in both occupancy (5.6%) and rate (7.6%). South Africa (26.8%) and the UAE (14.7%) had the highest growth while the continued political unrest continued to impact a number of the markets.

Despite a negative impact on revenue due to the strengthening of the Euro, fee revenue increased by MEUR 4.0 (or 16.8%) mainly as a result of new hotel openings and a strong RevPAR growth.

The EBITDA and EBIT margins were higher than last year as a consequence of the strong increase in RevPAR primarily driven by higher room rates.

MEUR	2013	2012	Change
L/L RevPAR, EUR	72.5	55.5	13.6%
Total Fee Revenue	27.8	23.8	16.8%
EBITDA	17.2	13.8	24.6%
EBITDA margin, %	61.9%	58.0%	3.9pp
EBIT	17.0	13.6	25.0%
EBIT margin, %	61.2%	57.1%	4.1pp

Balance Sheet end of 2013

Non-current assets decreased by MEUR 12.3 from year-end 2012 and amounted to MEUR 236.7. The decrease is mainly due to reclassification of long-term receivables and investments in joint ventures and other shares and participations to assets held for sale. Sales of the investments in Rezidor Royal Hotel Beijing Co Ltd, Casinos Denmark A/S, Casino Copenhagen K/S and

Mongolia Nord GmbH are expected to take place within the next 12 months. Furthermore, there are no non-current assets related to pension funds per year-end 2013, compared to MEUR 5.8 per year-end 2012. This is due to actuarial losses on the Norwegian defined benefit plans recognised in Q4 2013.

Net working capital, excluding cash and cash equivalents, but including current tax assets and liabilities, at the end of the year was MEUR –48.4 (–51.6 at year-end 2012). The decrease mainly relates to higher accrued income.

Cash and cash equivalents decreased by MEUR 1.7 from year-end 2012 to MEUR 6.9 at the end of 2013. Bank overdrafts decreased by MEUR 8.6 to MEUR 17.5 (see further below).

Compared to year-end 2012, equity increased by MEUR 9.2 to MEUR 155.0. This was mainly due to the profit for the period of MEUR 23.2, partly offset by actuarial losses of MEUR 6.3 after tax and negative exchange differences on translation of foreign operations of MEUR 8.5 after tax.

MEUR	31-Dec 13	31-Dec 12
Balance sheet total	381.7	375.5
Net working capital	–47.9	–51.6
Net debt (net cash)	–10.5	–17.5
Equity	155.0	146.0

Cash Flow and Liquidity

Due to the improved operating performance, cash flow from operations (before change in working capital) amounted to MEUR 58.3 for the year, an improvement of MEUR 35.0 compared to last year.

Cash flow from change in working capital amounted to MEUR –3.7, which was an improvement of MEUR 3.1 compared to last year, mainly related to current receivables.

Cash flow from investing activities was MEUR –48.9, an increased spend by MEUR 7.5 over last year. This was driven by planned acceleration of capex spend in the leased hotels. The company invested 6.3% of revenue from leased hotels in 2013, which is above the normal run-rate over time of approximately 5%

At the end of 2013, Rezidor had MEUR 6.9 in cash and cash equivalents. The total credit facilities at the end of the quarter amounted to MEUR 110.0. MEUR 1.7 was used for bank guarantees and MEUR 17.5 was used for overdrafts, leaving MEUR

90.8 available for use, compared with MEUR 78.6 at year-end 2012. The remaining tenor of the committed overdraft facility and credit line ranges between twelve and seventeen months, combined with customary covenants.

Net interest bearing liabilities amounted to MEUR 4.5 (6.3 at year-end 2012). The change was primarily due to the lower use of overdraft, partly offset by the increase in net pension liability.

Net debt/cash, defined as cash & cash equivalents plus short-term interest-bearing assets minus interest-bearing financial liabilities (short-term & long-term), amounted to MEUR –10.5 (–17.5 at year-end 2012).

Other Events

Rezidor mutually terminated the agreement with Regent Hotels & Resorts and Missoni in respect of the luxury brands Regent and Hotel Missoni.

Rezidor restructured three lease agreements and terminated one unprofitable lease agreement in Q4 2013. This, together with the restructuring of two leases in Q2 2013 will reduce Rezidor's rent costs and represents an annual positive effect on EBITDA of ca MEUR 4.1 in 2013, ca MEUR 5.3 in 2014 and ca MEUR 5.8 in 2015. In return for the rent reductions, Rezidor agreed that the new fixed rents will be payable for the duration of the agreements. The termination of the unprofitable agreement will be effective as of 31 December 2014. The termination was secured through an upfront payment of MEUR 1.9, which was accounted for in Q4 2013.

Combined with results from 2012, when Rezidor exited from nine unprofitable leases, these transactions, all related to assets in Europe, have resulted in significant rent reductions for Rezidor, and have increased the company's EBITDA margin by ca. 1.1 pp as from 2013.

Subsequent Events

As announced on February 7, 2014 the Board of Directors intends to propose a rights issue of approximately MEUR 60 to accelerate the execution of Rezidor's strategic plan and to further drive margin expansion under an asset light model. With increased financial flexibility the company will pursue additional exits or restructurings in the leased portfolio, accelerate the upgrade of the hotel portfolio and seek additional growth opportunities in the

emerging markets. The rights issue is expected to be approved in conjunction with the Annual General Meeting (AGM) of the company on 24th April with the subscription period for the rights issue and trading in rights expected to commence shortly thereafter.

Rezidor concluded a restructuring of a lease agreement in Rest of Western Europe in January 2014. The deal will reduce Rezidor's rent costs and represents an annual positive effect on EBITDA of ca MEUR 1.2 beginning in February 2014. In return for the rent reduction, Rezidor agreed that the new fixed rent will be payable for the duration of the agreement and extended the term of the lease.

In February 2014 Rezidor added two more brands to its portfolio, the "lifestyle select" brand Radisson Red and the Quorvus Collection targeting the luxury segment. The two brands are developed and licensed by Rezidor in EMEA under Master Franchise Agreements with Carlson.

Risk Management

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

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

- review and assess Rezidor's insurance programmes on an on-going basis.

Operational Risks

Market Risks

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

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

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

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

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

Political Risks

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

Rezidor acknowledges that terrorism as well as other issues such as social unrest, crime and weakness of local infrastructure can be threats to safe and secure hotel operations at certain times in certain locations. With the aid of external expertise,

threat assessments are continuously carried out and hotels notified if a possible change to their threat situation is detected.

Partner Risks

The company does not own the brands under which the hotels are operated. Rezidor develops and operates the brands Radisson Blu and Park Inn by Radisson. In February 2014 Rezidor added two more brands to its portfolio, Radisson Red and Quorvus Collection. All four brands are developed and licensed by Rezidor in Europe, the Middle East and Africa ("EMEA") under Master Franchise Agreements that run until 2052 with Carlson, a privately held hospitality and travel company. Carlson is also the majority shareholder of Rezidor with 51.3% of the outstanding shares.

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

Employee Related Risks

The employee turnover in the hospitality industry is relatively high. The job satisfaction among employees in Rezidor's hotels is assessed by an independent organisation on an annual basis. The job satisfaction score in 2013 was 87.0 in comparison to 86.5 in 2012 on a like for like basis.

Financial Risks

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

egation authorisation with regard to financial risk management are documented in this finance manual. For further information about these identified risks please see Note 4.

Sensitivity Analysis

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

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

IFRS and Proposed Capitalisation of leasing commitments

As a lessee, Rezidor has entered into lease contracts primarily related to fully furnished hotel premises. Each lease contract is subject to a determination as to whether the lease is a financial or an operating lease. Lease contracts where virtually all rights and obligations are transferred from the lessor (owner) to the

lessee are defined as a financial lease contract. Lease contracts that are non-financial are classified as operational lease contracts. All of Rezidor's leases are currently classified as operating leases, which means that the lease payments are recognised in the income statement as operating expenses on a straight-line basis or, for variable leases, in the period in which they are incurred.

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

Share Capital

The share capital amounts to TEUR 10,000, corresponding to 150,002,040 registered shares, of which 3,681,138 were held by the Company, leaving 146,320,902 shares outstanding as of December 31, 2013. 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 such holders to any of the rights associated with ownership of shares. Neither the articles of association nor any law stipulate restrictions the right to transfer shares from one owner to another. Nor is the company aware of any agreements between different shareholders that can impose such a restriction. The authorisations to buy back shares have been given to secure delivery of shares to the participants in the share based incentive programmes and to cover social security costs pertaining to these programmes as

well as to ensure a more efficient capital structure. No shares have been bought back during 2013. For further information see Note 31.

Articles of Association

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

Change of Control Clauses

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

Dividend

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

Share premium reserve	197,297
Profit brought forward	194
Net profit for the year	3,970
Total	201,461

The Board of Directors proposes to the Annual General Meeting 2014 to pay no dividend to the shareholders for the financial year 2013 and that the distributable funds are brought forward.

Responsible Business

Rezidor's Responsible Business programme builds on the principle of the triple bottom line, where all hotels strive to improve their environmental and social performance along with economic performance. The Responsible Business programme engages all employees to take social, ethical and environmental issues into consideration when making decisions in their everyday work and sets clear targets in key areas.

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

The programme encompasses three key pillars: Think Planet – Reducing Rezidor's negative impact on the environment; Think People – Taking responsibility for the health and safety of employees and guests; Think Together – Respecting social and ethical issues in the company and the community. Priorities of Rezidor's Responsible Business programme are to reduce energy by 25% by 2016, to achieve 100% eco-labelling by 2015, and continue to improve hotels' participation in Rezidor's yearly Responsible Business Action Month above the 80% reached in 2013.

Rezidor has been a signatory to the UN Global Compact since 2009. In 2013 Rezidor was named one of the World's Most Ethical Companies by the Ethisphere Institute, an honor bestowed for four years in a row.

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

Rezidor was not involved in any environmentally related legal disputes or complaints in 2013 and has no known material environmental related debts.

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

Compensation to Key Management Approved by the AGM 2013

The details of the compensation principles approved at the last AGM can be studied in Note 10 of the financial statements and largely follow what has been proposed for 2014.

Proposal to AGM 2014 for Compensation to Key Management

The Board of Directors will propose the following principles of compensation and other employment terms for the Company's key management (CEO and 7 members of the Executive Committee) to the Annual General Meeting of the Shareholders in April 2014:

Total remuneration shall be competitive and in line with international market prac-

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

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

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

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

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

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

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

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

The Board of Directors proposes, subject to the approval of the Annual General Meeting, to implement a share based variable remuneration plan for the period 2014–2016, according to the details set out in item 17 of the agenda for the Annual General Meeting. For a description of the outstanding share based variable remuneration plans in the Company, please see Note 32.

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

Parent Company

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

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

Corporate Governance Report

The Corporate Governance Report 2013 is presented on page 85–92 and is available on the Company's website www.rezidor.com.

Financial Reports

Five year summary

MEUR (except stated otherwise)	2013	2012	2011	2010	2009
Income statement					
Revenue	919.5	923.7	864.2	785.7	677.2
EBITDAR	317.0	300.3	274.6	254.1	210.1
EBITDA	80.7	50.7	35.1	31.5	4.9
EBIT	44.2	-1.1	-7.7	3.9	-25.0
Financial income & expense, net	-1.7	-0.9	-1.0	-3.7	-0.7
Profit/loss for the year ⁴⁾	23.2	-17.0	-11.9	-2.7	-28.2
Balance sheet					
Balance sheet total ⁴⁾	381.7	375.4	364.6	377.8	352.9
Total equity attributable to equity holders of the parent ⁴⁾	155.0	145.8	151.3	175.1	166.5
Total investments (tangible and intangible investments)	49.1	40.2	37.9	24.3	31.3
Cash flow					
Cash flow from operating activities	54.6	16.5	14.1	47.6	-6.1
Cash flow from investing activities	-48.8	-41.5	-39.5	-12.4	-23.5
Cash flow from financing activities	-7.2	23.7	8.5	-13.4	7.9
Financial key figures⁵⁾					
EBITDAR Margin, %	34.5	32.5	31.8	32.3	31.0
EBITDA Margin, %	8.8	5.5	4.1	4.0	0.7
EBIT Margin, %	4.8	-0.1	-0.9	0.5	-3.7
Return on capital employed, %	33.4	Neg	Neg	Neg	Neg
Return on equity, %	15.4	Neg	Neg	Neg	Neg
Operational key figures⁵⁾					
Number of hotels ¹⁾	337	338	325	312	286
Number of rooms ¹⁾	75,277	74,006	70,766	66,375	60,646
Number of employees ³⁾	5,360	5,452	5,230	4,947	5,007
Occupancy % ²⁾	66	64	62	62	60
RevPAR EUR ²⁾	69	67	63	62	58
Share related key figures⁵⁾					
Basic average number of shares	146,320,902	146,320,902	146,315,374	146,307,540	146,307,540
Diluted average number of shares	148,123,048	146,320,902	147,034,833	147,448,368	146,307,540
Basic earnings per share, EUR	0.16	-0.12	-0.08	-0.02	-0.19
Diluted earnings per share, EUR	0.16	-0.12	-0.08	-0.02	-0.19
Proposed dividend per share, EUR	—	—	—	—	—

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

2) Including managed and leased hotels in operation.

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

4) Impact on the 2011 and 2012 numbers due to the adoption of IAS 19R is presented in Note 23.

5) Definition of key figures are found on page 101.

Consolidated Statement of Operations

TEUR (except for share related data)	Notes	For the Year Ended December 31	
		2013	2012
Revenue	7, 8, 37	919,478	923,668
Costs of goods sold for Food & Drinks and other related expenses ¹⁾	9	-54,870	-62,349
Personnel cost and contract labour ¹⁾	10	-315,111	-320,117
Other operating expenses	11	-217,567	-225,354
Insurance of properties and property tax	12	-14,933	-15,555
Operating profit before rental expense and share of income in associates and before depreciation and amortisation, costs due termination/restructuring of contracts and gain on sale of shares and tangible assets (EBITDAR)		316,997	300,293
Rental expense	13	-238,455	-251,997
Share of income in associates and joint ventures	20, 21	2,133	2,366
Operating profit before depreciation and amortisation, costs due to termination/restructuring of contracts and gain on sale of shares and tangible assets (EBITDA)		80,675	50,662
Depreciation and amortisation	18, 19	-29,663	-30,090
Write-downs and reversal of write-downs	6, 18, 19	-4,953	-12,272
Costs due to termination/restructuring of contracts		-1,900	-9,398
Operating profit/loss (EBIT)	7	44,159	-1,098
Financial income	14	857	1,184
Financial expense	14	-2,593	-2,153
Profit/loss before tax		42,423	-2,067
Income tax expense	15	-19,252	-14,953
Profit/loss for the year		23,171	-17,020
Attributable to:			
Owners of the Company		23,169	-17,022
Non-controlling interests		2	2
		23,171	-17,020
Basic average number of shares outstanding	17	146,320,902	146,320,902
Diluted average number of shares outstanding	17	148,123,048	146,320,902
Profit/loss per share after allocation to non-controlling interests (EUR)			
Basic	17	0.16	-0.12
Diluted	17	0.16	-0.12

Consolidated Statement of Comprehensive Income

TEUR	Notes	For the Year Ended December 31	
		2013	2012
Profit/loss for the year		23,171	-17,020
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gains and losses	23	-8,446	12,970
Tax on actuarial gains and losses		2,239	-3,478
Items that may be reclassified subsequently to profit or loss:			
Currency differences on translation of foreign operations		-9,046	2,906
Tax on currency differences on translation of foreign operations		481	-41
Fair value gains and losses on cash flow hedges	33	284	—
Tax on fair value gains and losses on cash flow hedges	33	-71	—
Other comprehensive income for the year, net of tax		-14,559	12,357
Total comprehensive income for the year		8,612	-4,663
Total comprehensive income attributable to:			
Owners of the Company		8,612	-4,633
Non-controlling interests		—	—

1) TEUR 4,172, relating to supplier bonuses, has been reclassified between the lines for 2012 to be comparable to the presentation for 2013.

Consolidated Balance Sheet Statement

TEUR	Notes	As of December 31		As of January 1
		2013	2012 restated ¹	2012 restated ¹
ASSETS				
Non-current assets				
Intangible assets				
Licenses and related rights	18	45,145	46,312	47,494
Other intangible assets	18	23,033	25,761	26,152
		68,178	72,073	73,646
Tangible assets				
Fixed installations in leased properties	19	47,813	44,348	35,400
Machinery and equipment	19	68,744	55,857	62,189
Investments in progress	19	8,713	12,246	11,826
		125,270	112,451	109,415
Financial assets				
Investments in associated companies	20	2,896	3,245	3,435
Investments in joint ventures	21	—	1,129	1,213
Other shares and participations	22	5,198	6,222	7,233
Pension funds, net	23	—	5,788	—
Other long-term interest-bearing receivables	24	4,133	13,782	12,770
Other long-term non-interest-bearing receivables	24	2,408	4,231	255
		14,635	34,397	24,906
Deferred tax assets	15	28,575	30,026	31,624
		236,658	248,947	239,591
Current assets				
Inventories		4,781	5,020	4,739
Accounts receivable	25	44,139	44,308	39,006
Current tax assets	15	15,276	10,756	7,044
Other current interest-bearing receivables	26	749	320	1,260
Other current non-interest-bearing receivables	27	55,757	53,257	56,622
Derivative financial instruments	4	416	—	—
Other short term investments	28	4,107	4,244	3,507
		125,225	117,905	112,178
Cash and cash equivalents	29	6,937	8,596	9,779
Assets classified as held for sale	30	12,900	—	3,096
Total current assets		145,062	126,501	125,053
Total assets		381,720	375,448	364,644

1) Impact on the January 1, 2012 and December 31, 2012 numbers due to the adoption of IAS 19R is presented in Note 23.

TEUR	Notes	As of December 31		As of January 1
		2013	2012 restated ¹	2012 restated ¹
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	31	10,000	10,000	10,000
Other paid in capital		120,302	120,302	120,302
Reserves		11,039	19,390	16,525
Retained earnings including profit for the year		13,631	-3,930	4,460
Equity attributable to owners of the Company		154,971	145,762	151,287
Non controlling interests		1	1	1
Total equity		154,972	145,763	151,288
Non-current liabilities				
Deferred tax liabilities	15	15,590	15,899	10,432
Retirement benefit obligations	23	6,710	5,924	11,667
Provisions	34	472	2,248	644
Other long-term interest-bearing liabilities	35	6,344	6,887	6,902
Other long-term non-interest-bearing liabilities		11,886	9,883	4,348
		41,002	40,841	33,993
Current liabilities				
Accounts payable		38,501	35,078	34,181
Current tax liabilities	15	10,580	6,855	9,514
Provisions	34	2,573	3,980	605
Other current interest bearing liabilities	35	17,502	26,161	7,878
Derivative financial instruments	4	132	—	—
Other current non-interest-bearing liabilities	36	116,458	116,770	120,376
		185,746	188,844	172,554
Liabilities directly associated with assets held for sale		—	—	6,809
Total liabilities		226,748	229,685	213,356
Total equity and liabilities		381,720	375,448	364,644

1) Impact on the January 1, 2012 and December 31, 2012 numbers due to the adoption of IAS 19R is presented in Note 23.

Consolidated Statement of Changes in Equity

TEUR	Share capital	Other paid in capital	Foreign currency translation reserve	Fair value reserve-available for sale financial assets	Fair value reserve-cash-flow hedges ¹	Retained earnings incl. net profit/loss for the period	Attributable to equity holders of the parent	Non-controlling interests	Total equity
Opening balance as of January 1, 2012 as previously reported	10,000	120,302	16,235	290	—	17,870	164,697	1	164,698
Impact of change in accounting policy	—	—	—	—	—	-13,410	-13,410	—	-13,410
Restated opening balance as of January 1, 2012	10,000	120,302	16,235	290	—	4,460	151,287	1	151,288
Loss for the period, as restated	—	—	—	—	—	-17,020	-17,020	—	-17,020
OTHER COMPREHENSIVE INCOME:									
Actuarial gains and losses on defined benefit plans	—	—	—	—	—	12,970	12,970	—	12,970
Tax on actuarial gains and losses on defined benefit plans	—	—	—	—	—	-3,478	-3,478	—	-3,478
Currency differences on translation of foreign operations	—	—	2,906	—	—	—	2,906	—	2,906
Tax on exchange differences recognised in other comprehensive income	—	—	-41	—	—	—	-41	—	-41
Total comprehensive income for the period	—	—	2,865	—	—	-7,528	-4,663	—	-4,663
TRANSACTIONS WITH OWNERS:									
Long term incentive plan	—	—	—	—	—	-862	-862	—	-862
Restated ending balance as of December 31, 2012	10,000	120,302	19,100	290	—	-3,930	145,762	1	145,763
Profit for the period	—	—	—	—	—	23,171	23,171	—	23,171
OTHER COMPREHENSIVE INCOME:									
Actuarial gains and losses on defined benefit plans	—	—	—	—	—	-8,446	-8,446	—	-8,446
Tax on actuarial gains and losses on defined benefit plans	—	—	—	—	—	2,239	2,239	—	2,239
Currency differences on translation of foreign operations	—	—	-9,046	—	—	—	-9,046	—	-9,046
Tax on exchange differences recognised in other comprehensive income	—	—	481	—	—	—	481	—	481
Fair value gains and losses on cash flow hedges	—	—	—	—	284	—	284	—	284
Tax on fair value gains and losses on cash flow hedges	—	—	—	—	-71	—	-71	—	-71
Total comprehensive income for the period	—	—	-8,565	—	213	16,964	8,612	—	8,612
TRANSACTIONS WITH OWNERS:									
Long term incentive plan	—	—	—	—	—	597	597	—	597
Ending balance as of December 31, 2013	10,000	120,302	10,535	290	213	13,631	154,971	1	154,972

1) See further Note 33

Consolidated Statement of Cash Flows

TEUR	Notes	For the Year Ended December 31	
		2013	2012
OPERATIONS			
Operating loss (EBIT)		44,159	-1,098
Adjustments for non cash items:			
Depreciations, amortisations and write-downs	18, 19	34,616	42,362
Change in pension assets/liabilities		-1,979	1,438
Share of income in associated companies and joint ventures	20,21	-2,133	-2,366
Exchange differences and other adjustments for non cash items		-27	10
Interest received	14	747	783
Interest paid	14	-1,110	-736
Dividend from associated companies	20, 21	1,005	1,877
Other financial items	14	-1,373	-1,015
Tax paid		-15,645	-17,951
Cash flows from operations before change in working capital		58,260	23,304
Change in:			
Inventories		460	-109
Current receivables		2,060	-2,428
Current liabilities		-6,198	-4,260
Change in working capital		-3,678	-6,797
Cash flow from operating activities		54,582	16,507
INVESTMENTS			
Purchase of intangible assets	18	-154	-2,416
Purchase related to investments in progress	19	-17,567	-12,795
Purchase of machinery and equipment	19	-23,419	-17,792
Purchase fixed installations	19	-7,916	-7,158
Purchase of shares and participations		—	-344
Sale of shares and participations		—	448
Other investments and divestments of financial fixed assets		211	-1,442
Cash flow from investing activities		-48,845	-41,499
FINANCING			
Overdraft facilities		-8,574	18,174
Lease incentives and other long term liabilities		1,370	5,562
Total external financing		-7,204	23,736
Cash flow from financing activities		-7,204	23,736
Cash flow for the year		-1,467	-1,256
Translation difference in cash and cash equivalents		-192	73
Cash and cash equivalents, January 1		8,596	9,779
Cash and cash equivalents, December 31	29	6,937	8,596

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NOTE 1 | General information

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

Rezidor is an international hospitality company which currently has 429 hotels in operation or under development in 69 countries. Rezidor operates under the brands Radisson Blu Hotels & Resorts, Park Inn by Radisson and Hotel Missoni. Further information of the activities of the Company is described in Note 7.

