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| <p><b>REZIDOR HOTEL GROUP AB (PUBL) <sup>(1)</sup></b></p> <p><b>INTERIM FINANCIAL REPORT JANUARY – SEPTEMBER 2006</b></p> |
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**REZIDOR HOTEL GROUP AB (PUBL) <sup>(1)</sup>**  
**INTERIM FINANCIAL REPORT JANUARY – SEPTEMBER 2006**

**Third quarter 2006 highlights – Continued growth in revenues and EBITDA**

- 22.6% increase in consolidated revenue to MEUR 180.0 (146.9).
- Consolidated Profit after tax of MEUR 9.8 (18.8).
- Consolidated basic Earnings Per Share <sup>(2)</sup> amounts to EUR 70.8 (EUR 160.2), based on 100,000 shares outstanding.
- Growth in consolidated EBITDAR by 22.5% to MEUR 63.0 (51.4), with EBITDAR margin of 35.0% (35.0).
- Consolidated EBITDA improved by 13.0% to MEUR 18.6 (16.5), with EBITDA margin of 10.4% (11.2).
- Revenue per available room (RevPAR) (including leased and managed hotels) reached EUR 74 (72) and occupancy rate was 74% (74%).

**Nine-month period 2006 highlights –Solid EBITDA margin improvement**

- 24.3% increase in consolidated revenue to MEUR 521.9 (419.7).
- Consolidated Profit after tax of MEUR 20.2 (12.4).
- Consolidated basic Earnings Per Share <sup>(2)</sup> amounts to EUR 119.3 (96.1).
- Group equity per share <sup>(2)</sup> amounts to EUR 1.007,29 (Dec 05 888,72).
- Growth in consolidated EBITDAR by 37.3% to MEUR 174.7 (127.3), with EBITDAR margin of 33.5% (30.3).
- Consolidated EBITDA improved by 75.6% to MEUR 43.6 (24.8), with increase of EBITDA margin up to 8.4% (5.9).
- RevPAR (including leased and managed hotels) up by 7.5% to EUR 72 (67), and occupancy was 70% (68).
- Rezidor signed 23 contracts for new hotels during the nine-month period representing 5,485 rooms. The 23 contracts included 4 leased and 19 managed hotels.
- SAS group announced on June 22nd its intention to prepare for a listing of its hotels business, Rezidor Hotel Group AB ("Rezidor"), through an initial public offering (the "IPO") on the Stockholm Stock Exchange. This morning, on October 26, SAS published its intention to float ("ITF"), and the IPO is expected to be completed by the end of this year, subject to market conditions and final SAS Board approval. Carlson Hotels Worldwide has declared its intention to remain a significant shareholder.

(1) Rezidor SAS Hospitality Group AB under name change to Rezidor Hotel Group AB.

(2) Impacted by minority interests related to a preference share structure which has, since the balance sheet date, been collapsed. See section 2 of this report for a further discussion.

Rezidor is one of the fastest growing hospitality companies in the world, and as at 30<sup>th</sup> September 2006 has a portfolio of 272 hotels in operation or under development in 47 countries. Rezidor operates or franchises Radisson SAS Hotels & Resorts, Regent International Hotels, Park Inn and Country Inn within Europe, the Middle East and Africa. At present, SAS Group and Carlson Hotels Worldwide have 75 percent and 25 percent shareholdings respectively in Rezidor. In November 2005, Rezidor signed a worldwide license agreement with the Italian fashion house Missoni, to develop and operate a lifestyle hotel brand of the same name: Hotel Missoni. The corporate office of Rezidor is based in Brussels. For more information on Rezidor and its brands, visit [www.rezidor.com](http://www.rezidor.com).

## KEY FIGURES

|                                                 | For the Nine<br>Months Ended<br>September 30, | For the Nine<br>Months Ended<br>September 30, | For the Year<br>Ended<br>December 31, |
|-------------------------------------------------|-----------------------------------------------|-----------------------------------------------|---------------------------------------|
|                                                 | 2006                                          | 2005                                          | 2005                                  |
| <b>Selected financial data (€ in thousands)</b> |                                               |                                               |                                       |
| Revenue                                         | 521,929                                       | 419,746                                       | 587,045                               |
| EBITDAR                                         | 174,733                                       | 127,257                                       | 183,370                               |
| EBITDA                                          | 43,634                                        | 24,846                                        | 43,711                                |
| EBIT                                            | 27,904                                        | 15,333                                        | 30,503                                |
| Financial income and expense, net               | -1,931                                        | -6,627                                        | 487                                   |
| Profit before Tax                               | 25,973                                        | 8,706                                         | 30,990                                |
| Total equity <sup>1)</sup>                      | 169,694                                       | 139,091                                       | 149,587                               |
| Balance sheet total                             | 390,886                                       | 357,411                                       | 354,251                               |
| Total investments                               | 27,002                                        | 30,787                                        | 37,234                                |
| <b>Selected operational data</b>                |                                               |                                               |                                       |
| RevPAR, € <sup>2)</sup>                         | 72                                            | 67                                            | 67                                    |
| Occupancy % <sup>2)</sup>                       | 70                                            | 68                                            | 67                                    |
| Number of Hotels <sup>3)</sup>                  | 272                                           | 253                                           | 263                                   |
| Available Rooms (thousands) <sup>2)</sup>       | 8,737                                         | 7,440                                         | 10,160                                |
| Rooms sold (thousands) <sup>2)</sup>            | 6,096                                         | 5,051                                         | 6,836                                 |
| Number of countries present <sup>4)</sup>       | 47                                            | 48                                            | 49                                    |
| Number of employees <sup>5)</sup>               | 6,164                                         | 5,177                                         | 4,922                                 |
| <b>Selected ratios</b>                          |                                               |                                               |                                       |
| EBITDAR Margin %                                | 33.5                                          | 30.3                                          | 31.2                                  |
| EBITDA Margin %                                 | 8.4                                           | 5.9                                           | 7.4                                   |
| EBIT Margin %                                   | 5.4                                           | 3.7                                           | 5.2                                   |