The Annual Report as of December 31, 2013 was approved by the Board of Directors of Rezidor Hotel Group AB (publ) on March 18, 2014. The Annual Report is subject to approval by the Annual General Meeting on April 24, 2014.

NOTE 2 | Adoption of new and revised international financial reporting standards

In the current year, the Group has adopted all of the new, revised and amended Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and IFRS Interpretations Committee that are relevant to its operations and effective for accounting periods beginning on January 1, 2013 and which were endorsed by the European Commission prior to the release of these financial statements. The new, revised and amended Standards and Interpretations are listed below:

New and revised International Financial Reporting Standards (IFRSs) and Interpretations effective for 2013

Amendments to IAS 1 *Presentation of Financial Statements* require additional comparative information to the statement of Other Comprehensive Income. Items in the statement of Other Comprehensive Income are classified by nature and grouped into those that: a) will not be reclassified subsequently to profit or loss and b) may be reclassified subsequently to profit or loss when specific conditions are met.

Amendments to IAS 19 *Employee Benefits* changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require all actuarial gains and losses to be recognised immediately through Other Comprehensive Income, and hence eliminate the 'corridor approach'. Further the profit or loss will no longer include an expected return on plan assets; instead, imputed finance income is calculated on the plan assets and is recognised as part of the net interest cost in profit or loss. The actuarial assumptions made on the calculation of defined benefit plans also include taxes that refer to the pension benefits.

IFRS 13 *Fair Value Measurement* establishes a single source of guidance for fair value measurements when required by other IFRSs. IFRS 13 applies to both financial items and non-financial instrument items. IFRS 13 also require more qualitative and quantitative disclosures of fair value measurements.

Amendments to IFRS 7 *Financial Instruments: Disclosures*

IFRS 7 has been amended and now include a requirement to present and describe information about "recognised financial instruments under an enforceable master netting agreement or similar arrangement".

Disclosures of financial assets and financial liabilities are presented as follows:

- the gross amount of those recognised financial assets and recognised financial liabilities;
- the amounts that are set off in accordance with the criteria in paragraph 42 of IAS 32;
- the net amounts presented in the statement of financial position;
- the amounts subject to an enforceable master netting arrangement or similar agreement that are not offset;
- the net amount

Similar requirements apply to the Parent company. An ordinary financial instrument covered by above are foreign exchange currencies and interest-rate swaps. The Company has reviewed their financial instruments with the purpose of identifying possible net agreements.

New and revised IFRSs and Interpretations have not had any significant impact on the financial statements 2013, except for IAS 19R. The impact on the financial statements due to the adoption of IAS 19R is presented in Note 23.

New and revised standards and Interpretations in issue not yet effective

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

IFRSs/Interpretations effective for annual periods	Beginning On or After
IFRS 10 Consolidated Financial Statements**	1 January 2014 or later
IFRS 11 Joint Arrangements**	1 January 2014 or later
IFRS 12 Disclosure of Interests of Other Entities**	1 January 2014 or later
Amendments to IFRS 10, IFRS 11 and IFRS 12 (Transitional regulation)	1 January 2014 or later
Amendments to IAS 27 Separate Financial Statements**	1 January 2014 or later
Amendments to IAS 28 Investments in Associates and Joint Ventures**	1 January 2014 or later
Amendments to IFRS 10, IFRS 12, and IAS 27: Investment Entities	1 January 2014 or later
Amendments to IAS 32 Financial Instruments: Classification	1 January 2014 or later
Amendments to IAS 36 Impairment of Assets	1 January 2014 or later
Amendments to IAS 39 Financial Instruments: Recognition and Measurement	1 January 2014 or later
Improvements of IFRSs 2010-2012 Cycle*	1 July 2014 or later
Improvements of IFRSs 2011-2013 Cycle*	1 July 2014 or later
Amendments to IAS 19 Employee Benefits (Defined benefit plans)*	1 July 2014 or later
IFRS 9 Financial Instruments and subsequent amendments to IFRS 9 and IFRS 7 Financial Instruments: Disclosures and IAS 39 Financial Instruments: Recognition and Measurement*	1 January 2015 or later

* Not yet endorsed by the EU.

**IFRS 10, IFRS 11, IFRS 12, IAS 27 and IAS 28 are effective by IASB for the financial year beginning from 1 January 2013, but within EU they will become effective for the financial year beginning from 1 January 2014.

Above new and revised IFRSs and Interpretations have not yet been implemented by the company. The company is currently analysing the impact of the application of the above new and revised standards and interpretations.

NOTE 3 | Accounting principles

The Rezidor Hotel Group's Annual Report has been prepared in accordance with International Financial Reporting Standards (IFRS)/International Accounting Standards (IAS) as endorsed by EU and the Swedish Annual Accounts Act. In addition, RFR 1 Supplementary Rules for Groups has been applied, issued by the Swedish Financial Accounting Standards Council.

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

Reporting currency

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

General provision on recognition and measurement

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

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

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

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

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

Basis of consolidation

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

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

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

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

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

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

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

Business combinations

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

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

Investments in associates and interest in joint ventures

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

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

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

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

Under the equity method, investments in associates and joint ventures are carried in the consolidated balance sheet at cost, adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised.

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

Gains and losses from divestment of shares

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

Foreign currency

Assets and liabilities in foreign currency

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

Cont. Note 3

at the balance sheet date, are recognised in the income statement as income or expense. Exchange differences on operating items are recognised in operating profit. Exchange differences on financial items are recognised in the income statement as financial income or expense.

Translation of financial statements of foreign subsidiaries

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

The main exchange rates affecting the financial statements are:

Country	Currency	Year-end rate Dec. 31		Average rate Jan. 1–Dec. 31	
		2013	2012	2013	2012
Denmark	DKK	7.46	7.46	7.46	7.45
Sweden	SEK	8.85	8.57	8.67	8.70
Norway	NOK	8.34	7.34	7.84	7.48
United Kingdom	GBP	0.83	0.81	0.85	0.81

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 drinks or other services. Revenue is recognised when the sale has been rendered.

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

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

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

Customer Loyalty programme

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

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

Cost of goods sold

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

Leasing

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

Leasing contracts that are non-financial are classified as operational leasing contracts. All of Rezidor's leases are currently classified as operating leases. In all current leasing arrangements regarding hotels, Rezidor only carries risks limited to operating the hotel. The lease cost for operating lease contracts is recognised on a straight-line

basis except where another systematic basis is more representative of the time pattern in which the economic benefits from the leased assets are consumed.

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

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

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

Personnel cost

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

Other operating expenses

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

Rental expenses

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

Financial income and expenses

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

Taxation

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

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

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

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

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

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

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

Balance sheet

Licences and other rights and Other intangible assets

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

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

Property, plant and equipment

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

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

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

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

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

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

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

Impairment of tangible and intangible assets excluding goodwill

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

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

Assets classified as held for sale

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

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

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

Inventories

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

Financial instruments

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

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

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

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

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

Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Currently, the Group only designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

The fair values of derivative instruments used for hedging purposes are disclosed in Note 4. Movements on the hedging reserve in equity are shown in Note 33.

Receivables

Receivables are classified as loans and receivables and measured at amortised cost, usually equalling nominal value, less allowance for doubtful accounts.

Other short-term investments

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

Accounts payable

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

Other interest- and non-interest-bearing liabilities

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

Provisions

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

Retirement benefit obligations

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

Cont. Note 3

For pension plans where the employer has accepted responsibility for defined contribution solutions, the obligations 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 liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in income.

Share-based payment transactions

Fair value at grant date for the long-term equity-settled incentive programmes, in which the participants of the plans receive a certain amount of shares in the Company if certain performance criteria are met during the vesting period, is recognised as an expense over the vesting period, adjusted for the number of participants that are expected to remain in service. An amount equal to the expense is credited to equity. In addition to the service criteria, the current programmes have two performance criteria: one related to earnings per share (EPS), a so called non-market condition, and one related to the share price and dividend (TSR), a so called market condition (applicable for the 2011 programme only). The non-market conditions are taken into consideration in the assessment of the number of shares that will be vested at the end of the vesting period. For market conditions no such assessment is made after the initial recognition at grant date. The additional social security costs are reported as a liability, revalued at each balance sheet date in accordance with UFR 7, issued by the Swedish Financial Accounting Standards Council's Emergency Task Force.

Cash Flow Statement

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

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

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

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

"Cash flow from financing activities" includes changes in the size or the composition of the Group's issued capital and related costs as well as the raising of loans, installments on interest-bearing debt, and payment of dividends. Cash flows denominated in foreign currencies, including cash flows in foreign subsidiaries, are translated to the Group reporting currency using average monthly rates, which essentially reflect the rates at the date of payment. Cash at year end is translated to the functional currency using the rates at the balance sheet date.

NOTE 4 | Financial risk management

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

According to the finance policy, the treasury function may use financial instruments, such as FX forwards, FX swaps, FX options and interest rate swaps to hedge against currency and interest rate risks. At year-end, the Company had entered into certain hedging contracts for cash flow related to some of its fee income. FX swaps have also been used to reduce the use of overdraft facilities as described under 'Liquidity risks'.

Interest rate risks**Cash flow risks**

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

rates. The effect on financial net in the income statement of a change in market interest rates with 100 basis points would be immaterial, based on the loans and receivables outstanding on December 31, 2013.

Fair value risks

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

Off-balance sheet commitments

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

Currency risks

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

Transaction exposure

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

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

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

Translation exposure

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

A sensitivity analysis shows that if the EUR would fluctuate by 5% against other currencies in the Group, excluding DKK which is virtually pegged to the EUR, the effect on the consolidated equity would be approximately MEUR 3.1, based on the equity at year-end 2013, and MEUR 34.4 on total revenue, MEUR 3.0 on EBITDA and immaterial on net income, based on the income statement for 2013. This sensitivity assumes that all currencies would fluctuate 5% against the EUR and does not take into account the correlation between and the resulting risk diversification from those currencies.

Credit risks

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

At the local hotel level, the credit exposure is normally limited, as the accounts regularly are settled in cash or by accepted credit cards. Credits are only offered to

customers under a contract and only to companies or registered organisations with a legal structure. Credit terms must be described in the contract and comply with the central treasury guidelines as described in the finance manual. As for managed and franchised hotels, a thorough background check of the hotel owner is made before entering into a new contract, including an investigation of the creditworthiness. The credit term is normally 30 days for both local hotel customers and for fees. The central treasury guidelines set strict rules for the follow-up of overdue receivables and for credit meetings. As sales in both the local hotels and the fee invoicing to managed and franchised hotels, are dispersed among a large amount of different customers, the Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Information about accounts overdue receivables and impaired at year end is found under Note 25.

In some cases Rezidor grants loans to owners of Rezidor's hotels, or to joint venture partners and associated companies in early stages of new projects. The terms for such loans vary, but in principle there is an agreement on interest on the loans and the repayment schedule is based on the project opening and project progress. Based on market conditions, interest rates, repayment schedules and security arrangements have been agreed upon. Terms and conditions for such loans are decided upon centrally by Group financial management. Information about these loans, maturity dates, security arrangements etc is found under Notes 24 and 26.

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

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

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

TEUR	As of Dec.31	
	2013	2012
Carrying amount		
Other long-term interest-bearing receivables ¹⁾	14,245	13,782
Other long-term non-interest-bearing receivables	2,408	4,231
Accounts receivables	44,139	44,308
Other current non-interest bearing receivables	16,930	17,201
Other current interest-bearing receivables	749	320
Other short-term investments	4,107	4,244
Cash and cash equivalents	6,937	8,596
Maximum credit exposure	89,515	92,682

1) Where of TEUR 10,112 are classified as held for sale in 2013.

Liquidity risks

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

Rezidor has secured appropriate overdraft and credit facilities through a long term agreement with a leading European Bank with solid credit ratings. The banking structure provides a cross-border cash pool in which a majority of the cash flows within the Group is concentrated. Through this bank agreement, the Company has also secured combined overdraft and guarantee facilities with varied terms for a total amount of TEUR 105,000. In addition, the Group has credit facilities of TEUR 5,000 granted by another bank. The remaining tenor of the committed credit facility range between twelve and seventeen months and are combined with customary covenants. The Group has not pledged any assets to secure these facilities. At year-end, TEUR 17,480 was used as overdraft (26,052 at year-end 2012) and TEUR 1,745 (2,276) for bank guarantees. Cash and cash equivalents amounted to TEUR 6,937 (8,596), of which 5,206 (6,932) was coming from bank deposits and TEUR 1,731 (1,664) from petty cash in the hotels. In order to reduce the use of overdraft, Rezidor regularly enters into short term FX swaps, in which currencies with deposits in the cash pool are swapped into currencies with an overdraft in the cash pool. On December 31, 2013, the Company had a TNOK 222,000 to GBP swap, a TNOK 12,000 to DKK swap, a TCHF 3,995 to GBP swap, a TSEK 30,000 to GBP swap and a TEUR 10,000 to GBP swap, all with a maturity shorter than two weeks.

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

TEUR	As of Dec.31	
	2013	2012
Mature within 1 year		
Accounts payables	38,501	35,078
Other current interest-bearing liabilities	17,502	26,161
Other current non-interest-bearing liabilities	18,893	17,228
Other long-term interest-bearing liabilities	—	253
	74,896	78,720
Mature after 1 year		
Other long-term interest-bearing liabilities	25	38
Other long-term non-interest-bearing liabilities	11,886	9,883
	11,911	9,921
Undefined maturity		
Other long-term interest bearing liabilities	6,319	6,596
	6,319	6,596

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

Market risks

Apart from interest rate risks and currency risks, which are described above, the Company is also subject to price risk related to changes in fair value of the investments in other shares and participations. These investments, normally the result of equity financing in early stages of certain hotel projects, are classified as available-for-sale investments with changes in fair value recognised in other comprehensive income. The Company is also subject to price risk from changes in fair value on FX swaps, with fair value recognised through profit or loss, and from changes in fair value on derivatives used for hedging. The fair value change on FX swaps and fee hedges outstanding on December 31, 2013, was TEUR 38 and TEUR 284 respectively. The real exposure to the Company is, however, limited as the contracts mature from within one week to less than one year.

Fair value

FX swaps are classified as held for trading with changes in fair value recognised in profit or loss. Fair value changes on derivatives used for hedging (cash flow hedges) are recognised in other comprehensive income. The fair value is obtained from banks which have derived the fair value through calculations based on market interest rates and market FX rates. Other shares and participations, classified as available-for-sale investments with changes in fair value recognised in other comprehensive income, are measured at fair value, based on discounted cash flow analyses.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). The main approach used by the company for this purpose is discounted cash flow. The discount rates used when discounting the future cash flows amounts to 11.7% (TEUR 4,151 of the assets in the table below) and 18.2% (TEUR 1,015 of the assets) respectively. The key assumptions for the calculations are similar to these described in Note 6, "Impairment testing".

As of Dec. 31 2013	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss (held for trading)	—	38	—	38
Derivatives used for hedging	—	284	—	284
Available-for-sale financial assets	—	—	5,198	5,198
Total	—	322	5,198	5,520
Assets measured at fair value based on Level 3		Available for sale financial assets		Total
Opening balance as of Jan. 1 2013		6,222		6,222
In other comprehensive income (exchange differences)		—6		-6
Reclassified		-120		-120
Assets classified as held for sale		-898		-898
Closing balance as of Dec. 31 2013		5,198		5,198

Cont. Note 4

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

Categories of financial assets and liabilities

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

TEUR	As of Dec.31	
	2013	2012
Financial assets at fair value through profit and loss (held for trading)		
Other current non-interest bearing receivables	38	3
	38	3
Derivatives used for hedging		
Derivative financial instruments – current assets	416	—
Derivative financial instruments – current liabilities	–132	—
	284	—
Loans and receivables		
Other long-term interest-bearing receivables	4,133	13,782
Other long-term non-interest-bearing receivables	2,408	4,231
Accounts receivables	44,139	44,308
Other current non-interest-bearing receivables	16,892	17,198
Other current interest-bearing receivables	749	320
Other short-term investments	4,107	4,244
Cash and cash equivalents	6,937	8,596
	79,365	92,679
Available-for-sale financial assets		
Other shares and participations	5,198	6,222
	5,198	6,222
Financial liabilities measured at amortised cost		
Other long-term interest-bearing liabilities	6,344	6,887
Other long-term non-interest-bearing liabilities	11,886	9,883
Accounts payables	38,501	35,078
Other current interest-bearing liabilities	17,502	26,161
Other current non-interest-bearing liabilities	18,907	17,228
	93,140	95,237

Assets classified as held for sale are disclosed in Note 30 and are measured at the lower of their previous carrying amount and fair value less costs to sell.

Capital structure

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

Financial risk management – parent company

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

NOTE 5 | Critical judgements and estimates

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

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

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

NOTE 6 | Key sources of estimation uncertainty

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

Impairment testing

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

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

Discount rates used	2013	2012
UK	10.2%	7.7%
Euro zone excl. Spain and Italy	9.2%	7.1%
Spain	12.0%	11.7%
Italy	12.2%	10.9%
Sweden	10.0%	7.3%
Switzerland	8.2%	6.0%
Norway	10.5%	8.0%

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

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

The expected cash flows for each unit take into account the budgeted figures for 2014 and the projected figures for 2015–2016 in Rezidor's internal long-range plan. The long term growth in revenues, costs and profit margins follow similar development pattern as the change in local consumer price index in line with the historical growth rates experienced in those regions except when justified otherwise by other factors. Such factors include ongoing higher than inflation improvement in market RevPAR, building up of revenues due to renovation works carried out to maintain the hotels at a certain standard, revenue turnaround and cost restructuring programmes, and impact of rebranding of one or more properties.

When required, write-downs have been performed. During the year, write-downs of TEUR 4,953 (11,376) of fixed assets related to leased hotels in the UK and Belgium were recognised as a result of impairment tests. The impairments were primarily the result of lowered market growth expectations. The assets have been written-down to the calculated value in use. No reversals of write-downs were recognised during the year, or last year.

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

Assessment of onerous contracts in management and lease agreements

A similar method as for impairment is applied to test if management contracts or lease agreements are onerous and, if applicable, a provision is recorded. During the year, or last year, no provisions were recognised for onerous lease contracts. No provisions were recognised in 2013 for onerous management contracts with shortfall guarantees (TEUR 2,400 in 2012). TEUR 1,253 (TEUR 0) of provisions from prior years for onerous management contracts with shortfall guarantees was reversed. Provisions for management contracts with shortfall guarantees are recognised as guarantee payments under rental expenses in the income statement. Portfolio management, a revision of plans and projections for loss-making hotels or a setback in the economic recovery, with major implications on the performance of the company's hotels, may lead to a renewed assessment.

Deferred tax assets

Deferred tax is recognised for temporary differences between stated and taxable income and for deferred tax receivables attributable to unutilised tax losses carry forward. The valuation of tax losses carry forward and ability to utilise tax losses carry forward is based on estimates of future taxable income. The assumptions used in estimating the future taxable income are based on those used in the impairment tests. During the year, no capitalisation was recognised and no deferred tax assets were written down, following reviews of the likelihood to utilise tax losses carry forward (write-downs of TEUR 3,235 in 2012). Portfolio management, a revision of plans and

projections for loss-making hotels or a setback in the economic recovery, with major implications on the performance of the company's hotels, could trigger a need for further assessment of the recoverability of accumulated tax losses carry forward and therefore also on the carrying value of deferred tax assets. Furthermore, changes in tax rules and regulations, for example a reduction of the income considered taxable or the right to deduct expenses, can also trigger a need for further assessment of the recoverability of the tax losses carry forward and the related deferred tax assets.

Investments

During the year, no investments were written down (TEUR 896 in 2012) following the review of other shares and participations (Note 22) held by the Group.

Assessment of the off-balance sheet commitments

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

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

Provisions

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

NOTE 7 | Segment disclosures

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

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

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

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

- **Leased contractual arrangements:**
Under Rezidor's lease agreements, Rezidor leases hotel buildings from property owners and is entitled to the benefits and carries the risks associated with operating of the hotel. The Company derives revenue primarily from room sales and food and drinks sales in restaurants, bars and banqueting. The main costs arising under a lease agreement are costs related to rent paid to the lessor, personnel costs and other operating expenses. Rent payments to lessor typically include a variable rent (as % of hotel revenue) with an underlying minimum fixed rent (for more details see Note 39). Under some lease agreements, the company also reimburses the owner of the hotel property for property taxes and property insurance. Under Rezidor's lease agreements, the company is responsible for maintaining the hotels Furniture, Fixtures and Equipment (FFE) in good repair and condition over the term of the lease agreement.
- **Managed contractual arrangements:**
Under management agreements, the Company provides management services for third-party hotel proprietors. Revenue is primarily derived from base fees determined as a percentage of total hotel revenue and incentive management fees defined as a percentage of the gross operating profit or adjusted gross operating profit of the hotel operations. In addition, the company collects marketing fees based on total rooms revenue or on total revenue, and reservation fees are based on the number of reservations made. Under some management agreements, Rezidor may offer the hotel proprietor a minimum guaranteed result, as further

described in Note 40. Under a management agreement, the hotel proprietor is responsible for all investments in and costs of the hotel, including the funding of periodic maintenance and repair, as well as for insurance of the hotel property. The employees that operate the hotels are, in general, employees of the hotel proprietor.

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

Revenue

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

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

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

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

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

EBITDA and EBIT

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

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

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

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

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

Cont. Note 7

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

Balance sheet, Investments, Key Performance Indicators and Hotel Inventory

The chief operating decision-maker monitors tangible, intangible and financial assets as well as capital expenditure (investments) attributable to each segment for the purpose of monitoring segment performance and allocating resources between seg-

ments. Assets and capital expenditure include those used directly in the operation of each segment, including intangible assets, property, plant and equipment and investments in associates. These assets are allocated according to their physical location. Key Performance indicators like RevPAR (i.e. Rooms revenue in relation to the number of rooms available) expressed in euro and occupancy (i.e. number of rooms sold in relation to the numbers of rooms available) expressed in rate are disclosed between major brands, Radisson Blu and Park Inn by Radisson. Number of hotels and rooms in operation are segmented by geographic market and by operating structure.

SEGMENTATION – REVENUE

TEUR	Nordics		Rest of Western Europe		Eastern Europe		Middle East, Africa and Other		Total			
	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	%	Dec. 31, 2012	%
For the year ended												
Leased	396,131	404,525	388,970	395,593	—	—	—	—	785,101	85.4%	800,118	86.6%
Managed	6,204	4,963	28,410	26,788	35,407	34,577	27,747	23,826	97,768	10.6%	90,154	9.8%
Franchised	6,831	5,578	11,809	9,471	2,434	1,868	—	—	21,074	2.3%	16,917	1.8%
Other	12,531	12,139	3,004	4,340	—	—	—	—	15,535	1.7%	16,479	1.8%
Total	421,697	427,205	432,193	436,192	37,841	36,445	27,747	23,826	919,478	100.0%	923,668	100.0%

SEGMENTATION – EBITDA

TEUR	Nordics		Rest of Western Europe		Eastern Europe		Middle East, Africa and Other		Central costs		Total	
	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
For the year ended												
Leased	43,966	42,144	5,013	-3,505	—	—	—	—	—	—	48,979	38,639
Managed	4,478	3,195	15,019	6,840	22,280	23,917	16,690	13,420	—	—	58,467	47,372
Franchised	4,182	3,129	6,854	4,107	1,277	1,256	—	—	—	—	12,313	8,492
Other ¹⁾	2,919	3,026	—	492	-220	120	539	443	—	—	3,238	4,081
Central costs	—	—	—	—	—	—	—	—	-42,322	-47,922	-42,322	-47,922
Total	55,545	51,494	26,886	7,934	23,337	25,293	17,229	13,863	-42,322	-47,922	80,675	50,662

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

SEGMENTATION – EBIT

TEUR	Nordics		Rest of Western Europe		Eastern Europe		Middle East, Africa and Other		Central costs		Total	
	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
For the year ended												
Leased	29,538	26,764	-13,499	-35,170	—	—	—	—	—	—	16,039	-8,406
Managed	4,436	3,152	14,836	6,656	22,072	22,812	16,504	13,274	—	—	57,848	45,894
Franchised	4,109	3,067	6,739	3,986	1,250	1,242	—	—	—	—	12,098	8,295
Other ¹⁾	177	20	—	458	-220	120	539	443	—	—	496	1,041
Central costs	—	—	—	—	—	—	—	—	-42,322	-47,922	-42,322	-47,922
Total	38,260	33,003	8,076	-24,070	23,102	24,174	17,043	13,717	-42,322	-47,922	44,159	-1,098

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

RECONCILIATION OF PROFIT/LOSS FOR THE PERIOD

TEUR	Dec. 31, 2013	Dec. 31, 2012
For the year ended		
Total operating profit/loss (EBIT) for report able segments	44,159	-1,098
Financial income	857	1,184
Financial expense	-2,593	-2,153
Group's total profit/loss before tax	42,423	-2,067

SHARE OF INCOME IN ASSOCIATES

TEUR	Nordics		Rest of Western Europe		Eastern Europe		Middle East, Africa and Other		Total	
	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
For the year ended										
Share of income in associates	1,814	1,800	—	—	-33	-1	352	567	2,133	2,366
Total	1,814	1,800	—	—	-33	-1	352	567	2,133	2,366

SEGMENTATION – BALANCE SHEET

TEUR	Nordics		Rest of Western Europe		Eastern Europe		Middle East, Africa and Other		Total	
	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
	For the year ended									
Leased	169,167	171,150	155,254	145,180	6,051	7,099	3,130	4,326	333,602	327,755
Managed	1,630	1,648	6,679	7,031	7,959	8,134	7,120	6,747	23,388	23,560
Franchised	2,771	2,433	4,444	4,733	1,000	818	—	—	8,215	7,984
Other	3,328	2,338	98	212	168	202	12,921	13,397	16,515	16,149
Group's total assets	176,896	177,569	166,475	157,156	15,178	16,253	23,171	24,470	381,720	375,448
Group's total liabilities	109,824	96,831	112,958	128,694	937	864	3,029	3,296	226,748	229,685

SEGMENTATION – INVESTMENTS¹⁾

TEUR	Nordics		Rest of Western Europe		Eastern Europe		Middle East, Africa and Other		Total	
	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
	For the year ended									
Leased	21,312	17,062	27,616	22,943	14	54	67	96	49,009	40,155
Other	—	—	47	5	—	—	—	—	47	5
Total	21,312	17,062	27,663	22,948	14	54	67	96	49,056	40,160

1) Excluding investments related to financial assets, see Note 20 and 21.

SEGMENTATION – DEPRECIATION, AMORTISATION AND WRITE-DOWNS

TEUR	Nordics		Rest of Western Europe		Eastern Europe		Middle East, Africa and Other		Total	
	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
	For the year ended									
Depreciation and amortisation	16,867	17,226	12,618	12,668	102	109	76	87	29,663	30,090
Write-downs and reversal of write-downs	—	—	4,953	11,376	—	896	—	—	4,953	12,272
Group's total depreciation and amortisation	16,867	17,226	17,571	24,044	102	1,005	76	87	34,616	42,362

EBIT for leased hotels in Rest of Western Europe was negatively impacted by write-downs of tangible and intangible fixed assets amounting to TEUR 4,953 (11,376) as a result of lowered expectations about ability to generate sufficient future cash flows to support carrying values. In 2012, EBIT in Eastern Europe was negatively impacted by a write-down of investments in Mongolia Nord GmbH. The write-downs are further outlined in Note 6. The classes of assets to which these write-downs belong, can be found in Notes 18 and 19. Revenue in Sweden, where the Parent Company is located, amounted to TEUR 133,053 (138,986). Non-current assets in Sweden amounted to TEUR 68,535 (65,490).

SEGMENTATION – REVPAR AND OCCUPANCY¹⁾

	Radisson Blu		Park Inn by Radisson		Rezidor	
	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
	For the year ended					
RevPAR, EUR	78.2	76.7	43.2	41.9	69.2	67.4
Occupancy, %	67.3	65.9	64.0	59.9	66.4	64.2

1) RevPAR (Revenue per Available Room) – is calculated as Rooms revenue in relation to the number of rooms available in leased and managed hotels.

Occupancy – is calculated as the number of rooms sold in relation to the number of rooms available. The table above does not include RevPAR for Missoni.

SEGMENTATION – HOTEL INVENTORY (IN OPERATION)

Summary by geographic area and by operating structure

	Nordics		Rest of Western Europe		Eastern Europe		Middle East, Africa and Other		Total	
	Hotels	Room	Hotels	Room	Hotels	Room	Hotels	Room	Hotels	Room
	As of Dec. 31, 2013 – In operation									
Leased	26	7,202	42	9,530	—	—	—	—	68	16,732
Managed	6	1,896	61	10,147	66	17,249	48	11,955	181	41,247
Franchised	27	5,467	50	9,474	11	2,357	—	—	88	17,298
Total Rezidor	59	14,565	153	29,151	77	19,606	48	11,955	337	75,277

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

NOTE 8 | Revenue

Operating Revenue per area of operation

TEUR	For the Year Ended Dec. 31	
	2013	2012
Rooms revenue	506,076	517,646
F&B Revenue	248,719	258,425
Other hotel revenue	30,306	24,047
Hotel revenue	785,101	800,118
Fee revenue	118,842	107,071
Other revenue	15,535	16,479
Total revenue	919,478	923,668

Specification of fee revenue

Management fees	34,923	33,028
Incentive fees	33,663	29,011
Franchise fees	8,431	7,433
Marketing fees	27,636	25,173
Other fees	14,189	12,426
Total	118,842	107,071

- 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 & drinks and other related expenses

TEUR	For the Year Ended Dec. 31	
	2013	2012
Cost of Food	33,818	38,217
Cost of Beverage	9,863	11,498
Cost of other income	5,974	6,849
Cost of other goods sold	4,701	5,175
Cost of tel, fax, internet	514	610
Total	54,870	62,349

NOTE 10 | Payroll cost, number of employees, etc

TEUR	For the Year Ended Dec. 31	
	2013	2012
Salaries	208,120	215,120
Social security	38,307	39,026
Pension costs	7,277	8,211
Sub-total	253,705	262,357
Other personnel costs (other benefits in kind)	61,407	57,760
Total	315,111	320,117

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

TEUR 13,810 (15,030) of the total salaries and remuneration in 2013 was related to senior officers within the Group, of which TEUR 2,436 (822) was variable salary. TEUR 644 (1,037) of the pension costs was related to senior officers within the Group. Senior officers are defined as General Managers at hotels, members of the Executive Committee and area vice presidents. The salary specified for senior officers relates to the remuneration they have received in their capacity as General Managers, members of the Executive Committee or area vice presidents.

For the Year ended Dec. 31	Salaries		Social security		Pension costs		Subtotal		Other personnel costs		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Denmark	12,990	13,280	474	494	1,037	1,079	14,501	14,853	1,957	1,816	16,458	16,669
Norway	60,580	63,301	8,565	8,642	2,557	3,300	71,702	75,243	13,151	11,907	84,853	87,149
Sweden	26,348	27,250	8,032	8,585	1,468	1,831	35,849	37,666	6,749	6,599	42,598	44,265
United Kingdom	27,866	26,956	2,321	2,293	586	575	30,773	29,824	9,003	8,723	39,776	38,547
Germany	25,230	24,677	5,339	5,024	—	—	30,569	29,701	12,107	10,924	42,676	40,625
France	13,429	14,402	5,059	5,827	—	—	18,487	20,229	2,677	2,911	21,164	23,141
Belgium	16,429	19,972	5,407	4,994	1,350	1,191	23,186	26,157	7,634	6,726	30,820	32,883
Other	25,248	25,282	3,101	3,167	288	235	28,637	28,684	8,128	8,154	36,766	36,839
Total	208,120	215,120	38,298	39,026	7,286	8,211	253,705	262,357	61,407	57,760	315,111	320,117

The average number of employees in Rezidor's companies during 2013 was 5,360 (5,452) and is split as follows:

	For the Year Ended Dec. 31			
	2013		2012	
	Men	Women	Men	Women
Denmark	113	126	137	126
Norway	580	636	564	650
Sweden	273	333	292	385
United Kingdom	598	679	571	646
Germany	393	472	396	482
France	221	200	244	253
Belgium	133	122	128	122
Other	251	230	261	195
Total	2,562	2,798	2,593	2,859
Total men and women	5,360		5,452	

	For the Year Ended Dec. 31			
	2013		2012	
	Men	Women	Men	Women
Members of the Board of Directors	5	2	7	3
Executive Committee (including CEO)	7	1	8	1

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

TEUR	For the Year Ended Dec. 31	
	2013	2012
Trudy Rautio	80	62
Göte Dahlin	45	43
Wendy Nelson	43	40
Staffan Bohman	70	57
Anders Moberg	43	40
Douglas M. Anderson	31	—
Hubert Joly	—	49
Barry W. Wilson	13	41
Elizabeth Bastoni	13	41
	338	373

1) TEUR 227 of the total remuneration to members of the Board of Directors in 2013 is attributable to the remuneration approved by the Annual General Meeting on April 24, 2013 for the period beginning after that Meeting and ending on the next Annual General Meeting in 2014.

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

TEUR	For the Year Ended Dec. 31	
	2013	2012
Base remuneration ²⁾	3,037	5,348
Variable remuneration	1,590	459
Pension compensation to Executive Committee:		
Defined contribution plan	356	589
Defined benefit plan	55	53
Other post employment compensation ³⁾	—	52
Housing and company cars for the Executive Committee	457	544

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

2) The 2013 figures include some adjustments for three former members of the Executive Committee.

3) The 2012 figure includes an adjustment of the 2011 accrual and a result of the Belgian special tax treatment when calculating the gross amount. This relates to the previous CEO.

The variable remuneration of the members of the Executive Committee is subject to accruals each year. The basis for the annual variable remuneration scheme for 2013 for the members of the Executive Committee is based on financial, operational and personal performance objectives. The financial objective, which represents 50% of the maximum variable opportunity, is defined as the level of earnings before interest and tax (EBIT) achieved in the year. The operational objective, which represents 25% of the maximum variable opportunity, is defined as revenue generation index (RGI) achieved in the year. The maximum variable opportunity depends on the executive's role and is capped to between 35% and 75% of the annual base remuneration (excl CEO). The related variable remuneration costs recorded in the P&L as of the end of the year represent the best estimate made at the balance sheet dates. The final variable remuneration payment is dependent on certain factors that will finally be known at a date subsequent to the release of the financial statements. Therefore, variable remuneration accrued in a specific year may be adjusted in subsequent periods as a result of the final parameters deviating from the assumptions made at the balance sheet dates. For members of the Executive Committee the contracted notice period for termination of their agreements and associated severance payments was between three and fifteen months or in some cases three months per period of five years of seniority. In case of dispute, the applicable law could lead to severance payments exceeding the contracted amount and may exceed two years annual remuneration.

Effective as from January 1, 2013 Wolfgang M. Neumann was appointed as CEO. His remuneration for 2013 was as follows:

Remuneration – CEO	For the Year Ended Dec. 31	
	2013	2012
TEUR		
Base remuneration	600	1,950
Variable remuneration	722	315
Post employment compensation	—	52
Pension cost, defined contribution plan	60	395
Housing, schooling and company cars	48	156

The CEO has an annual gross base remuneration of TEUR 600. Due to a split salary arrangement, only part of the salary is paid by the Parent Company. See also Note 3 hereafter in the Parent Company Accounts. These figures are excluding social costs. In addition, he has an annual and long term incentive programme representing up to 75% of base remuneration at target level achievement and 150% of base remuneration at maximum level achievement for each plan. He also receives a pension contribution of 10% of annual gross base remuneration, has a company car, travel allowance, housing and schooling entitlement.

Long-term equity-settled performance based incentive programme 2011

In addition to the remuneration outlined above, the previous CEO and the Executive Committee participate in a long-term equity settled incentive programme for 2011. The details of this incentive programme are described in Note 32. The table below shows the maximum number of shares that can be awarded to the previous CEO and the rest of the Executive Committee under the incentive programme approved by the Annual General Meeting in 2011. However, by December 31, 2013, it was clear that the 2011 programme would not meet the performance criteria as further outlined in Note 32, but as the vesting period had not ended that day the shares were not formally forfeited by the end of 2013.

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

	As of Dec. 31	
	2013	2012
Previous CEO	187,577	300,000
Other members of the Executive Committee	398,000	430,000
Total	585,577	730,000

Exceptional short term incentive 2012

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

Cont. Note 10

Long-term equity-settled performance based incentive programme 2013

In addition to the remuneration outlined above, the CEO and the Executive Committee participate in a long-term equity settled incentive programme for 2013. The details of this incentive programme are described in Note 32. 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 incentive programme approved by the Annual General Meeting in 2013.

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

	As of Dec. 31	
	2013	2012
CEO	279,942	—
Other members of the Executive Committee	423,839	—
Total	703,781	—

NOTE 11 | Other operating expenses

TEUR	For the Year Ended Dec. 31	
	2013	2012
Royalty fees and other costs to Carlson Group	14,506	13,809
Energy costs	28,958	30,466
Supplies	14,449	15,901
Marketing expenses	57,032	58,196
External fees	10,863	13,904
Laundry and dry cleaning	17,123	17,818
Contract services and maintenance	12,185	12,585
Administration costs	11,410	12,257
Communication, travel and transport	11,016	11,920
Operating equipment	3,471	3,877
Rentals and licences	6,115	6,846
Property operating expenses	8,425	9,548
Other Expenses	22,014	18,227
Total	217,567	225,354

NOTE 12 | Insurance of properties and property tax

TEUR	For the Year Ended Dec. 31	
	2013	2012
Property & Miscellaneous taxes	13,295	13,926
Building insurance	1,638	1,629
Total	14,933	15,555

NOTE 13 | Rental expense

TEUR	For the Year Ended Dec. 31	
	2013	2012
Fixed rent ¹⁾	188,057	198,424
Variable rent ²⁾	44,253	43,103
Shortfall guarantees ³⁾	6,145	10,470
Total	238,455	251,997

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 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. The recognised amounts include changes in provisions for onerous contracts. See Note 34.

NOTE 14 | Financial items

TEUR	For the Year Ended Dec. 31	
	2013	2012
Interest income from external financial institutions	414	443
Interest income from other loans and receivables	333	319
Other financial income	110	422
Financial income	857	1,184
Interest expense to external financial institutions	-513	-330
Interest expense from other loans and payables	-597	-406
Other financial expense	-989	-1,029
Foreign currency exchange losses	-494	-388
Financial expense	-2,593	-2,153
Financial income and expenses, net	-1,736	-969

Other financial expenses are related to bank charges and similar items. TEUR 327 of other financial income in 2012 was related to the sale of shares in Stavanger Hotel KS.

Net gain/loss per category of financial assets and liabilities

TEUR	For the Year Ended Dec. 31	
	2013	2012
Financial assets at fair value through profit and loss (held for trading)	36	32
Loans and receivables and financial liabilities measured at amortised cost	-1,772	-1,001
Total	-1,736	-969

All interest income and expenses in 2013 and 2012 are related to financial assets and liabilities measured at amortised cost. No interest income in 2013 and 2012 was recognised on impaired financial assets.

NOTE 15 | Income taxes

Income tax recognised in profit or loss

TEUR	For the Year Ended Dec. 31	
	2013	2012
Tax expense(+)/income(-) comprises:		
Current tax expense(+)/income(-)	15,231	11,635
Adjustments recognised in the current year in relation to the current tax of prior years	-381	53
Deferred tax expense(+)/income(-) relating to the origination and reversal of temporary differences	4,390	30
Write-downs of deferred tax assets	12	3,235
Total tax expense/(income)	19,252	14,953

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

TEUR	For the Year Ended Dec. 31	
	2013	2012
Profit/loss before tax from continuing operations	42,423	-2,067
Income tax income(-)/expense(+) calculated at the local tax rate	11,758	-1,668
Effect of revenue that is exempt from taxation	-420	-176
Effect of expenses that are not deductible in determining taxable profit	2,094	654
Effect of tax losses and tax offsets not recognised as deferred tax assets	5,612	13,059
Effect of previously unrecognised deferred tax attributable to tax losses, tax credits or temporary differences of prior years	84	-31
Effect on deferred tax balances due to the change in income tax rate	-362	-1,112
Write-downs of deferred tax assets	12	3,235
Effect of withholding taxes	1,103	959
Other	-248	-20
Sub total	19,633	14,900
Adjustments recognised in the current year related to the current tax of prior years	-381	53
Income tax expense recognised in profit or loss	19,252	14,953

Income tax recognised in Other comprehensive income:

Current tax

Arising on exchange differences	-481	41
Total	-481	41

Deferred tax

Arising on income and expenses recognised in Other comprehensive income:

Remeasurement of defined obligation	-2,239	3,478
Gains and losses on cash flow hedges	71	—
Total	-2,168	3,478

The average effective tax rate was 45% (-723). The average tax rate was mainly negatively impacted by the effect of not recognising deferred tax income of loss-making entities in France and the UK.

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

2013	Opening balance	Recognised in profit or loss	Recognised in Other comprehensive income	Exchange differences	Closing balance
Temporary differences					
Cash flow hedges	—	—	-71	—	-71
Property, plant & equipment	-2,224	-2,717	—	303	-4,638
Intangible assets	-10,462	479	—	—	-9,983
Provisions	1,136	-681	—	—	455
Doubtful debts	571	308	—	-19	860
Untaxed reserves	-769	163	—	84	-522
Pensions	295	-523	2,239	100	2,111
Other liabilities	-4,706	2,160	—	560	-1,986
Other current non-interest-bearing liabilities	-288	59	—	32	-197
	-16,447	-752	2,168	1,060	-13,971
Unused tax losses and credits					
Tax losses	30,574	-3,650	—	31	26,956
	30,574	-3,650	—	31	26,956
Total	14,127	-4,402	2,168	1,091	12,985

Cont. Note 15

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

2012	Opening balance	Recognised in profit or loss	Recognised in Other comprehensive income	Reclassifications	Exchange differences	Closing balance
Temporary differences						
Property, plant & equipment	-2,060	-134	—	—	-30	-2,224
Intangible assets	-13,086	2,620	—	—	4	-10,462
Provisions	7	723	—	406	—	1,136
Doubtful debts	653	107	—	-189	—	571
Untaxed reserves	-912	192	—	—	-49	-769
Pensions	3,427	472	-3,478	—	-126	295
Other liabilities	-4,823	-217	—	505	-171	-4,706
Other current non-interest-bearing liabilities	-342	72	—	—	-18	-288
	-17,136	3,835	-3,478	722	-390	-16,447
Unused tax losses and credits						
Tax losses	38,328	-7,100	—	-722	68	30,574
	38,328	-7,100	—	-722	68	30,574
Total	21,192	-3,265	-3,478	—	-322	14,127

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

TEUR	As of Dec. 31	
	2013	2012
Deferred tax assets	28,575	30,026
Deferred tax liabilities	-15,590	-15,899
Total	12,985	14,127

UNRECOGNISED DEFERRED TAX ASSETS

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

TEUR	As of Dec. 31	
	2013	2012
Tax losses	37,350	35,774
Temporary differences	5,708	5,019
Total	43,058	40,793

The unrecognised tax losses have no expiry date.

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

Deferred tax assets attributable to tax losses carry forward are recognised to the extent it is probable, based on convincing evidence, that future taxable profits will be available against which the unused tax losses can be utilised such as for example that a previously loss making entity has turned into profitability or that a change in structure will generate taxable income to offset historic losses. When assessing the probability of utilisation, the amount of taxable temporary differences relating to the same taxation authority as the tax losses carry forward are taken into account as well as the projected future taxable profits, taking into account among other things, the caps on fixed rent obligations. The projected future taxable profits are estimated based on budgets and long range plans, taking into account the expiry of contracts. The deferred tax assets attributable to tax losses carry forward are mainly found in Germany (TEUR 10,591), Belgium (TEUR 11,009) and Sweden (TEUR 5,355). The subgroups in those countries had taxable profit in 2013. Portfolio management, a revision of plans and projections for loss-making hotels or a setback in the economic recovery with major implications on the performance of the company's hotels, could trigger a need for further assessment of the recoverability of tax losses carry forward and therefore also on the carrying value of deferred tax assets.

NOTE 16 | Sold and acquired operations

During the first quarter of 2013, two lease agreements in Sweden, the Park Inn by Radisson Malmö and the Park Inn by Radisson Hammarby Sjöstad, were converted to franchise agreements. The shares of the company which held the two lease agreements, Rezidor Hotel AB, were sold to Ligula Hospitality Group AB for a symbolic SEK 1. The net assets of the company, amounting to TEUR 912, were impaired already per December 31, 2012.

NOTE 17 | Earnings per share

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

Basic	For the Year Ended Dec. 31	
	2013	2012
TEUR		
Profit/loss for the year attributable to equity holders of the parent (TEUR)	23,171	-17,022
Weighted average number of ordinary shares for the purposes of basic earnings per share	146,320,902	146,320,902
Total basic earnings per share	0.16	-0.12
	For the Year Ended Dec. 31	
	2013	2012
TEUR		
Weighted average number of ordinary shares used in the calculation of basic earnings per share	146,320,902	146,320,902
Contingently issuable shares	1,802,146	—
Weighted diluted average number of ordinary shares	148,123,048	146,320,902

The basic earnings per share is calculated by dividing the earnings attributable to the equity holders of the parent company by a weighted average number of ordinary shares during the period, excluding those shares bought back and held by the parent company. Since the number of shares was antidilutive in 2012 due to the reported loss for the period, basic and diluted earnings per share were the same.

The participants of the equity-settled incentive programmes, approved by the Annual general Meetings in 2011 and 2013, are entitled to a certain amount of shares at the end of the vesting periods (further described in Note 32) if certain performance criteria are met, including growth in earnings per share and total shareholder return relative to a defined peer group. The maximum number of shares that can be awarded is 1,802,146.

NOTE 18 | Other intangible assets

TEUR	Other intangible assets	Licenses and related rights	Total
Cost			
Balance as of Jan. 1, 2012	44,967	54,899	99,866
Investments	2,416	—	2,416
Disposals	-1,194	-1	-1,195
Effect of foreign currency exchange differences	40	3	43
Other	2,511	—	2,511
Balance as of Jan. 1, 2013	48,740	54,901	103,641
Investments	151	3	154
Disposals	-1,289	—	-1,289
Effect of foreign currency exchange differences	-317	—	-317
Balance as of Dec. 31, 2013	47,285	54,904	102,189
Accumulated amortisation and impairment			
Balance as of Jan. 1, 2012	-18,815	-7,405	-26,220
Amortisation	-2,972	-1,208	-4,180
Write-downs	-7	-14	-21
Disposals	1,178	2	1,180
Effect of foreign currency exchange differences	13	36	49
Other	-2,376	—	-2,376
Balance as of Jan. 1, 2013	-22,979	-8,589	-31,568
Amortisation	-2,657	-1,169	-3,826
Write-downs	-122	—	-122
Disposals	1,289	—	1,289
Effect of foreign currency exchange differences	219	—	219
Other	-2	-1	-3
Balance as of Dec. 31, 2013	-24,252	-9,759	-34,011
Carrying amount			
As of Dec. 31, 2012	25,761	46,312	72,073
As of Dec. 31, 2013	23,033	45,145	68,178

TEUR 44,562 (45,732) of the carrying amount of 'Licences and other related rights' is related to the contractual rights associated with the master franchise agreements with the Carlson Group. These rights were renegotiated in 2005 and in exchange for the new terms, the Carlson Group received 25% of the shares in Rezidor. This was achieved through a contribution in kind, where the value of the renegotiated terms was estimated to be TEUR 55,000. This amount is being amortised over the length of the contract, which expires in 2052.

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

NOTE 19 | Tangible assets

TEUR	Fixed installations	Machinery and equipment	Investments in progress	Total
Cost				
Balance as of Jan 1, 2012	141,299	241,383	11,829	394,511
Investments	7,158	17,792	12,795	37,745
Disposals	-6,488	-4,556	-61	-11,105
Reclassification	3,198	-3,198	—	—
Effect of foreign currency exchange differences	4,376	7,353	599	12,328
Transfer from investments in progress	4,844	6,690	-11,534	—
Other	36,013	-36,343	-50	-380
Balance as of Jan 1, 2013	190,400	229,121	13,578	433,099
Investments	7,916	23,419	17,567	48,902
Disposals	-7,181	-17,220	-61	-24,462
Effect of foreign currency exchange differences	-9,773	-13,398	-1,296	-24,467
Transfer from investments in progress	7,700	11,492	-19,192	—
Other	1,700	197	-1,915	-18
Balance as of Dec. 31, 2013	190,762	233,611	8,681	433,054
Accumulated depreciations and impairment				
Balance as of Jan 1, 2012	-105,855	-179,182	—	-285,037
Depreciation	-8,931	-15,993	-986	-25,910
Write-downs	-7,006	-3,967	-382	-11,355
Disposals	6,278	4,452	61	10,791
Effect of foreign currency exchange differences	-3,274	-5,771	-25	-9,070
Other	-27,264	27,197	—	-67
Balance as of Jan 1, 2013	-146,052	-173,264	-1,332	-320,648
Depreciation	-8,147	-17,848	158	-25,837
Write-downs	-2,860	-2,353	382	-4,831
Disposals	7,162	17,130	73	24,365
Effect of foreign currency exchange differences	7,502	11,540	145	19,187
Other	-554	-72	606	-20
Balance as of Dec. 31, 2013	-142,949	-164,867	32	-307,784
Carrying amount				
As of Dec. 31, 2012	44,348	55,857	12,246	112,451
As of Dec. 31, 2013	47,813	68,744	8,713	125,270

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

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

NOTE 20 | Investments in associated companies

TEUR	Ownership (%) as of Dec. 31, 2012	Ownership (%) as of Dec. 31, 2013	Carrying value as of Dec. 31, 2012	Share of income	Dividends	Exchange difference	Carrying value as of Dec. 31, 2013
Nordrus Hotel Holding A/S	26.08%	26.08%	199	-33	—	—	166
Al Quesir Hotel Company S,A,E	20.00%	20.00%	2,986	-187	—	-177	2,622
Afrinord Hotel Investment A/S	20.00%	20.00%	60	48	—	—	108
Total			3,245	-172	—	-177	2,896

Summarised financial information for associated companies

TEUR	As of and for the Year Ended Dec. 31	
	2013	2012
Total assets	29,508	23,547
Total liabilities	21,796	13,637
Net assets	7,712	9,910
Group's share in net assets	2,896	3,245
Revenue	2,687	3,856
Profit/loss after tax	197	617
Group's share in net profit	-172	123

NOTE 21 | Investments in joint ventures

TEUR	Ownership (%) as of Dec. 31, 2012	Ownership (%) as of Dec. 31, 2013	Carrying value as of Dec. 31, 2012	Share of income	Dividends	Exchange difference	Carrying value as of Dec. 31, 2013
Casinos Denmark A/S	50.00%	50.00%	—	—	—	—	—
Casino Copenhagen K/S	50.00%	50.00%	1,129	1,766	-1,005	—	1,890
Total			1,129	1,766	-1,005	—	1,890

Less assets classified as held for sale

-1,890

Total reported as of Dec. 31, 2013**—**

Rezidor's share of negative equity in the 50% (50%) owned Rezidor Royal Hotel Beijing Co Ltd and the long-term receivable from that company (Note 24) are seen as a net investment. The net investment is recognised as a receivable and presented as "Assets classified as held for sale" on a separate line item on the face of the balance sheet, and therefore not included in the table above.

Summarised financial information for joint ventures

TEUR	As of and for the Year Ended Dec. 31	
	2013	2012
Total assets	36,777	36,270
Total liabilities	12,773	13,326
Net assets	24,004	22,944
Group's share in net assets	12,002	11,472
Revenue	26,347	27,866
Profit after tax	3,939	3,466
Group's share in net profit	2,305	1,733

TEUR 10,112 (10,343) of the Group's share of net assets and TEUR 539 (443) of Group's share of net profit in the table above is related to Rezidor Royal Hotel Beijing Co Ltd.

NOTE 22 | Other shares and participations

TEUR	Ownership (%) as of Dec. 31, 2012	Ownership (%) as of Dec. 31, 2013	Carrying value as of Dec. 31, 2012	Exchange difference	Reclassifica- tion	Carrying value as of Dec. 31, 2013
Doricus Enterprise Ltd	13.41%	13.41%	4,152	-1	—	4,151
First Hotels Co K.S.C.C	1.82%	1.82%	1,016	-1	—	1,015
Mongolia Nord GmbH	14.28%	14.28%	899	-1	—	898
Tax Shelter Films Funding	2.43%	2.43%	120	—	-120	—
Others	—	—	35	-3	—	32
Total			6,222	-6	-120	6,096

Less assets held for sale

-898

Total reported as of Dec. 31, 2013**5,198**

NOTE 23 | Pension funds, net**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.

The amounts recognised in the balance sheet for the defined benefit plans are determined as follows:

TEUR	As of Dec. 31	
	2013	2012
Present value of funded obligations	53,312	51,965
Fair value on plan assets	-47,203	-52,492
Deficit/(surplus) of funded plans	6,109	-527
Present value of unfunded obligations	601	663
Total deficit of defined benefit pension plans	6,710	136
Impact of minimum funding requirement/asset ceiling	—	—
Liability in the balance sheet	6,710	136

The movement in the defined benefit obligation over the year is as follows:

TEUR	For the year ended Dec. 31	
	2013	2012
Opening defined benefit obligation	52,629	63,072
Current service cost	2,377	3,005
Interest cost	1,553	1,538
Components recognised in profit or loss	3,930	4,543
Remeasurement on the defined benefit obligation:		
Actuarial (gains)/losses from change in financial assumptions	-644	2,142
Actuarial (gains)/losses arising from experience adjustments	5,915	-17,527
Components recognised in other comprehensive income	5,271	-15 385
Payroll tax on employer contribution	-272	-141
Benefits paid	-2,095	-2,189
Exchange (gains)/losses on foreign plans	-5,550	2,729
Closing defined benefit obligation	53,913	52,629

The movement in plan assets over the year is as follows:

TEUR	For the year ended Dec. 31	
	2013	2012
Opening plan assets	52,492	51,397
Interest income	1,758	1,277
Components recognised in profit or loss	1,758	1,277
Remeasurement on the plan assets:		
Actuarial (gains)/losses arising from experience adjustments	-3,175	-2,414
Components recognised in other comprehensive income	-3,175	-2,414
Contributions from employer	4,066	1,753
Payroll tax on employer contributions	-272	-141
Contributions from plan participants	87	91
Benefits paid	-2,038	-1,924
Exchange gains/(losses) on foreign plans	-5,715	2,453
Closing fair value of plan assets	47,203	52,492

The significant actuarial assumptions were as follows:

TEUR	As of Dec. 31	
	2013	2012
Discount rate		
Norway	4.00%	3.80%
Belgium	3.25%	3.00%
Sweden	3.00%	2.25%
Expected rate of salary increase	3.50%	3.50%
Local government rate in Norway	3.50%	3.25%

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Increase in assumption	Decrease in assumption
Discount rate 0.50%	4,545	-4,611
Expected rate of salary increase 0.50%	-2,888	3,069
Other (local government rate in Norway) 0.25%	713	-266
Life expectancy (men and women) 1 year	-1,307	1,411

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

Plan assets are comprised as follows:

TEUR	As of Dec. 31					
	2013			2012		
	Quoted	Unquoted	%	Quoted	Unquoted	%
Equity investments	2,681	—	5.7%	4,654	—	8.9%
Bond investments:						
Government	3,315	—	7.0%	3,024	—	5.8%
Corporate	620	—	1.3%	570	—	1.1%
Mortgage	304	—	0.6%	281	—	0.5%
Unspecified	21,890	—	46.4%	24,979	—	47.5%
Properties	—	6,691	14.2%	—	9,399	17.9%
Other investments	11,702	—	24.8%	9,585	—	18.3%
Total	40,512	6,691	100.0%	43,093	9,399	100.0%

The plan assets are part of common funds used by insurance companies for investing. Therefore, information of specific Rezidor's assets allocation is not available and it is the insurance companies' allocation of its total assets that is applied to Rezidor's assets in the table above. Furthermore, due to the nature of Norwegian plan assets, where pension funds are strictly regulated by financial authorities, less detailed information is released on assets' categories by the insurance company. This is the reason for the "unspecified" category under Bond investments.

Through its defined benefit pension plans the group is exposed to a number of risks, the most significant of which are:

Asset volatility:

The present value of defined benefit liability is calculated using a discount rate determined by reference to high quality corporate bond yields in Belgium and Norway and government bonds in Sweden. If the return on plan asset is below this rate, it will create a plan deficit.

Changes in bond yields:

A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.

Life expectancy:

The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

Salary risk:

The present value of the defined benefit liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of plan participants will increase the plan's liability.

Expected contributions to post-employment benefit plans for the year ending December 31, 2014 are TEUR 2,743.

The weighted average duration of the defined benefit obligation is 26.7 years.

Cont. Note 23

Expected maturity analysis of undiscounted pension benefits:

TEUR	
Year 2014	2,099
Year 2015 – Year 2016	4,383
Year 2017 – Year 2019	6,726
Year 2020 – Year 2023	10,791

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 5,163 (4,572).

For clerical employees in Sweden, the defined benefit obligations in the ITP 2 plan for retirement and family pension (or family pension), are 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. For the financial year 2013, the Company has not had access to the information necessary to account for its shared part of the plan's obligations, plan assets and costs, and a consequence it has not been possible to report the plan as a defined benefit plan. The pension plan ITP 2, which is safeguarded through insurance in Alecta, is therefore reported as a defined contribution plan. The premium for the defined benefit retirement and family pension is individually calculated and is inter alia taking into account salary, previously earned pension and anticipated remaining seniority. Expected fees next reporting period for ITP 2 insurances, covered by Alecta, amounts to TEUR 849 (891). The Group's share of the total contributions to the plan and the Group's share of the total number of active members in the plan is 0.04077 and 0.02944 percent (0.03559 and 0.03034 percent). The collective consolidation level is the market value of Alecta's assets as a percentage of insurance obligations measured in accordance with Alecta's actuarial assumptions, which do not comply with IAS 19. The collective consolidation level is normally allowed to vary between 125 and 155 percent. If Alecta's collective consolidation level is less than 125 percent or greater than 155 percent, measures should be taken in order to create the conditions to return the consolidation level within the normal range. At low consolidation, an action can be to raise the agreed price for subscription and expansion of existing benefits. At high consolidation, an action can be to introduce premium reductions. At the end of 2013, Alecta's surplus in the form of the collective consolidation level was 148% (129).

Revised IAS 19 Employee Benefits

The company has adopted the revised standard IAS 19 Employee Benefits in the current year. The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income, which means that the corridor approach is eliminated in order for the net pension asset or liability recognised to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a net interest amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

The IAS 19 amendments have been applied retrospectively and comparative information for 2012 have been restated. Unrecognised actuarial gains and losses at January 1, 2012 have been recognised directly in equity as a changed accounting principle. The impact of the application of the amendments to IAS 19 is presented in the table below.

TEUR	As previously reported	IAS 19R adjustments	As restated
As of January 1, 2012			
Pension funds, net	9,227	-9,227	—
Retirement benefit obligations	2,150	9,517	11,667
Deferred tax assets	31,579	45	31,624
Deferred tax liabilities	15,721	-5,289	10,432
Equity	164,698	-13,410	151,288
Full year 2012			
Loss for the period	-16,848	-172	-17,020
Other comprehensive income, net of tax	2,865	9,492	12,357
Total comprehensive income for the period	-13,983	9,320	-4,663
As of December 31, 2012			
Pension funds, net	7,718	-1,930	5,788
Retirement benefit obligations	1,908	4,016	5,924
Deferred tax assets	28,909	1,117	30,026
Deferred tax liabilities	16,638	-739	15,899
Equity	149,853	-4,090	145,763

NOTE 24 | 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 prog-

ress. 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, 2013		Nominal loan amount	Currency	Nominal value in TEUR	Impairment & exchange losses in TEUR	Assets held for sale	Amortised cost in TEUR	Duration and interest rates
Rezidor Hotels ApS Danmark	Polar Bek Daugave Ltd. Riga Hotel	1,225	USD	989	—	—	989	Undefined duration -10.08%
SIHKA A/S	Rezidor Royal Hotel Beijing Co. Ltd	15,902	USD	11,569	-1,457	-10,112	—	Undefined duration
Rezidor Hotels ApS Danmark	Afrinord Hotel Investment	1,003	EUR	1,003	—	—	1,003	15/04/2019 – 6 months Euribor +6.1%
Rezidor Hotels ApS Danmark	Afrinord Hotel Investment	1,800	USD	1,310	—	—	1,310	31/03/2020 – 3 months USD Libor +8.5%
Rezidor Hotels ApS Danmark	Afrinord Hotel Investment	505	EUR	505	—	—	505	15/10/2022 – 3 months Euribor +3.5%
Rezidor Hotels UK Ltd	New Hotel JSC	168	EUR	168	—	—	168	01/07/2015 –8.88%
Rezidor Group	Other	158	EUR	158	—	—	158	Various interest bearing deposits
Total of interest-bearing				15,702	-1,457	-10,112	4,133	
Rezidor Group				2,408	—	—	2,408	Non-interest bearing
Total of non-interest-bearing				2,408	—	—	2,408	
Total long-term receivables				18,110	-1,457	-10,112	6,541	

As of Dec. 31, 2012

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

NOTE 25 | Accounts receivables

TEUR	As of Dec. 31		
	2013	2012	
Accounts receivables before allowance for doubtful accounts	54,764	52,764	
Allowance for doubtful accounts	–10,625	–8,456	
Accounts receivables net of allowance for doubtful accounts	44,139	44,308	
	Accounts receivables before allowance for doubtful accounts	Provision for doubtful accounts	Accounts receivables net of allowance for doubtful accounts
As of Dec. 31, 2013			
Accounts receivables not overdue	16,903	–38	16,865
Accounts receivables overdue			
1–30 days	19,596	–102	19,494
31–60 days	4,699	–52	4,647
61–90 days	2,443	–441	2,002
More than 90 days	11,123	–9,992	1,131
Total overdue	37,861	–10,587	27,274
Total ledger	54,764	–10,625	44,139
	Accounts receivables before allowance for doubtful accounts	Provision for doubtful accounts	Accounts receivables net of allowance for doubtful accounts
As of Dec. 31, 2012			
Accounts receivables not overdue	19,944	–44	19,900
Accounts receivables overdue			
1–30 days	18,410	–68	18,342
31–60 days	4,682	–628	4,054
61–90 days	2,011	–912	1,099
More than 90 days	7,717	–6,804	913
Total overdue	32,820	–8,412	24,408
Total ledger	52,764	–8,456	44,308

TEUR	As of Dec. 31		
	2013	2012	
Balance at the beginning of the year	–8,456	–5,902	
Amounts written off during the year	934	196	
Amounts recovered during the year	611	133	
Increase/decrease in allowance recognised in profit or loss	–3,762	–2,888	
Translation difference	48	5	
Balance at the end of the year	–10,625	–8,456	

No collaterals are held as security for accounts receivables outstanding.

NOTE 26 | Other current interest-bearing receivables

Loan from	Counterpart	As of Dec. 31, 2013	
		Amortised cost in TEUR	Interest rates
Rezidor Hotels ApS Danmark	Afrinord Hotel Investments A/S	223	6 months Euribor + 6.1%
Rezidor Hotels Aps Danmark	Orchard Hotels A.S	212	3 months Euribor + 1.5%
Rezidor Hotels UK Ltd	New Hotel JSC	314	8.88%
Total of current interest-bearing receivables		749	

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

No collateral was held as security for these receivables. Nothing was past due at year-end 2013 and 2012.

NOTE 27 | Other current non-interest-bearing receivables

TEUR	As of Dec. 31	
	2013	2012
Prepaid expenses		
Prepaid Rent	14,934	15,919
Prepaid Heating	251	298
Prepaid Property tax	2,073	1,834
Prepaid Other	5,728	6,114
	22,986	24,165
Accrued Income		
Accrued Income – Fees	7,786	6,779
Accrued Income – Other	8,055	5,112
	15,841	11,891
Fair value change on FX swaps	38	3
Other current non-interest-bearing receivables	16,892	17,198
Total	55,757	53,257

NOTE 28 | Other short-term investments

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

NOTE 29 | Cash and cash equivalents

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

TEUR	As of Dec.31	
	2013	2012
Bank accounts	5,206	6,932
Cash on hand	1,731	1,664
Total cash and cash equivalents	6,937	8,596

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

NOTE 31 | Share capital

ISSUED CAPITAL

TEUR	Share capital 2013	Other paid in capital 2013	Share capital 2012	Other paid in capital 2012
Opening balance as of Jan. 1,	10,000	120,302	10,000	120,302
Closing balance as of Dec. 31,	10,000	120,302	10,000	120,302

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

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

Share buy-back

Following the authorisation at the Annual General Meeting in May 2007, Rezidor bought back 1,025,000 shares in 2007 at an average price of SEK 45.00 and 945,200 shares in 2008 at an average price of SEK 33.51 per share. On 23 April, 2008, the Annual General Meeting gave the Board of Directors a renewed authorisation to decide on the acquisition of the Company's own shares on the NASDAQ OMX Stockholm until the next Annual General Meeting. Following this new authorisation, the company bought back 1,724,300 shares in 2008 at an average price of SEK 27.36. The authorisations at the Annual General Meetings in 2007 and 2008 to buy back shares were given to secure delivery of shares to the participants in the share based incentive programmes and to cover social security costs pertaining to these programmes as well as to ensure that the group has a more efficient capital structure. In total, 3,694,500 shares were bought back for TEUR 13,292, representing 2.46% of the number of registered shares and a quota value of TEUR 246.3. On 16 April, 2010, the Annual General Meeting approved that all 3,694,500 shares are to be used for the share based incentive programmes. In 2011, 13,362 of these shares were transferred

NOTE 30 | Assets classified as held for sale

The assets related to the investments in Rezidor Royal Hotel Beijing Co. Ltd, Casinos Denmark A/S, Casino Copenhagen K/S and Mongolia Nord GmbH have been presented as held for sale, following the approval of the board of directors. The sales are expected to take place within 12 months from the balance sheet day.

TEUR	As of Dec. 31	
	2013	2012
Investments in joint ventures	1,890	—
Other shares and participations	898	—
Other long-term interest-bearing receivables	10,112	—
Total assets	12,900	—

to the participants of the 2008 programme, leaving 3,681,138 shares held by the company as of December 31, 2011, representing 2.45% of the number of registered shares. The weighted numbers of shares held by the company in 2012 and 2011 was 3,681,138 and 3,681,138 respectively. On April 25, 2012 the Board of Directors was again authorised by the Annual General Meeting to decide on the acquisition and transfer of the Company's own shares. The purpose of the authorisation is to give the Board of Directors an increased capacity to act in respect of organising the capital structure of the company. At the end of 2013, the authorisation had not been used and no shares were consequently bought back in 2012 or 2013.

TEUR	As of Dec. 31	
	2013	2012
Number of registered shares	150,002,040	150,002,040
Number of own shares held by the company	-3,681,138	-3,681,138
Number of shares outstanding	146,320,902	146,320,902

Dividend per share

In accordance with the recommendation from the Board of Directors to the Annual General Meeting in 2013, the Annual General Meeting decided to not pay any dividend to the shareholders in 2013. The Board of Directors recommends the Annual General Meeting 2014 no dividend to be paid for the financial year 2013.

NOTE 32 | Share-based payment

Long-term equity-settled performance-based incentive programmes

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

The 2011 programme

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

Based on the outcome of certain performance criteria, the participants of the programme may, at the end of the vesting period, at no cost to them, be awarded a certain number of so called performance shares in the company. The total number of performance shares allotted at grant date amounted to 300,000 for the CEO, 150,000 for the CFO, 55,000 for the COO and the CDO, 45,000 for other participants within the top management and 13,000 for other participants in the programme. As of December 31, 2013, the maximum number of performance shares that may be awarded after the full vesting period was 754,577.

Seven members of the Executive Committee participate in the programme, entitling them to a maximum of 398,000 shares. The former CEO is entitled to a maximum of 187,577 shares. In addition, 13 other members of management participate in the programme, entitling them to 169,000 shares in total.

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

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

The 2013 programme

On April 24, 2013, the Annual General Meeting approved a long-term equity settled performance based programme to be offered to no more than 35 executives within the Rezidor Group. The programme is comprised of both matching shares and performance shares. The President and CEO and other members of the Executive Committee have been offered the opportunity to participate in the performance share part as well as the matching share part of the programme. Other key executives have been offered to participate in the performance share part of the programme.

The participants who have accepted the invitation for the matching share part of the programme have acquired Rezidor shares on NASDAQ OMX Stockholm and/or allocated shares already held to the programme. The investment in and/or allocation

of matching shares for the President and CEO amounts to not less than 5 percent, and not more than 10 percent of the fixed annual gross base remuneration for 2013. The investment in and/or allocation of matching shares for other members of the Executive Committee amounts to not less than 2.5 percent, and not more than 5 percent of the fixed annual gross base remuneration for 2013. In order to qualify for matching shares, each participant shall meet certain requirements, including a share holding requirement of at least three years and continuing employment with the company during the vesting period. Exemptions may be prescribed in specific cases.

In order to qualify for performance shares, each participant must, in addition to the requirement regarding continuing employment during the vesting period, meet a performance target based on Rezidor Group's cumulative earnings per share for the financial years 2013 to 2015. The maximum number of performance shares that is allotted to each participant in the programme is calculated by dividing an amount corresponding to a certain percentage of each participant's fixed annual gross base remuneration for 2013, by the market price of the Rezidor share. The percentage of the fixed annual gross remuneration for 2013 is 150 percent for the President and CEO, between 35 and 75 percent for other members of the Executive Committee and between 30 and 38 percent for other key executives, in each case converted into SEK. The market price of the Rezidor share used amounts to SEK 29.82, which corresponds to the volume-weighted average price paid for the Rezidor share on NASDAQ OMX Stockholm during a period of five consecutive trading days immediately before the day the participants were invited to participate in the programme, which was 14 June 2013.

Seven members of the Executive Committee participate in the 2013 incentive programme entitling them to a maximum total of 703,781 shares, of which the President and CEO is entitled to a maximum of 279,942 shares. 21 other members of management participate in the programme, entitling them to a maximum of 343,788 shares in total. The total value of the 2013 programme at grant date, incl. social security costs, amounts to TEUR 2,163.

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 2012	Granted in 2013	Forfeited during 2013	Awarded during 2013	At the end of 2013
2010 plan	757,615	—	-757,615	—	—
2011 plan	912,000	—	-157,423	—	754,577
2013 plan	—	1,047,569	—	—	1,047,569
Total	1,669,615	1,047,569	-915,038	—	1,802,146

By December 31, 2013, it was clear that the performance criteria of the 2011 programme would not be met, but as one of the vesting conditions is continued employment until the end of the vesting period (release of Q1 2014), the shares were not formally forfeited.

Total costs

The net costs recognised in the income statement during the period in accordance with IFRS 2 amounted to TEUR 968 (-862).

NOTE 33 | Fair value reserve – Cash-flow hedges

TEUR	As of Dec. 31	
	2013	2012
Opening value as of Jan. 1	—	—
Effective gains and losses recognised in equity during the year	444	—
Tax on effective gains and losses recognised in equity during the year	-111	—
Gains and losses reclassified out of equity during the year	-160	—
Tax on gains and losses reclassified out of equity during the year	40	—
Closing value as of Dec. 31	213	—

NOTE 34 | Provisions

TEUR	Employee benefits and payroll	Restructuring and termination	Legal claims	Onerous contracts	Other	Total
Balance as of Jan. 1, 2012	395	—	300	—	554	1,249
Reclassification	-332	—	-27	1,354	365	1,360
Additional provisions recognised	—	1,137	404	2,406	372	4,319
Reductions resulting from remeasurement	-4	—	-91	—	—	-95
Reductions arising from payments	—	—	-182	—	-423	-605
Balance as of Dec. 31, 2012	59	1,137	404	3,760	868	6,228
Additional provisions recognised	12	—	1,019	—	174	1,205
Reductions resulting from remeasurement	—	—	-146	-1,253	-396	-1,795
Effect of foreign currency exchange differences	—	—	-3	—	-88	-91
Reductions arising from payments	—	-1,137	-83	-1,096	-186	-2,502
Balance as of Dec. 31, 2013	71	—	1,191	1,411	372	3,045

Analysis of total provisions

TEUR	
Expected cash outflow in 2014	2,573
Expected cash outflow in 2015	418
Expected cash outflow in 2016	54
Total as of Dec. 31, 2013	3,045

Employee benefits and payroll

The provision for employee benefits relates to obligations in connection with retirement in France and is adjusted every year in accordance with seniority of staff.

Legal claims

The main part of the provision for legal claims relates to a claim from one of Rezidor's partners in Africa. The claim was settled in February 2014.

Onerous contracts

The provision for onerous contracts relates to the present value of future guarantee payments that Rezidor is presently obligated to make under a loss-making management contract in Western Europe. The estimate may vary as a result of the hotel's performance.

Other

Other provisions are mainly related to a contractual obligation for one of the leased hotels in Western Europe. The balance as at December 31, 2013, is expected to be utilised in 2014.

NOTE 35 | Borrowings

TEUR	Current As of Dec. 31		Non-current As of Dec. 31	
	2013	2012	2013	2012
Unsecured – at amortised cost				
Bank overdrafts	17,480	26,052	—	—
Other loans	22	109	6,344	6,887
Total	17,502	26,161	6,344	6,887

TEUR 6,319 (6,596) of other non-current loans is related to the financing of renovation investments in a German hotel under a management contract. Rezidor has not received any cash in connection with this loan, but has assumed an obligation for the financing of a portion of the renovation works as part of the management agreement. An intangible asset corresponding to the rights granted through the management agreement has been recognised at the same time. Interest costs amounting to TEUR 406 (interest rate 5.8%), incurred during the renovation period, were capitalised in 2009. In 2011, accrued interest of TEUR 567 was waived and reported as a financial income. As from 2011, the loan runs with an interest rate of 4.5%. The repayment of the non-current part of the loan is linked to the amount of fees collected from this hotel.

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

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

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

	As of Dec. 31, 2013			
	TCHF	TEUR	TSEK	Total
Bank overdrafts	—	17,480	—	17,480
Other loans	38	6,319	9	6,366
Total	38	23,799	9	23,846

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

The average annual interest rates paid were as follows:

	For the Year Ended Dec. 31	
	2013	2012
Bank overdrafts & credit lines	1.01%	0.62%
Other loans	4.50%	4.50%

All liabilities to financial institutions are repayable within one year.

Split of bank overdraft

TEUR	As of Dec. 31	
	2013	2012
Bank overdraft facilities granted	110,000	106,800
Utilisation of bank overdraft: in guarantees	-1,745	-2,276
Utilisation of bank overdraft: in cash	-17,480	-26,052
Bank overdraft facilities unutilised	90,775	78,472

In 2008 Rezidor signed a long-term agreement with a leading European bank, securing combined overdraft and guarantee facilities of TEUR 105,000. In 2011 Rezidor renegotiated its long-term credit facilities, by extending the tenor of its committed credit lines to now range between one and four years combined with customary covenants. In addition, the Group has credit facilities of TEUR 5,000 granted by another bank.

NOTE 36 | Other current non-interest-bearing liabilities

TEUR	As of Dec. 31	
	2013	2012
Prepayments from customers	9,212	9,724
Accrued expenses & prepaid income	88,353	89,818
Other short term non-interest-bearing liabilities	18,907	17,228
Total	116,458	116,770

Specification of accrued expenses and prepaid income

TEUR	2013	2012
Vacation pay including social costs	16,625	18,171
Accrual for bonus including social costs	10,501	6,056
Other payroll accruals	10,072	12,563
Accrual for energy costs	3,399	3,964
Accrued fees	2,960	3,342
Accrued rent	11,405	11,312
Accrued sales & marketing costs	5,212	5,455
Prepaid income	2,142	2,791
Other accrued expenses	26,037	26,164
Total	88,353	89,818

NOTE 37 | Related parties

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

The related party transactions with Carlson are split as follows:

TEUR	Revenue		Operating cost		Amounts owed by the related parties		Amounts owed to the related parties	
	2013	2012	2013	2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
Carlson Inc	—	—	15,969	15,039	—	—	1,962	1,040
Carlson Inc (Club Carlson)	2,419	1,788	6,138	5,760	—	—	—	—
Recharged third party costs	—	—	3,486	2,815	—	—	—	—
Carlson Travel Agencies	—	—	478	575	—	—	190	241
Other	1,245	1,491	353	724	—	—	—	—

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 partly owned by Carlson.

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

The business relationship with Carlson mainly consists of operating costs related to the use of the brands and for the use of the reservation system of Carlson. Rezidor is also paying commissions to a network of travel agencies, partly owned by Carlson. In addition, Carlson operates a customer loyalty programme, Club Carlson, to provide customers with incentives to buy room nights. Loyalty points earned when guests have stayed at hotels are charged by Carlson to these hotels. Similarly, when points have been redeemed at hotels, these hotels are reimbursed by Carlson. Including all contract types (leased, managed and franchised), Carlson charged TEUR 19,252 (17,374) during the year for points earned and reimbursed TEUR 7,772 (4,638) for points redeemed. However, only transactions involving leased hotels (presented in the table above) have an impact on Rezidor's consolidated accounts. Carlson furthermore recharges costs that it has incurred from third parties, mainly internet-based reservation channels, to the hotels to which these costs are related. Including all contract types (leased, managed and franchised), Carlson recharged costs TEUR 8,191 (6,116) during the year. Only costs recharged to leased hotels (presented in the table above) have an impact on Rezidor's consolidated accounts. Carlson and Rezidor are also cooperating in various other areas, such as global sales, brand websites, revenue optimisation tools and purchasing. These other areas do not, however, always lead to direct transactions between the two companies. All transactions are done at an arms' length basis. Any new agreement or transaction with Carlson deemed material require the approval of the Board of Directors of Rezidor.

Joint ventures and associated companies

TEUR	As of Dec. 31	
	2013	2012
Loans due from joint ventures and associated companies	10,112	10,343
Revenue (Management Fees) from joint ventures and associated companies	397	562

More information about shares in joint ventures and associates and the loans to the entities is disclosed in Notes 20, 21 and 24.

NOTE 38 | Assets pledged, contingent liabilities and committed investments

TEUR	As of Dec. 31	
	2013	2012
Assets pledged		
Securities on deposit	4,107	4,244
Total assets pledged	4,107	4,224
Contingent liabilities		
Guarantees provided for management contracts ¹⁾	1,145	1,527
Miscellaneous guarantees provided	600	589
Total guarantees provided	1,745	2,116

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

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

Rezidor has a 20.0% equity stake in Afrinord Hotel Investment A/S ("Afrinord"), to develop/acquire projects in Africa. Afrinord has a total investment commitment by its shareholders of TEUR 35,000 as of December 31, 2013, of which TEUR 50 has been contributed as share capital by Rezidor in 2006. Afrinord has partly financed hotels in Addis Ababa (Ethiopia), Nairobi (Kenya) and Freetown (Sierra Leone) through loan agreements. Related to these projects, TEUR 15,562 was outstanding as of December 31, 2013 of which Rezidor's contribution was TEUR 3,040. The remaining commitment by Rezidor is consequently TEUR 3,960.

Litigation

The Rezidor Hotel Group operates in a number of countries around the world and is always involved in several complex projects and business relationships where there can be professional disputes on various issues. Most often these situations find its solution through negotiations and discussions. In some rare situations these disputes can lead to major disagreements or claims of violation of law. Provisions for claims due to known disputes are recorded whenever there is a situation where it is more likely than not that the company will have an obligation to settle the dispute and where a reliable estimate can be made regarding the outcome of such dispute. Rezidor is not engaged in any legal or arbitration proceedings, including those which are pending and described below or known to be contemplated, which, in Rezidor's judgement,

may have or have a material effect on the company's financial position or profitability during 2013. 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 31, 2013.

Below is a description of pending material legal proceedings:

In May 2006, Stonehaven Trust Limited ("Stonehaven") submitted a claim against Rezidor's subsidiary Rezidor Hotels ApS Danmark (previously SAS Hotels A/S Danmark) before the Brussels Commercial Court. Stonehaven is claiming MEUR 34.5 as compensation for the alleged wrongful termination of negotiations in 2001 of a management agreement to be entered into upon finalisation of the acquisition as well as after the completion of the full renovation of a hotel in Bruges, Belgium. The claim is in respect of wasted time, costs and the profit Stonehaven would have obtained from the management agreement had it been entered into. On October 30, 2009, the Commercial Court of Brussels dismissed all of Stonehaven's claims. On December 28, 2009, Stonehaven appealed the decision. In its appeal it has restated its claim as already presented before the Commercial Court of Brussels. Rezidor believe, based on legal advice and opinions provided by the company's external legal counsel, that the claim is without merit. Accordingly Rezidor have not included any provision in the accounts to cover this claim, or for the costs of defence.

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

NOTE 39 | Leasing commitments

Under Rezidor's lease agreements, Rezidor lease hotel buildings from property owners or other partners and are entitled to the benefits and carry the risks associated with operating the hotel. Typically, Rezidor's lease agreements include a variable rent clause under which Rezidor are obligated to pay a variable rent based on a percentage of the total revenue generated by a hotel ("variable rent"). The majority of Rezidor's lease agreements also include a minimum rent payment obligation which is independent of the revenue generated by the hotel ("fixed rent"). The fixed rent is typically adjusted annually to take into account changes in a defined consumer price index. Generally, under contracts containing variable and fixed rent clauses, Rezidor pay the higher of the two to the lessor. To limit Rezidor's financial exposure in the company's lease contracts, Rezidor typically limit the "shortfall" amount by which the fixed rent exceeds the variable rent to an amount corresponding to two to three years' aggregate fixed rent payment obligations ("cap"). If cumulative shortfall payments reach this cap, the fixed rent payment obligation ceases and the lessor receives only the variable rent. At year-end 2013, Rezidor had 70 leasing contracts for hotels in operation and under development that had some financial commitments, compared to 69 such contracts in 2012. 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:

2013		2012	
Year	Number of leasing agreements expiring	Year	Number of leasing agreements expiring
2014	1	2013	—
2015–2019	9	2014	3
2020–2024	12	2015–2019	12
2025–2029	14	2020–2024	13
2030–2034	28	2025–2029	14
2035–2039	6	2030–2034	25
2040–2044	—	2035–2039	2

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, 2013 are shown in the following table. For further information regarding rent payments, please refer to Note 13.

Future minimum lease payments

TEUR	2013	2012
Within 1 year	199,235	207,869
1–5 years	751,353	760,250
After 5 years	1,852,923	1,691,508
Total	2,803,511	2,659,627

Future minimum sub lease income

Revenue from sub leases recognised in 2013 amounted to TEUR 2,001 (935). The expected future sub lease payments to be received from all fixed rent agreements are shown in the table below:

TEUR	2013	2012
Within 1 year	2,123	1,253
1–5 years	11,384	21,824
After 5 years	2,313	341
Total	15,820	23,418

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 22 management contracts in 2013, as compared to 23 in 2012. The management contracts containing such financial risk for the group will expire as presented in the table below:

2013		2012	
Year	Number of management agreements expiring	Year	Number of management agreements expiring
2014	—	2013	—
2015–2019	2	2014	1
2020–2024	6	2015–2019	2
2025–2029	9	2020–2024	6
2030–2034	3	2025–2029	9
2035–2039	1	2030–2034	3
2040–2044	1	2035–2039	1
2045–2049	—	2040–2044	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	2013	2012
Total	64,979	75,468

The capped guarantee payment includes the contingent liabilities as disclosed in Note 38 (i.e. Guarantees provided for management contracts). For 2013, Rezidor's costs for shortfalls under its management agreements with guarantees amounted to TEUR 6,145 (10,470). See also Note 13.

NOTE 41 | Auditors' fees

TEUR	For the Year Ended Dec. 31	
	2013	2012
Deloitte		
Audit assignments	1,023	1,133
Other audit related assignments	440	345
Tax assignments	123	108
Other assignments	132	138
Total fees	1,718	1,724

Fees paid to Deloitte for other assignments include fees related to support in Rezidor's internal control assessment. These fees amounted to TEUR 28 (6).

NOTE 42 | Post balance sheet events

As announced on February 7, 2014 the Board of Directores intends to propose a rights issue of approximately MEUR 60 to accelerate the execution of Rezidor's strategic plan and to further drive margin expansion under an asset light model. With increased financial flexibility the company will pursue additional exits or restructurings in the leased portfolio, accelerate the upgrade of the hotel portfolio and seek additional growth opportunities in the emerging markets. Rezidor's Board of Directors intends to

make a formal resolution on or around 24th March, subject to approval by the Annual General Meeting (AGM) of the company on 24th April.

Rezidor concluded a restructuring of a lease agreement in Rest of Western Europe in January 2014. The deal will reduce Rezidor's rent costs and represents an annual positive effect on EBITDA of ca MEUR 1.2 beginning in February 2014. In return for the rent reduction, Rezidor agreed that the new fixed rent will be payable for the duration of the agreement and extended the term of the lease.

NOTE 43 | Group companies and legal structure

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

	Registered in	As of Dec. 31, 2013		As of Dec. 31, 2012	
		Ownership %	Share capital	Ownership %	Share capital
Belgium					
Rezidor Finance S.A.	Brussels	—	—	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
Rezidor Hotel Brussels S.A.	Brussels	100	MEUR 85.2	100	MEUR 85.2
Rezidor Park Belgium S.A.	Brussels	—	—	100	MEUR 0.1
Cyprus					
Doriscus Enterprises Limited	Limassol	13.41	MEUR 19.8	13.41	MEUR 19.8
China					
Rezidor Royal Hotel Beijing Co., Ltd	Beijing	50	MRMB 33.4	50	MRMB 33.4
Denmark					
Rezidor Hotels ApS Danmark	Copenhagen	100	MDKK 212.0	100	MDKK 212.0
Rezidor Falconer Center A/S	Frederiksberg	100	MDKK 1.2	100	MDKK 1.2
Rezidor Services A/S	Copenhagen	100	MDKK 2.0	100	MDKK 2.0
SIHKA A/S	Copenhagen	100	MDKK 3.0	100	MDKK 3.0
Rezidor Scandinavia Hotel Aarhus A/S	Aarhus	100	MDKK 0.5	100	MDKK 0.5
Rezidor Riga Hotel A/S	Copenhagen	—	—	100	MDKK 1.5
Hotel Development S. Africa A/S	Copenhagen	100	MDKK 1.0	100	MDKK 1.0
Rezidor Hotel Kiev A/S	Copenhagen	100	MDKK 1.0	100	MDKK 1.0
Rezidor Hotel investment Egypt A/S	Copenhagen	100	MDKK 1.0	100	MDKK 1.0
Rezidor Hotel investment France ApS	Copenhagen	—	—	100	MDKK 2.5
Hotel Investment Turkey A/S	Copenhagen	—	—	51	MDKK 1.0
Nordrus Joint Venture ApS	Copenhagen	100	MDKK 0.6	100	MDKK 0.6
Rezidor Russia A/S	Copenhagen	100	MEUR 0.7	100	MEUR 0.7
Rezidor Loyalty Management A/S	Copenhagen	100	MEUR 0.1	100	MEUR 0.1
Rezidor Cornerstone A/S	Copenhagen	100	MDKK 2.4	100	MDKK 2.4
Rezidor Hotel Management & Development A/S	Copenhagen	100	MDKK 2.5	100	MDKK 2.5
Rezidor Hospitality A/S	Copenhagen	100	MEUR 83.0	100	MEUR 83.0
Casinos 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
Afrinord Hotel Investments A/S	Copenhagen	20	MEUR 0.3	20	MEUR 0.3
Rezidor Royal ApS	Copenhagen	100	MDKK 0.5	—	—
Rezidor Scandinavia ApS	Copenhagen	100	MDKK 0.5	—	—
Egypt					
Al Quesir Hotel Company S.A.E	Nasr City, Cairo	20	MEGP 68.0	20	MEGP 68.0
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
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
Rezidor Park Lyon-Ouest S.A.S.	La Tour de Salvagny	—	—	100	MEUR 0.0
Rezidor Park Arcachon S.A.S.	Arcachon	—	—	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
SARL Régence Plage	Nice	100	MEUR 0.0	100	MEUR 0.0

	Registered in	As of Dec. 31, 2013		As of Dec. 31, 2012	
		Ownership %	Share capital	Ownership %	Share capital
Germany					
Rezidor Hotels Deutschland GmbH	Duisburg	100	MEUR 0.2	100	MEUR 0.2
Rezidor Hotel Dresden GmbH	Duisburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Rügen GmbH	Hamburg	—	—	100	MEUR 0.0
Rezidor Hotel Hannover GmbH	Duisburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Hamburg Airport GmbH	Duisburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Köln GmbH	Duisburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Wiesbaden GmbH	Duisburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Berlin GmbH	Duisburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Karlsruhe GmbH	Duisburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Frankfurt am Main GmbH	Duisburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Frankfurt Airport GmbH	Duisburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Stuttgart GmbH	Duisburg	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	Duisburg	100	MEUR 0.0	100	MEUR 0.0
Park Inn München Ost GmbH	Duisburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Düsseldorf Media Harbour Hotel GmbH	Duisburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Park Deutschland GmbH	Duisburg	—	—	100	MEUR 0.0
Rezidor Park Nürnberg GmbH	Duisburg	100	MEUR 0.0	100	MEUR 0.0
Mongolia Nord GmbH	Frankfurt	14.28	MEUR 0.0	14.28	MEUR 0.0
Italy					
Rezidor Hotel Milan S.r.l.	Milan	100	MEUR 0.0	100	MEUR 0.0
Kuwait					
First Hotels Company KSCC	Safat	1.82	MKWD 40.0	1.82	MKWD 40.0
Latvia					
Rezidor Baltics SIA	Riga	100	MLVL 0.0	100	MLVL 0.0
Netherlands					
Rezidor Hotel Amsterdam B.V.	Amsterdam	100	MEUR 0.0	100	MEUR 0.0
Norway					
Rezidor Hospitality Norway AS	Oslo	100	MNOK 249.0	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
Rezidor Park Norway AS	Oslo	—	—	100	MNOK 0.1
South Africa					
Rezidor Hotel Group Southern Africa Ltd	Johannesbourg	74	MZAR 0.0	74	MZAR 0.0
RHW Management Southern Africa (Pty) Ltd	Johannesbourg	74	MZAR 0.0	74	MZAR 0.0
Spain					
Rezidor Hotel Madrid S.L.U	Madrid	100	MEUR 0.0	100	MEUR 0.0
Sweden					
Rezidor Hotel Holdings AB	Stockholm	100	MEUR 0.1	100	MEUR 0.1
Rezidor Hotel AB	Stockholm	—	—	100	MSEK 5.2
Rezidor Hospitality Sweden AB	Stockholm	100	MSEK 18.0	100	MSEK 18.0
Rezidor Hotel & Congress AB	Stockholm	100	MSEK 0.1	100	MSEK 0.1
AB Strand Hotel	Stockholm	100	MSEK 0.3	100	MSEK 0.3
Royal Viking Hotel AB	Stockholm	100	MSEK 8.0	100	MSEK 8.0
Hotel AB Bastionen	Gothenburg	100	MSEK 1.0	100	MSEK 1.0
Rezidor Arlandia Hotel AB	Stockholm	100	MSEK 1.0	100	MSEK 1.0
Rezidor SkyCity Hotel AB	Stockholm	100	MSEK 1.0	100	MSEK 1.0
Rezidor Royal Hotel AB	Malmö	100	MSEK 1.0	100	MSEK 1.0
Rezidor Park AB	Stockholm	100	MSEK 0.1	100	MSEK 0.1
Switzerland					
Rezidor Park Switzerland AG	Rümlang	100	MCHF 0.1	100	MCHF 0.1
Rezidor Hotels Switzerland AG	Basel	100	MCHF 0.1	99.7	MCHF 0.1
Turkey					
Maçka Otelcilik Anonim Sirketi (dormant)	Istanbul	56.33	MTL 0.1	56.33	MTL 0.1
United Kingdom					
Rezidor Hotels UK Ltd.	Manchester	100	MGBP 32.2	100	MGBP 32.2
Rezidor Hotel Manchester Ltd.	Manchester	100	MGBP 0.0	100	MGBP 0.0
Rezidor Hotel Leeds Ltd.	Manchester	100	MGBP 0.0	100	MGBP 0.0
Rezidor Hotel Edinburgh Ltd.	Manchester	100	MGBP 0.0	100	MGBP 0.0
Rezidor Hotel Stansted Airport Ltd.	Manchester	100	MGBP 0.0	100	MGBP 0.0
Rezidor Lifestyle Glasgow Ltd. (dormant)	Manchester	100	MGBP 0.0	100	MGBP 0.0
Rezidor Park UK Ltd.	Manchester	100	MGBP 0.0	100	MGBP 0.0
Park Hotel Heathrow Ltd.	Manchester	100	MGBP 0.0	100	MGBP 0.0
Park Hotels Management Ltd.	Manchester	100	MGBP 0.0	100	MGBP 0.0
Rezidor Lifestyle Edinburgh Ltd.	Manchester	100	MGBP 0.0	100	MGBP 0.0

Parent Company, Statement of Operations

TEUR	Notes	For the Year Ended December 31	
		2013	2012
Revenue	2	4,804	3,432
Personnel cost	3	-3,234	-2,624
Other operating expenses	4,5	-10,100	-11,711
Operating loss before depreciation and amortisation		-8,530	-10,903
Depreciation and amortisation expense	8, 9	-78	-94
Operating loss		-8,608	-10,997
Financial income	6	14,467	13,950
Financial expense	6	-450	-328
Profit/loss before tax		5,409	2,625
Income tax	7	-1,439	-1,635
Profit/loss for the period		3,970	990
Parent company, statement of comprehensive income			
Profit/loss for the period		3,970	990
Other comprehensive income		3,970	990
Total comprehensive income for the period		3,970	990

Parent Company, Balance Sheet Statements

TEUR	Notes	As of December 31	
		2013	2012
ASSETS			
Fixed assets			
Other intangible assets	8	103	138
Machinery and equipment	9	208	101
Shares in subsidiaries	10	234,168	233,571
Deferred tax asset	7	5,355	6,794
		239,834	240,604
Current assets			
Accounts receivable		—	13
Receivables on group companies	11	15,368	14,111
Income tax receivable		54	55
Other receivables		27	16
Prepaid expenses and accrued income	12	264	241
		15,713	14,436
Total assets		255,547	255,040
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		10,000	10,000
		10,000	10,000
Non-restricted equity			
Share premium reserve		197,297	197,297
Retained earnings		194	-1,393
Net profit/loss for the year		3,970	990
		201,461	196,894
Total equity		211,461	206,894
Liabilities			
Accounts payable		106	80
Liabilities to group companies	13	41,961	46,648
Accrued expenses and prepaid income	15	1,931	1,257
Other liabilities		88	161
		44,086	48,146
Total liabilities		44,086	48,146
Total equity and liabilities		255,547	255,040
Contingent liabilities		None	None
Pledged assets		None	None

Parent Company, Statement of Changes in Equity

TEUR	Share capital	Share premium reserve	Retained earnings	Net profit/loss for the year	Total Equity
Equity as of Dec. 31, 2011	10,000	197,297	-27,904	27,373	206,766
Allocation of last year's result	—	—	27,373	-27,373	—
Long term incentive plan	—	—	-862	—	-862
Net loss for the period	—	—	—	990	990
Equity as of Dec. 31, 2012	10,000	197,297	-1,393	990	206,894
Allocation of last year's result	—	—	990	-990	—
Long term incentive plan	—	—	597	—	597
Net loss for the period	—	—	—	3,970	3,970
Equity as of Dec. 31, 2013	10,000	197,297	194	3,970	211,461

For information on share capital, please see Note 31 of the consolidated financial statements.

Parent Company, Statement of Cash Flow

TEUR	Notes	For the Year Ended December 31	
		2013	2012
OPERATIONS			
Loss Before Interest and Taxes		-8,608	-10,997
Adjustments for non cash items:			
Depreciation and amortisation	8, 9	78	94
Interest paid/received	6	-329	-276
Other financial items	6	-122	-52
Tax received		—	-18
Cash flows from operations before change in working capital		-8,981	-11,249
Change in:			
Current receivables		13,189	10,896
Current liabilities		403	-4,146
Change in working capital		13,592	6,750
Cash flow from operating activities		4,611	-4,499
INVESTMENTS			
Purchase of machinery and equipment	9	-149	-32
Cash flow from investing activities		-149	-32
FINANCING			
Change in interest bearing liabilities and cash pool accounts		-4,462	4,531
Cash flow from financing activities		-4,462	4,531
Cash flow for the year		—	—
Cash and cash equivalents, January 1		—	—
Cash and cash equivalents, December 31		—	—

Notes to the Parent Company

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NOTE 1 | General information

The Parent Company has prepared its Annual Report in accordance with the Swedish Annual Accounts Act, RFR 2 (Accounting for legal entities) of the Swedish Financial Accounting Standards Council and applicable statements from its emerging issues Committee. Pursuant to RFR 2, in preparing the Annual Accounts for the legal entity, the Parent Company shall apply all international Financial Reporting Standards (IFRS) and statements, as approved by the European union, as far as this is possible within the framework of the Swedish Annual Accounts Act and the Act on Safeguarding of pension obligations (Tryggandelagen) taking into account the relationship between reporting and taxation. The Parent Company has Euro as presentation currency.

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

NOTE 2 | Revenue distribution

TEUR	For the Year Ended Dec. 31	
	2013	2012
External revenue	109	31
Revenue from group companies	4,695	3,401
Total Revenue	4,804	3,432

NOTE 3 | Personnel

Payroll cost TEUR	For the Year Ended Dec. 31	
	2013	2012
Salaries	1,955	1,649
Social security	785	689
Pension costs	231	220
Other personnel costs (other benefits in kind)	263	66
Total	3,234	2,624

These costs are included in the line personnel cost in the income statement and are related to compensation to persons with employment in the company, including remuneration to the CEO of The Rezidor Hotel Group, of TEUR 24 (111) (excluding social costs).

In addition, total remuneration to the Board of Directors amounted to TEUR 338 (373). 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 2013 was 24 (21).

Average number of employees

	As of Dec. 31			
	2013		2012	
	Men	Women	Men	Women
Sweden	8	16	6	15

Information related to Board members is also disclosed in Note 10 of the Group accounts.

NOTE 4 | Other operating expenses

TEUR	For the Year Ended Dec. 31	
	2013	2012
External service fees	900	996
Other external expenses	1,952	1,599
Expenses from group companies	6,888	8,774
Rent	360	342
Total	10,100	11,711

NOTE 5 | Auditor's fees

TEUR	For the Year Ended Dec. 31	
	2013	2012
Deloitte		
Audit assignments	377	402
Other audit assignments	—	—
Other assignments	30	25
Total fees	407	427

NOTE 6 | Financial income and expenses

TEUR	For the Year Ended Dec. 31	
	2013	2012
Group contribution	14,467	13,950
Dividend received	—	—
Financial income	14,467	13,950
Interest expenses to group companies	-328	-276
Foreign currency exchange losses	-120	-50
Other financial expenses	-2	-2
Financial expense	-450	-328
Financial income and expenses, net	14,017	13,622

NOTE 7 | Tax

TEUR	For the Year Ended Dec. 31	
	2013	2012
Deferred tax income/expense	-1,439	-1,635
Recorded tax	-1,439	-1,635

Reconciliation of effective tax

TEUR	2013	%	2012	%
Profit/loss before tax	5,409		2,625	
Tax at the domestic income tax rate of 22.0% (26.3)	-1,190	22.0	-690	26.3
Exchange difference on tax losses denominated in SEK	-157		348	
Tax effect of revenue that is exempt from taxation	3		47	
Tax effect of expenses that are not deductible in determining taxable income	-95		-11	
Tax effect on deferred tax balances due to change in income tax rate	—		-1,329	
Recorded tax	-1,439	26.6	-1,635	62.3

Deferred tax in the balance sheet

Attributable to tax losses carried forward	5,355	6,794
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NOTE 8 | Intangible assets

TEUR	As of Dec. 31	
	2013	2012
Balance as of Jan. 1	176	176
Investments	—	—
Balance as of Dec. 31	176	176
Accumulated depreciations and impairment		
Balance as of Jan. 1	-38	-3
Depreciation	-35	-35
Closing accumulated depreciation	-73	-38
Balance as of Dec. 31	103	138

NOTE 9 | Tangible fixed assets

TEUR	As of Dec. 31	
	2013	2012
Balance as of Jan. 1	576	562
Investments	149	32
Disposals	-12	-18
Balance as of Dec. 31	713	576
Accumulated depreciations and impairment		
Balance as of Jan. 1	-475	-434
Depreciation	-42	-59
Disposals	12	18
Closing accumulated depreciation	-505	-475
Balance as of Dec. 31	208	101

NOTE 10 | Shares in subsidiaries

TEUR	As of Dec. 31	
	2013	2012
Opening book value	233,571	234,433
Investments in subsidiaries (Rezidor Hotel Holdings AB)	597	-862
Closing book value	234,168	233,571

The change in the book value in 2013 and 2012 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 subsidiary:

Sweden	Registered in	Identity no.	No. of shares	Owned	Book value
				share in %	
Rezidor Hotel Holdings AB	Stockholm	556674-0972	106,667	100	234,168

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

NOTE 11 | Receivables on group companies

TEUR	As of Dec. 31	
	2013	2012
Receivables on group companies, cash pool	—	—
Other	15,368	14,111
Total	15,368	14,111

NOTE 12 | Prepaid expenses and accrued income

TEUR	As of Dec. 31	
	2013	2012
Prepaid rent	81	76
Other	183	165
Total	264	241

NOTE 13 | Liabilities to group companies

TEUR	As of Dec. 31	
	2013	2012
Liabilities to group companies, cash pool	41,373	46,205
Other	588	443
Total	41,961	46,648

NOTE 14 | Credit facilities

In December 2011, the Group renewed its long-term agreement with a leading European bank as part of Rezidor's efforts to streamline its banking structure and secure appropriate overdraft and credit facilities. The banking structure provides a cross-border cash pool, which the Parent Company is part of. The total credit facilities in this new credit structure are described in Notes 4 and 35 to the consolidated financial statements.

NOTE 15 | Accrued expenses

TEUR	As of Dec. 31	
	2013	2012
Vacation pay including social costs	339	253
Salaries and remuneration	781	504
Other accrued expenses	747	500
Other prepaid income	64	—
Total	1,931	1,257

Signatures of the Board

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

in accordance with generally accepted accounting principles in Sweden and give a true and fair view of the Parent Company's financial position and results of operations.

The Board of Directors' report of the Group and the Parent Company provides a fair

review of the development of the Group's and the Parent Company's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent Company and companies included in the Group.

Stockholm March 18, 2014

Trudy Rautio
Chairman of the Board

Staffan Bohman
Vice Chairman of the Board

Douglas M. Anderson
Board Member

Göte Dahlin
Board Member

Anders Moberg
Board Member

Wendy Nelson
Board Member

Göran Larsson
Employee Representative

Wolfgang M. Neumann
President and CEO

Our audit report was submitted on
March 18, 2014
Deloitte AB

Thomas Strömberg
Authorised Public Accountant

Auditor's Report

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

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Rezidor Hotel Group AB (publ) for the financial year 1 January–31 December 2013. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 37–82.

Responsibilities of the Board of Directors and the President for the annual accounts and consolidated accounts

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

Auditor's responsibility

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

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

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

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

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2013 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President of Rezidor Hotel Group AB (publ) for the financial year 1 January–31 December 2013.

Responsibilities of the Board of Directors and the President

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

Auditor's responsibility

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

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

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

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

Opinions

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

Stockholm, March 18, 2014

Deloitte AB

Thomas Strömberg

Authorised Public Accountant

Chairman's Statement

With a focused strategy, a clear and powerful service philosophy and attention to both revenue and costs, The Rezidor Hotel Group has improved its performance in 2013.

The Board of Directors had four areas of focus for the year: profitability; CEO transition; long-term strategy; and controls, compliance and compensation practices.

First was the focus on improved profitability for the company, especially after five challenging years for both the hotel industry and Rezidor. 2013 marked a turnaround in performance over 2012. Profitability improved, both in absolute terms and in comparison to the most important competitors, and Rezidor's EBITDA margin is well in line with its 2015 target. There was notable progress in the area of Asset Management with MEUR 4.1 contribution to EBITDA in 2013. Finally, the company reduced central costs in 2013 by MEUR 5.6. Overall results show an improvement in the financial health of the company with a resultant appreciation in share price.

The second area of focus for the Board of Directors was to ensure the successful transition for the company's new CEO, Wolfgang M. Neumann. Since assuming his new role in January, Mr. Neumann has restructured the organization and positioned the company for further growth by adding a few new, key employees. He has successfully fostered strong owner relations and, importantly, maintained the cultural elements of the business. These include the company's legendary *Yes I Can!* service philosophy, acclaimed ethics and integrity standards, and fighting Z-spirit. While not all of these elements are measurable empirically, the board looks to the employee engagement scores, management buy-in to the new, long-term share related incentive plan, low turnover and observation at owner meetings as evidence of a successful transition.

The Rezidor Board of Directors also focused on the long-term strategy of the company. The Board consistently reviewed the progress against the Route 2015 goals as well as Project FIT. During the year, the company also advanced a new 4D strat-

egy. Launched by Mr. Neumann, this four-pillar program focuses on Developing Talent, Delighting Guests, Driving the Business and Delivering Results. The board approved the "Develop, Delight, Drive and Deliver" strategy and the company's overall growth plans, target markets, product offerings and brand development, some of which are being done in conjunction with Carlson.

Finally, the Board of Directors placed emphasis in the areas of controls, compliance and compensation practices, which includes oversight of items such as internal and external audit processes, key talent assessment and succession planning reviews. The AGM also appointed a new member: Douglas M. Anderson, president and CEO of Carlson Wagonlit, who brings over 25 years of international experience to the Rezidor Board of Directors. Board structure has also been improved for efficiency and effectiveness without detracting from governance responsibilities.

The Board is pleased to report a "tone at the top" that instills integrity and social responsibility throughout the organization. Rezidor has set ambitious sustainability goals for 2015/2016, which include 25 percent energy savings across all hotels and offices and having 100 percent of its hotels eco-labelled. Since 2010, Rezidor has been named one of the *"World's Most Ethical Companies"* by the Ethisphere Institute.

The company celebrated the 10th anniversary of its Responsible Business Action Month where employees give back to the communities in which the company does business, showcasing Rezidor's caring spirit, service heart and lasting legacy. These responsible actions in such areas as hunger conservation and trafficking not only give the company a competitive edge, but also help sustain profitability and win customers.

Looking ahead to 2014, the Board will continue to focus on company profitability



and implementation of Rezidor's new, long-term strategy. The board will emphasize growth commensurate with the markets in which Rezidor operates, and will continue its vigilance in oversight and compliance matters.

The Board of Rezidor intends to make a formal resolution to complete a rights offering of approximately MEUR 60, subject to approval by the AGM on April 24th. The capital raised from this rights issue will be used for further asset management activities, to accelerate investment in the hotel portfolio and to aid development initiatives in emerging markets. Given the intention to strengthen the balance sheet of Rezidor, no dividend will be proposed for 2013.

A hotel company is more than just bricks and mortar; it is people. The Board wants to thank and recognize the more than 35,000 people working for Rezidor's brands who not only serve as ambassadors for the company, but provide bright spots for customers and communities. We value the lasting legacy they create each and every day with their caring spirits and service hearts.

Trudy Rautio
Chairman of the board

Corporate Governance Report

Corporate governance practices refer to the decision-making systems through which owners, directly or indirectly, control a company.

Good corporate governance rests on three pillars – active owners, an involved and well constructed Board and efficient operating processes. This requires an organisation that has a clear division of responsibility, effective internal controls and an expressed risk management process. Good corporate governance creates value by ensuring an effective decision making process that is in line with the company's strategy and steers the company toward established business goals. Rezidor is incorporated under the laws of Sweden with a public listing at Nasdaq OMX Stockholm since November 28, 2006. Reflecting this, the corporate governance of Rezidor Hotel Group AB (Rezidor) is based on Swedish legislation and regulations, primarily the Swedish Companies Act and the Swedish Annual Accounts Act, but also the Listing Agreement with the Stockholm Stock Exchange, the Swedish Code of Corporate Governance, the Articles of Association and other relevant rules. This Corporate Governance Report for the 2013 fiscal year has been subject to audit procedures as outlined in the auditor's report on page 93.

Corporate Governance at Rezidor

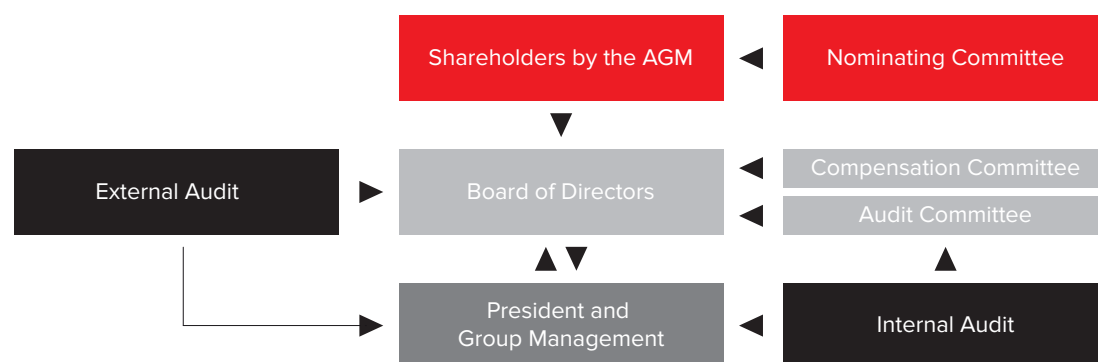
The shareholders' meeting is a limited company's highest decision-making body and serves as a forum for shareholders to exercise influence. At the Annual General Meeting of Shareholders (AGM) the shareholders elect the members of the Board of Directors, the Chairman of the Board, the auditors and decide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

tration of the Company, as well as the annual report, is audited by Rezidor's auditor. The picture below illustrates how governance is organised at Rezidor.

Ownership Structure

At year-end 2013, Rezidor had 3,609 shareholders according to the register of shareholders maintained by Euroclear Sweden AB. Institutional owners dominate the ownership structure. The ten largest shareholders owned shares corresponding to 79.1% (including Rezidor) of the votes and capital. Carlson, a privately held hospitality and travel company, represents the largest single shareholder and holds 50.03% of the registered shares and 51.3% of the outstanding shares. Rezidor's share capital amounted to EUR 10,000,000, distributed among 150,002,040 shares. The number of shares outstanding after deducting the number of shares owned by Rezidor was 146,320,902 at year end 2013. Each share entitles the holder to one vote and all shares carry equal rights to participate in the company's profits and assets. For additional information on Rezidor's ownership structure, see page 99.

Corporate Governance at Rezidor



Read more on our website

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

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

Annual General Meeting

Rezidor shall have one AGM to be held in Stockholm before the end of the month of June each year. The notice convening the AGM is required to be published not earlier than six weeks, but not later than four weeks, before the date of the AGM. All shareholders registered in the shareholder's register who have given timely notification to the Company of their intention to attend and who have followed prescribed procedures described in the notice convening the AGM, may attend the AGM and vote for their total share holdings. Shareholders who cannot participate in person may be represented by proxy. The AGM is held in Swedish. Due to Rezidor's international ownership and in order to allow non-Swedish speaking shareholders to participate, the meeting is simultaneously interpreted in English and all of the information materials for the meeting are also available in English. Decisions at the AGM usually require a simple majority vote. However, for certain items of business taken up at the AGM, the Swedish Companies Act requires that a proposal is approved by a higher percentage of the shares and votes represented at the AGM. The AGM is informed about Rezidor's development

over the past fiscal year and decides on a number of central issues, such as changes to Rezidor's Articles of Association, the election of auditor, discharging the members of the Board of Directors from liability for the fiscal year, remuneration of the Board of Directors, fees to the auditors, decisions on the number of Board members, election of the members of the Board of Directors and Chairman of the Board for the period up to the close of the next AGM and decision on dividends.

Annual General Meeting 2013

Rezidor's AGM in 2013 was held at the Stockholm Waterfront Congress Centre on April 24, 2013. The AGM was attended by 129 shareholders personally or by proxy, representing 81.39% of the total number of shares and votes of the Company. All, but one person, proposed for re-election to the Board attended the AGM, as well as the two employee Board representatives. Also present were the CEO, key executives, Rezidor's auditor as well as two out of the three members of the Nominating Committee. All documents required for the 2013 AGM and the minutes from the meeting have been made available on Rezidor's website in both Swedish and English.

Annual General Meeting 2014

The 2014 AGM will take place on April 24, 2014 at the Stockholm Waterfront Congress Centre, Nils Ericsons Plan 4. Shareholders who wish to participate must be recorded in the shareholders' register maintained by Euroclear Sweden AB, on April 16, 2014 and also notify Rezidor of their intention to attend no later than by 16.00 p.m. CEST on April 16, 2014. For additional information on the AGM 2014 and how to register attendance, see page 100.

Nominating Committee

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

The AGM resolves upon:

- Amendments to Rezidor's Articles of Association
- Dividend
- Decisions on the number of Board members
- Election of Board members and auditors
- Remuneration to Board members
- Fees to the auditors
- Share based, long term incentive plan

The Nominating Committees recommends:

- Members of the Board of Directors
- Chairman of the Board
- Remuneration to the Board of Directors
- Remuneration for committee work
- Election of Auditors and auditors' fees
- Guidelines for remuneration to key management
- Procedure to be used in appointing members of the Nominating Committee for the next AGM

Decisions at the 2013 AGM included:

- No dividend will be paid for the year 2012 and the distributable funds are brought forward.
- The following members were re-elected: Trudy Rautio (also elected as Chairman), Staffan Bohman, Göte Dahlin, Anders Moberg and Wendy Nelson. Douglas M. Anderson was elected as a new member of the Board of Directors.
- The total remuneration to the Board of Directors elected at the AGM would amount to maximum EUR 341,000, to be allocated as shown in the table on page 89.
- The registered accounting firm Deloitte AB was reelected as auditor for the Company until end of 2016 AGM.
- It was decided to implement a share based, long term incentive plan covering the financial years 2013 to 2015.

The 2014 Nominating Committee

Member	Representing	Number of shares August 31, 2013	Share of votes August 31, 2013 (based on number of registered shares)
William Van Brunt, Chairman	Carlson	75,044,733	50.03%
Björn Franzon	Swedbank Robur Fonder AB	8,503,589	5.67%
Arne Lööv	Fjärde AP- fonden	2,701,888	1.80%

procedure to be used in appointing members of the Nominating Committee for the next AGM.

Members

In accordance with the decision made by the 2013 AGM, the Nominating Committee for the AGM on April 24, 2014 has been established. Based on the list of shareholders per August 31, 2013 the three largest shareholders, each of which was offered the possibility to appoint one representative of the Nominating Committee. Two of the committee members and the shareholders they represent were made public on October 24, 2013 and the third representative and the shareholder he represents was announced on November 1, 2013. Due to the fact that major shareholders declining to appoint representatives of the Nominating Committee, Rezidor could not disclose the composition six months prior to the AGM, which is a deviation from Code 2.5 of the Swedish Code of Corporate Governance. The Nominating Committee for the 2014 AGM had one meeting in 2013, attended by all members, and during which minutes were taken. The Nominating Committee's proposals will be presented in the notice of the AGM and on Rezidor's website. The members of the Nominating Committee did not receive any compensation for their work in the committee.

The Board of Directors

Under the Swedish Companies Act, the Board of Directors shall be elected by the shareholders and is ultimately responsible for the organisation and the management of the Company. The Articles of Association provide that the Board of Directors shall consist of not less than three – and

not more than fifteen – members. Each year, the Board of Directors specifies its way of working in written Rules of Procedure clarifying the Board's responsibilities. The Rules of Procedure regulate the internal division of duties between the Board and its committees, including the role of the Chairman and the Vice Chairman, the Board's decision-making procedures, its meeting schedule, procedures governing the convening, agenda and minutes of meetings, as well as the Board's evaluation on accounting, auditing matters and financial reporting. In addition, the Board of Directors has established separate written work plans for the Audit Committee and the Compensation Committee. The Rules of Procedure also govern how the Board will receive information and documentation of importance for its work to facilitate the making of well-founded decisions. The Board has also issued instructions for the CEO, as well as for the financial reporting to the Board. Moreover, it has adopted other special steering documents, including a Finance Policy, a Communication and Investor Relations Policy and a Code of Business Ethics. The responsibilities of the Board include monitoring the work of the CEO through ongoing reviews throughout the year. The Board is further responsible for ensuring that Rezidor's organisation, management and guidelines for the administration of Rezidor's interests are structured appropriately and that there is satisfactory internal control. The responsibilities of the Board also include setting strategies and targets, establishing special control instruments, deciding on larger acquisitions through business combinations and divestments of operations, deciding on other large investments, deciding on

deposits and loans in accordance with the Finance Policy and issuing financial reports, as well as evaluating the management of operations and planning managerial succession. Apart from the activities of the Audit and Compensation Committees, there has been no allocation of work among the directors. The Board shall be assisted by a Secretary, who is not a member of the Board. The General Counsel of Rezidor, Marianne Ruhngård, was the Secretary at all Board meetings and all Audit committee meetings during 2013 and minutes from the Compensation Committee's meetings were taken by Michael Farrell, Rezidor's Head of Human Resources.

The Chairman of the Board

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

The Board deals with and decided on issues such as:

- Monitoring the work of the CEO
- Appropriately structuring the organisation, management and guidelines for the administration of Rezidor's interests and ensuring that satisfactory internal controls exist
- Setting strategies and targets
- Establishing special control instruments
- Evaluating the management of operations and planning managerial succession

Remuneration to the Board of Directors 2011–2013

	2011	2012	2013
Board	317,000	307,953	305,000
Audit Committee	22,000	22,000	22,000
Compensation Committee	14,000	17,803	14,000
Finance Committee	14,000	14,000	–
Total	367,000	361,756	341,000

Members of the Board of Directors

Pursuant to the Articles of Association, the Board of Directors shall be elected at the AGM and serve for a term expiring at the next AGM. The members of the Board of Directors may be removed from office through a resolution of shareholders, and vacancies on the Board may likewise only be filled by a resolution of shareholders. Following the 2013 AGM, the Board of Directors was composed of six directors elected by the shareholders at the AGM, including the Chairman, and one employee representative elected by the Swedish labour organisation "Hotell- och restaurangfacket". The Directors' biographies can be found on page 94 in the Annual Report.

Work of the Board in 2013

According to current Rules of Procedure adopted by the Board, the Board must convene at least four times a year, in addition to the statutory Board meeting, and otherwise as necessary. In 2013, the Board held nine meetings, including the statutory Board meeting. Four of the Board meetings were coordinated with the dates of the presentation of the external financial reports. Moreover the Board members attended in July a two-day meeting on strategic issues. In November, there was a meeting concerning the 2014 budget. Audit related matters have been addressed as a special item during a Board meeting at least once per year and in con-

junction therewith; the Board meets with Rezidor's auditor without the CEO or any other member of management being present. During 2013, the Board has been working in accordance with the adopted Rules of Procedure. The main activities during 2013 were as follows:

- adopting a budget for 2014 and a business plan for 2014–2016
- reviewing and monitoring the implementation of Route 2015 and Project Fit
- evaluating profit targets and profit improvement opportunities
- discussing and approving of certain hotel projects and investments meeting defined criteria
- assessing brand and growth strategy
- keeping informed about the financial position of the Company and the group, evaluating bank facilities and capital requirements
- keeping informed about the Company's activities in the area of asset management and approving of certain transactions
- evaluating internal controls
- evaluating activities in relation to defined focus hotels
- approving revisions to the Finance Policy, Communication & Investor Relations Policy and Insider Policy.

The Board liaises with the auditors regarding plans for the audit procedure and reviews what measures to take based on the auditors' reporting.

Independence of Board members

None of the members of the Board of Directors elected by the shareholders at the AGM are employed by Rezidor or any other company within the Group. Based on the Nominating Committee's assessment published on 20 March 2013 relating to the AGM 2013 and the Swedish Code of Corporate Governance, the following assessment is made regarding the independency of the members of the Board. Göte Dahlin, Staffan Bohman and Anders Moberg are independent Directors in relation to the Company and the Management as well as in relation to major shareholders. Trudy Rautio, Douglas M. Anderson and Wendy Nelson are independent Directors in relation to the Company and the Management but are not independent in relation to major shareholders, as they are related to Carlson.

Employee Board representatives

In accordance with the law (1987:1245) on board representation for employees, the Swedish labour organisation "Hotell- och restaurangfacket" has appointed two employee representatives to the Board, Emil Bäckström and Göran Larsson. The employee Board representatives joined the Board in the 2009 fiscal year and the term of the appointments will expire at the AGM in 2014. However at the 2013 AGM Emil Bäckström resigned and a replacement has not been appointed.

Board committees' work 2013

	Audit Committee	Compensation Committee
Members	Staffan Bohman, Chairman Douglas M. Anderson Göte Dahlin	Trudy Rautio, Chairman Anders Moberg Wendy Nelson
Number of meetings	8	3
Work in 2013	<ul style="list-style-type: none"> • reviewing financial reports • reviewing auditor's observations from audit work and audit guidelines • reviewing the Company's risk situation • reviewing irregularities and whistle blowing cases • reviewing internal control results • evaluating adequacy of safety & security function and internal controls • evaluating auditor's work and decision about thresholds to be applied for non-audit work by auditors 	<ul style="list-style-type: none"> • adopting an executive remuneration philosophy • designing variable compensation plans in form of short term (MIC) and long term (LTIP) incentive schemes • evaluating achievement of strategic objectives for the executive committee during 2012 and setting objectives for 2013 • assessing capabilities of the executive committee members • reviewing and approving 2013 compensation for executive committee members and recommending CEO compensation for Board approval

Evaluation of the Board

Pursuant to the rules of procedure, and in accordance with the requirements of the Swedish Code of Corporate Governance, the Chairman of the Board initiates an annual evaluation of the performance of the Board. The 2013 Board evaluation consisted of an anonymous questionnaire that was answered by each Board member. The questionnaire was divided into a number of sections covering topics such as the atmosphere of cooperation within the Board, its range of expertise and the methods the Board utilised to carry out its tasks as well as a section which addresses the role of the Chairman. The results of the 2013 evaluation have also been compared with the results from previous Board evaluations so as to identify if any area deviates from results of previous years. The objective of the evaluation is to provide insight into the Board members' opinions about the performance of the Board and the role of the Chairman and identify measures that could make the work of the Board more effective. A secondary objective is to form an overview of the areas the Board believes should be afforded greater scope and where additional expertise might be

needed within the Board. The Chairman of the Board has presented the results of the evaluation to the Board as well as to the Nominating Committee.

Board Committees

In order to increase the efficiency of its work and enable a more detailed analysis of certain issues, the Board has formed two committees: the Audit Committee and the Compensation Committee. The members of the committees are appointed for a maximum of one year at the statutory Board meeting and perform their duties as assigned by the instructions adopted for each committee annually. The primary objective of the committees is to provide preparatory and administrative support to the Board. However, they are also empowered to make decisions on matters that the Board, pursuant to the committee instructions, delegates to them and on other issues in their respective areas of responsibility that are not considered essential in nature or that fall within the overall decision-making powers of the Board. The committees are required to inform the Board of any such decisions. The issues considered and the decisions taken at

committee meetings are recorded in the minutes and reported at the next Board meeting. Representatives from the Company's specialist functions participate in committee meetings.

Remuneration of the Board

The amount of remuneration granted to the Board of Directors, including the Chairman, is determined by a resolution at the AGM. Compensation for the work of the members of the Board of Directors elected by the shareholders was taken by a resolution by the shareholders at the 2013 AGM. The members of the Board are not entitled to any benefits upon ceasing to serve as a member of the Board. The Board members' attendance and also the annual fees to the Chairman and the other Board members for the Board and Committee work (from the AGM 2013 up until the AGM in 2014) are shown in the table below.

Executive Committee

The CEO is responsible for producing necessary information and basic documentation, on the basis of which, the Board can make well founded decisions. He presents matters and proposes decisions, as well as

Attendance record and Board remuneration in 2013

	Attendance			Fees (EUR)			Total
	Board	Audit Committee	Compensation Committee	Board	Audit Committee	Compensation Committee	
Trudy Rautio	100%		100%	80,000		6,000	86,000
Staffan Bohman	89%	100%		65,000	9,000		74,000
Douglas M. Anderson	100%	100%		40,000	6,500		46,500
Göte Dahlin	100%	100%		40,000	6,500		46,500
Anders Moberg	100%		100%	40,000		4,000	44,000
Wendy Nelson	100%		100%	40,000		4,000	44,000
Göran Larsson	100%	n/a	n/a	n/a	n/a	n/a	n/a
Total				305,000	22,000	14,000	341,000

Remuneration of the Executive Committee¹

TEUR	Base salaries	Variable salaries	Pension	Housing and company car	Total
CEO	600	722	60	48	1,430
The Executive Committee (incl. CEO)	3,037	1,590	411	457	5,495

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

Remuneration to the Executive Committee 2011–2013

	2011	2012	2013
CEO	4,776	2,868	1,430
The Executive Committee (incl. CEO)	10,522	7,045	5,495

reporting to the Board on the development of the Company. The CEO is responsible for leading the work conducted by the Executive Committee and renders decisions in consultation with the other members of the Executive Committee, which in 2013 consisted of eight persons (including the CEO).

Remuneration of the members of the Executive Committee

The remuneration granted to the CEO and the other members of the Executive Committee consists of a mix of a fixed remuneration, an annual variable remuneration based on the outcome of financial and individual performance objectives, a long term share-based incentive programme, a pension and other benefits. The general components and more details can be found in the guidelines for remuneration of key executives which were approved by the 2013 AGM. Details on the compensation of the CEO and the other members of the Executive Committee can be found in Note 10, but a summary of 2013 and the period 2011–2013 is presented below.

Share-related Incentive Programmes

The Annual General Meetings in 2010 and 2011 and 2013 approved proposals for a long-term share related performance-based incentive programme (“performance based share programmes”) to be offered to executives within Rezidor. The three programmes run for a three year period. The objectives of the performance-based share programmes are to offer a competitive remuneration package that helps align executives with shareholder interests; to increase the proportion of remuneration linked to company performance and to encourage executive share ownership. In order to implement the performance based share programmes in a cost efficient and flexible manner, the Board of Directors was authorized by the AGMs to decide on acquisitions or sale of its own shares on the NASDAQ OMX Stockholm exchange. More detailed descriptions of the three performance based share programmes can be found in Note 32.

Financial reporting

The Board monitors the quality of financial reporting through instructions to the CEO and reporting instructions via the Audit

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

Auditors

Auditors in Swedish limited companies are elected by the AGM and tasked with auditing the Company’s financial reporting and administration of the company by the Board and the CEO. At the 2013 AGM Deloitte AB was reelected as auditor for Rezidor for a period until the end of the 2016 AGM with Thomas Strömberg as the responsible auditor. Thomas Strömberg (born 1966) is a member of FAR, the Swedish professional institute for authorised public accountants and approved public accountants. He has been an authorised public accountant since 1998. In addition to Rezidor, Thomas Strömberg is responsible for the audits of Investor, Karolinska Development, Mekonomen and Tele2. The auditors follow an audit plan that incorporates the comments and concerns of the Audit Committee, and report their observations to the Audit Committee during the course of the audit and to the Board in conjunction with the establishment of the 2013 Annual Report. The auditor attended six out of eight meetings of the Audit Committee during the year. On one occasion the Board met with Rezidor’s auditor without the CEO or anyone else from the Management present. Deloitte submits an audit report covering Rezidor Hotel Group AB, the Group and a majority of subsidiaries. During 2013, the auditors have had consulting assignments outside of the audit, mainly concerning matters related to the

interpretation of IFRS, internal control related matters as well as tax compliance support in some areas; none of which impacted the auditors independence. The auditors receive a fee based on approved invoiced amounts for their work in accordance with a decision of the AGM. For information about the auditors’ fee in 2013, see Note 41.

Internal Control over Financial Reporting

The purpose of this report is to give shareholders and other stakeholders a better view and understanding of how internal control of financial reporting at Rezidor Hotel Group AB (“Rezidor”) is organised. Internal control of financial reporting is a process that involves the Board, and in particular, the Audit Committee appointed by the Board, Company management and personnel. It is designed to provide assurance of reliability in external reporting. This report has been prepared in accordance with the Swedish Code of Corporate Governance and the guidelines compiled by FAR and the Confederation of Swedish Enterprise. It is thus 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 2013. Rezidor applies the COSO framework as a base for the internal control structure. The Board evaluates the need for and organisation of an internal audit process annually. The structure of the process for 2013 and 2014 has been approved by the Board. The process is managed from the Rezidor corporate office in Brussels. The process also includes internal audit training.

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

Control Environment

The control environment forms the basis of internal control. The control environment includes the culture that the Company communicates and operates from in a

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

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

and audit regulations. Rezidor is also committed to building competencies and ensuring that employees, including those in finance and accounting functions, receive the appropriate training. Other control measures in effect are specific accounting procedures, the human resources manual, quality performance checks, mystery shoppers (cash integrity checks) and hotel reviews performed regularly by regional operational and financial management. For new hotel contract partners, a system is in place to make background checks.

Risk Assessment

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

The risk assessment process is regularly updated to reflect operational changes that warrant specific attention from an internal audit perspective.

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

Control activities

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

Managers and financial department employees in the hotels perform controls as part of their daily business to comply with central as well as local policies and

guidelines. Regular internal audits are performed to evaluate whether controls operate as intended. These audits are scheduled and performed based on Rezidor's formal annual risk assessment. Action plans are implemented and followed-up to improve control activities that are lacking or found to be ineffective. Rezidor has established specific fraud mitigation programmes and controls and these procedures are known throughout the Company.

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

Separate IT audits are carried out, primarily in high risk hotels, by IT managers who are specialised in IT processes and security. In addition, a self-assessment process related to internal control has been developed and completed by the hotels. The self-assessment for each hotel is subject to certain internal audits on a four-year rotating basis in order to verify the information. In-depth audits in target areas such as Treasury, Financial Reporting, process for sale of Gift Cards, invoicing and collection of Technical Service Fees and major Capital Investment projects are also carried out in selected hotels.

Information and communication

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

Persons responsible for operational and financial reporting have access to accounting principles and procedures and updates are communicated regularly. General Managers, Regional Directors and Area Vice Presidents report operational and financial information on a monthly basis to the Executive Committee. Management receives the operational and financial information they require, and the Company has proce-

dures for adapting to changing information needs as the competitive and/or regulatory environment evolves. The information systems are regularly evaluated, and the Company has established strategic plans related to future upgrades and information system needs.

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

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

Regulations related to a public company's external information to investors and

stakeholders are known by those responsible for applying them. To ensure that the submission of external information is correct and complete, there is an information policy regarding disclosures to the stock exchange – as well as an investor relations policy – that have been adopted by the Board of Directors of the Group. These policies state the format, the content and the process for dealing with external information. The internal controls relating to these policies ensure compliance throughout the company.

A system, supported by an external company, that allows employees to anonymously (turn whistleblower) alert corporate management and the Audit Committee on ethical, financial and other issues in the organization has been in place for the past five years.

Monitoring

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

ing Executive Committee members, Area Vice Presidents and the Internal Audit Team meets on a regular basis to review and follow up on the results from the various internal audits carried out. These reviews include the results from specific internal audits of the financial reporting from corporate, area and regional support offices as well as from leased and managed hotels. The Executive Committee and the Board monitor Rezidor's operations and financial reporting on a regular basis. The Audit Committee and the Board review reports from external auditors, internal audits and other internal control activities. The Company, as well as the individual hotels, area, regional and corporate support offices, conduct follow-ups in regard to such recommendations and/or action plans.

Auditor's Report

on the Corporate

Governance Statement

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

It is the Board of Directors who is responsible for the corporate governance statement for the year 2013 included in the printed version of this document on pages 85–92 and that it has been prepared in accordance with the Annual Accounts Act. We have read the corporate governance

statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the corporate governance statement is different and substantially less in scope than an audit con-

ducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

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

Stockholm, March 18, 2014

Deloitte AB

Thomas Strömberg
Authorised Public Accountant

Board of Directors

1. Trudy Rautio



Chairman of the Board since September 2012 and Board member since 2005

Nationality: American

Born: 1952

Education: Masters in Business Administration degree from University of St. Thomas

Shares: 0

Trudy Rautio is the president and chief executive officer of Carlson since August 2012. She has been a senior executive with Carlson for 16 years. Prior to her promotion as president and chief executive officer of Carlson she served for eight years as executive vice president and chief financial and administrative officer of Carlson, and was responsible for directing all financial and information technology operations of the company. She is the chairman of the Carlson Wagonlit Travel board of directors and also serves on the board of directors for Securian Holding Company and Imation.

2. Staffan Bohman



Vice Chairman and Board member since 2011

Nationality: Swedish

Born: 1949

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

Shares: 50,000

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

3. Douglas M. Anderson



Board member since 2013

Nationality: American

Born: 1954

Education: Certified public accountant and holds a Bachelor of Science degree in business administration from the University of Nebraska.

Shares: 25,000

Douglas Anderson was named president and chief executive officer of Carlson Wagonlit Travel in April 2008. He joined CWT as executive vice president and chief financial officer one year earlier. Prior to CWT he worked 25 years at UPS and in his most recent position, he was senior vice president, Finance, and chief financial officer, UPS Logistics Group. He also worked as senior vice president and chief financial officer for the SITA Group. Before joining CWT, Mr. Anderson was director of finance and business transformation for the Consumer Digital and Film Products Group of the Eastman Kodak Company. He is a member of the Executive and Audit Committees of the World Travel and Tourism Council.

4. Göte Dahlin



Board member since 2007

Nationality: Swedish

Born: 1941

Education: B.S. in mathematics and physics from the University of Stockholm, Sweden

Shares: 10,000 (owned indirectly through an endowment assurance)

Göte Dahlin is the Chairman of the Board of Hesselby Slott AB and Vice Chairman of the Board of RBS Nordisk Renting AB. He is also a member of the Board of Directors of Stockholm Meeting Selection AB and TB Holding AB. His previous experience has seen him act as a board member for Veidekke ASA, Fabege AB, AP Fastigheter AB, Merita Fastigheter Oy, Avantor ASA and Oslo Areal ASA. Up until his retirement in 2001, he was during 16 years CEO of the real estate holding company, Nordisk Renting AB, that owned a property portfolio valued at approximately SEK 20 billion and which included, amongst others, 12 Radisson Blu hotels.

5. Anders Moberg



Board member since 2011

Nationality: Swedish

Born: 1950

Shares: 30,000 (owned indirectly through an endowment assurance)

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

6. Wendy Nelson



Board member since 2010

Nationality: American

Born: 1968

Education: MBA Northwestern's Kellogg Graduate School of Management and Bachelor of Arts in Philosophy from Northwestern University

Shares: 0

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

7. Göran Larsson



Employee representative since 2009

Nationality: Swedish

Born: 1960

Shares: 0

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



Executive Committee

1. Wolfgang M. Neumann

President and Chief Executive Officer

Nationality: Austrian

Born: 1962

Year of Appointment: 2013

Year of Employment: 2011

Education: Institute for Hotel & Tourism Management Klessheim (Austria). Executive Management Courses at Insead Management School (Fontainebleau, France) and Cornell University (Ithaca/N.Y., USA).

Shares: 35,000

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

2. Knut Kleiven

Deputy President and Chief Financial Officer

Nationality: Norwegian

Born: 1954

Year of Appointment: 1994

Year of Employment: 1986

Education: Degree in Philosophy, Psychology and Law from University of Oslo, Norway.

Shares: 145,000

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

3. Olivier Harnisch

Executive Vice President and Chief Operating Officer

Nationality: German and French

Born: 1967

Year of Appointment & Employment: 2013

Education: Master of Science in Organisational Behaviour of University of London; a Master of Business Administration of Heriot-Watt University, Edinburgh; and a Degree in Hospitality Management of Berlin School of Hotel Administration.

Shares: 5,900

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

4. Eric De Neef

Senior Vice President, Marketing, CRM & Global Branding Park Inn by Radisson

Nationality: Belgian

Born: 1964

Year of Appointment & Employment: 2011

Education: Graduate in Hotel Management from CERIA-IPIAT in Brussels

Shares: 6,000

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

5. Michael Farrell

Senior Vice President Human Resources

Nationality: Irish

Born: 1956

Year of Appointment & Employment: 2011

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

Shares: 7,000

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

6. Marianne Ruhngård

Senior Vice President and General Counsel and Secretary to the Board

Nationality: Swedish

Born: 1960

Year of Appointment: 2006

Year of Employment: 2000

Education: LL.M. from University of Uppsala. Diplomas in English, Russian and Natural Sciences from University of Uppsala, in European Community Law from University of Lund and a post-graduate diploma in EC Competition Law from King's College in London.

Shares: 0

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

7. Eugène Staal

Senior Vice President Technical Development

Nationality: Dutch

Born: 1964

Year of Appointment: 2007

Year of Employment: 2006

Education: Bachelor Degree in Hotel Administration from University of Hospitality Management in Maastricht, The Netherlands.

Shares: 4,914

Eugène Staal joined Rezidor in 2006 as the Vice President Technical Development and was promoted to a Senior Vice President's position in 2009. Before joining Rezidor, Eugène worked for Hyatt International for 18 years in a variety of managerial posts throughout the US, Asia and Europe. His latest position at Hyatt was Director of Technical Services for EMEA & CIS.

8. Elie Younes

Senior Vice President, Head of Group Development

Nationality: Lebanese

Born: 1977

Year of Appointment: 2013

Year of Employment: 2010

Education: Studies at universities of Notre Dame, IMHI/Essec, Insead, Cornell, Johnson Graduate Business School and City University.

Shares: 3,650

Elie Younes joined Rezidor in April 2010 as the Vice President of Business Development for the Middle East. He was appointed Vice President of Business Development for the whole group in 2012 and promoted to Senior Vice President in 2013. Prior to joining Rezidor, Elie served as the Vice President Development for the Middle East at Hilton Hotels Worldwide and Senior Director of Acquisitions and Development at Starwood Hotels.



The Share

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

Share Performance

The closing price at the end of 2013 was SEK 40.0, which was 72% higher than the closing price the previous year. During the same period the OMX Nordic Mid Cap index improved by 34.6%. The highest listed transaction price was SEK 40.0 on December 31 and the lowest was SEK 23.2 on January 1. The market value at the end of 2013 was SEK 6,000 million (3,480).

Turnover

During 2013, 43.4 million (29.8) shares were traded, corresponding to 28.9% (19.9) of the total number of registered shares, at a value of EUR 1,418 (82.3) million. The average number of shares traded per day was 173,579 (119,126).

Share Capital

At the end of the year the share capital amounted to EUR 10 million, distributed among 150.0 million shares. The number of shares outstanding (excluding shares held by the company) is 146.3 million shares.

Each share entitles the holder to one vote and all shares carry equal rights to participate in the group's profits and assets.

Share Buy-Back

Rezidor did not buy back any shares during 2012. The group currently holds 3.7 million shares or 2.5% of total number of shares outstanding.

Dividend

The long-term policy is to distribute approximately one third of the annual net income. The Board of Directors recommends the Annual General Meeting no dividend for the financial year 2013.

Ownership structure

At the end of 2013 the number of shareholders was 3,609. The proportion of Swedish ownership decreased to 24.1% from 32.3% in 2012. The ten largest shareholders (including Rezidor) owned shares corresponding to 79.1% of the votes and capital.

C

Share Information

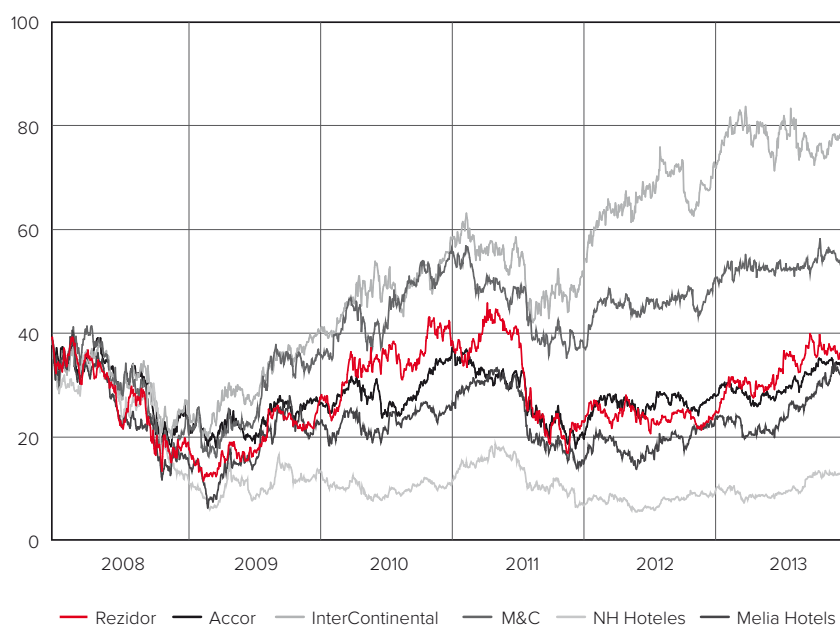
Ticker	REZT
ISIN code	SE0001857533
Market	OMX STO Equities
Segment	Mid Cap
Industry	Travel & Leisure
Sector	Consumer Services

Analysts

Carnegie	Fredrik Villard
DNB Bank ASA	Ole-Andreas Krohn
Exane BNP Paribas	Pierre-Emmanuel Causse
Natixis	André Juillard
Nordea	Catrin Jansson
Oddo Securities	Guillaume Rascoussier
SEB Enskilda	Stefan Andersson
UBS	David Halldén

Share Price Performance

Price of the Rezidor share vs. peer group



Source: SIX Financial Information

Key figures	2013	2012	2011	2010	2009
Market price at year-end, SEK	40.0	23.2	22.1	40.9	24.4
Highest market price during the year, SEK	40.0	28.0	45.8	43.9	26.8
Lowest market price during the year, SEK	23.2	20.6	16.3	22.7	11.3
No. of shares at year-end, million	150	150	150	150	150
Market capitalisation at year-end, SEK million	6,000	3,480	3,315	6,135	3,660
Earnings per share, EUR	0.16	-0.12	-0.08	-0.02	-0.19
Proposed dividend per share, EUR	—	—	—	—	—
Dividend percent of earnings after tax, %	—	—	—	—	—
Equity per share ¹⁾ , EUR	1.06	1.00	1.13	1.20	1.14
Cash flow from the year's operations per share, EUR	0.37	0.11	0.10	0.33	-0.04

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

Shareholder categories	Votes/capital %
Foreign owners	75.9%
Swedish owners	24.1%
of which:	
Institutions	21.1%
Private individuals	3.0%

Shareholders structure	No. of shareholders	No. of shares	Votes/capital %
1–500	2,125	397,769	0.27%
501–1,000	586	500,153	0.33%
1,001–10,000	648	2,344,471	1.56%
10,001–50,000	149	3,342,985	2.23%
50,001–100,000	27	2,040,676	1.36%
100,001–	74	141,375,986	94.25%
Total	3,609	150,002,040	100.0%

Source: Euroclear Sweden AB – 31 December 2013

Largest shareholders	No. of shares	Votes/capital %
Carlson	75,044,733	51.3%
JP Morgan	8,601,646	5.9%
Robur	8,438,289	5.8%
Handelsbanken	8,049,079	5.5%
Nordea	3,543,782	2.4%
Fjärde AP Fonden	3,439,376	2.4%
SEB	3,118,429	2.1%
Ciceron S.P.R.L	2,320,000	1.6%
Fidelity FD-Europe Small Comp	2,261,181	1.5%
Others	31,504,387	21.5%
Number of outstanding shares	146,320,902	100.0%
Rezidor Hotel Group	3,681,138	—
Number of registered shares	150,002,040	

Annual General Meeting and Financial Information

Annual General Meeting

The Annual General Meeting of shareholders will be held at 15.00 a.m. CET on Wednesday, 24 April 2014 at the Stockholm Waterfront Congress Centre, Nils Ericsons Plan 4 in Stockholm.

Participation

Shareholders who wish to participate must be recorded in the shareholders' register maintained by Euroclear Sweden AB, on Thursday, 16 April 2014.

Shareholders whose shares are registered in the name of a nominee through the trust department of a bank or a similar institution must, in order to be entitled to participate in the Meeting, request that their shares are temporarily re-registered in their own names in the register of shareholders maintained by Euroclear Sweden AB. Shareholders who wish to register their shares in this way must inform their nominees accordingly in sufficient time before Thursday, 16 April 2014.

Notification

Shareholders who wish to participate in the AGM must notify the company of their intention of attending no later than 16.00 p.m. CET on Thursday, 16 April 2014. The notification must be sent in writing to Rezidor Hotel Group AB, AGM, PO Box 7832, SE-103 98 Stockholm, Sweden, by telephone to +46 8 402 90 65 (Mondays to Fridays 9am to 4pm CET) or by e-mail to agm@rezidor.com.

Financial Information

Rezidor Hotel Group AB (publ) is a Swedish public limited liability company. Corporate identity number: 556674-0964. The Group's registered office (Klarabergsviadukten 70 C7, 111 64 Stockholm) is in Stockholm, Sweden, with the corporate office based in Brussels.

Reporting currency is Euro. Unless otherwise stated, figures in parentheses relate to the 2012 fiscal year. Data on markets and competitive positions represent Rezidor's own assessments unless a specific source is indicated. These assessments are based on the most recent and reliable information from published sources in the travel, tourism and hotel sectors.

The Annual Report, Interim Reports and other financial materials can be ordered from:

The Rezidor Hotel Group
Investor Relations
Avenue du Bourget 44
B-1130 Brussels
Belgium
Tel: + 32 2 702 9200
Fax: + 32 2 702 9300
Email: investorrelations@rezidor.com

Contact

Knut Kleiven – Deputy President and CFO
Ebba Vassallo – Director Investor Relations

2014 Calendar

- Annual General Meeting: April 24, 2014
- Interim Report, January–March: April 24, 2014
- Interim Report, April–June: July 23, 2014
- Interim Report, July–September: October 24, 2014

Corporate Website

www.rezidor.com

Definitions

AHR

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

Central Costs

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

Capital employed

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

Development brand

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

Debt/equity ratio

Net debt divided by total equity.

Earnings per share

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

EBIT

Operating profit before net financial items and tax.

EBITDA

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

EBITDA margin

EBITDA as a percentage of Revenue.

EBITDAR

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

Equity/assets ratio

Total equity divided by total assets.

FF&E

Furniture, Fittings and Equipment.

Free cash flow

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

Free cash flow per share

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

General Manager

This title refers to the position as hotel manager.

Like-for-like hotels

Comparable hotels in operation during the same previous period compared.

Net working capital

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

Occupancy (%)

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

Operating cash flow

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

Operating cash flow per share

Operating cash flow divided by average number of shares outstanding.

Return on capital employed

(ROA – Return on Assets)

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

Return on shareholders' equity (ROE)

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

Revenue

All related business revenue (including rooms revenue, food & beverage revenue, other hotel revenue, fee revenue and other non-hotel revenue from administration units).

RevPAR

Revenue Per Available Room – Rooms revenue in relation to rooms available.

RevPAR like-for-like

RevPAR for like-for-like hotels at constant exchange rates.

System-wide revenue

Hotel revenue (including rooms revenue, food & beverage, conference & banqueting revenue and other hotel revenue) from leased, managed and franchised hotels, where revenue from franchised hotels is an estimate. It also includes other non hotel revenue from administration units, such as revenue from Rezidor's print shop that prepares marketing materials for Rezidor hotels and revenue generated under Rezidor's loyalty programs.

Yield

Dividend as a percentage of the market price.

Regions

Nordic Region (NO)

Denmark, Finland, Iceland, Norway and Sweden.

Rest of Western Europe (ROWE)

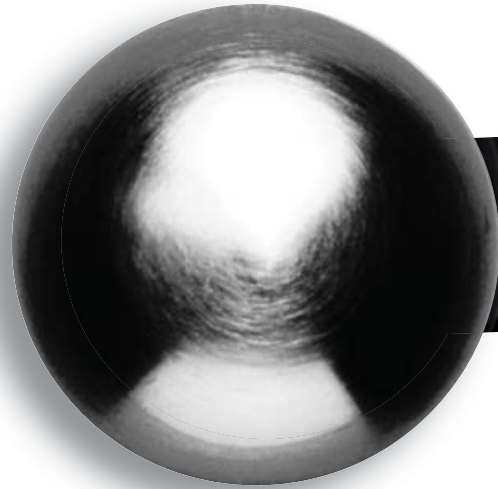
Austria, Belgium, France, Germany, Greece, Ireland, Italy, Luxemburg, Malta, the Netherlands, Portugal, Spain, Switzerland and the United Kingdom.

Eastern Europe (incl. CIS countries) (EE)

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

Middle East, Africa and Other (MEAO)

Algeria, Angola, Bahrain, Benin, China, Egypt, Ethiopia, Gabon, Ghana, Guinea, Ivory Coast, Jordan, Kenya, Kuwait, Lebanon, Libya, Mali, Morocco, Mozambique, Nigeria, Oman, Qatar, Rwanda, Saudi Arabia, Senegal, Sierra Leone, South Africa, Tunisia, the United Arab Emirates and Zambia.



Rezidor Hotel Group is one of the most dynamic and fastest growing hotel companies in the world. The group currently features a portfolio of **429 hotels** with **94,800 rooms** in operation and under development in **69 countries** across Europe, the Middle East and Africa.

Rezidor operates the core brands **Radisson Blu** (upper upscale) and **Park Inn by Radisson** (midscale) – as well as **Quorvus Collection** (luxury) and **Radisson Red** (lifestyle select). Rezidor is an integral part of the Carlson Rezidor Hotel Group.

For more information, visit
www.rezidor.com

THE
REZIDOR
HOTEL GROUP



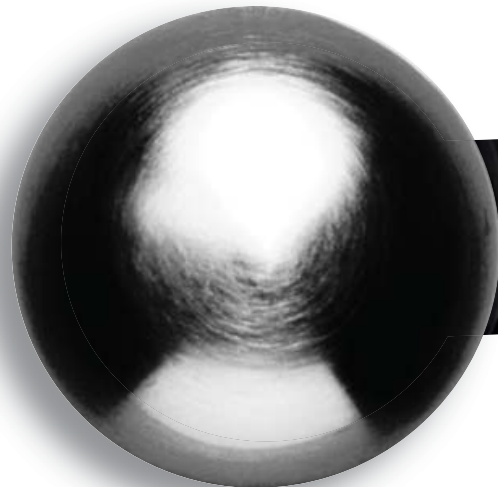
Please,
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Annual Report
2013.

THE
REZIDOR

HOTEL GROUP

Please press out and hang on your door



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