1) Including minority interest, following IFRS.

2) Including leased and managed properties.

3) Of which 226 hotels were in operation at the end of September 2006 and 219 were in operation at the end of 2005 (including franchised).

4) Including hotels in operation and under development.

5) Expressed in full time equivalents at the end of the period.

## OVERVIEW

***“This set of results underlines the strength of our business model. Our key markets are growing and we have been able to take advantage of this. Our portfolio of well recognized brands makes us an attractive partner for hotel guests as well as for property owners, says Kurt Ritter, President & CEO of Rezidor.”***

### General market conditions

The economies in Europe including Russia and the other CIS countries as well as the Middle East continue to show steady growth with consumer confidence currently at the highest level experienced in the past three years.

The hotel market continues to show RevPAR growth throughout Europe including Russia and other Commonwealth of Independent States (CIS) countries, and the Middle East.

### Business Activity

During the period January-September 2006, the Group's total number of rooms in operation increased by 3,433 up to 45,783. 1,686 rooms were added to Radisson SAS hotels and 1,747 rooms to Park Inn hotels. In total, 1,515 rooms went offline during the same period. Of all the new rooms added to the Rezidor portfolio, leased, managed and franchised accounted for 10%, 78% and 12% respectively. The majority of the new rooms coming online were in Rest of Western Europe under the Radisson SAS brand, and in Eastern Europe under the Park Inn brand.

The positive development in RevPAR for leased and managed hotels for the first nine months of 2006 was 7.5% compared with the first nine months of 2005.

The number of people employed by Rezidor at the end of Q3 was 6,164 (5,177).

### Profit

Group profit after tax for the nine months to September 2006 rose to MEUR 20.2 (12.4). The third quarter profits were MEUR 9.8 (18.8).

### Legal structure

Rezidor Hotel Group AB was as of 30<sup>th</sup> September 2006 owned by SAS AB – Sweden (75%) and Carlson Hotels Worldwide Inc. – USA (25%). In 2005, SAS and Carlson entered into a shareholder agreement in which Carlson Hotels acquired a 25% shareholding in Rezidor from SAS group in return for re-negotiated commercial terms of the parties' current Master Franchise Agreements (MFA). These terms include reduced royalty fees for Rezidor, which significantly contributed to the profitability.

### Investments

During the period January-September 2006, Rezidor invested MEUR 25.9 (32.4) primarily towards renovation and refurbishment of leased hotels.

### Financing and liquidity

As of September 30, 2006, Rezidor has MEUR 17.9 in total liquid funds (December 31, 2005, 23.4). In addition Rezidor has MEUR 16.2 (December 2005 17.3) in a cash pool with SAS AB. Rezidor has overdraft facilities of MEUR 60.4 (December 2005 59.3) of which MEUR 45.3 (December 2005 36.4) was utilized. Consequently, Rezidor has total cash and available credit facilities of MEUR 49.2 (63.6).

The other short-term interest-bearing receivables amount to MEUR 3.4 (1.3). The long-term interest-bearing receivables amount to MEUR 10.8 (11.2). In addition, Rezidor Group has a short term loan due to SAS AB amounting to MEUR 16.8 (December 2005, 21.4). There is no long-term financial debt.

### Equity

Rezidor's reported equity was MEUR 169.7 as of September 30, 2006. This also includes minority shares for MEUR 69.0 related to Carlson's and SAS' accrued right to preferential dividend and Carlson's minority share. This compares with Rezidor's reported equity of MEUR 149.6 as of 31 December 2005, of which such minority shares represented MEUR 60.7. The equity-to-assets ratio was 43.4% compared to 42.2% on December 31, 2005.

### Financial Targets

Growth: 20,000 new hotel rooms to be added during the 3 year period 2007 through 2009.

Earnings: EBITDA margin of 12% over a business cycle.

Gearing: It is appropriate for a hotel operating company to maintain a small positive average net cash position. For the purpose of certain expansion opportunities, gearing should be considered if there is a beneficial opportunity.

### Dividend Policy

Approximately one-third of annual after-tax income should be distributed to the shareholders. The size of future dividends will be determined according to Rezidor's long term growth and earnings trends as well as the need for sufficient liquidity and financial position in general.

### Outlook for Q4 2006

For the fourth quarter of this year, we expect RevPAR to continue to grow, however at a slower pace than in the first nine months of 2006. Such growth is expected to be mainly driven by rate increases. We believe that revenue will grow by a low double digit percent compared to Q4 05. EBITDA margin is likely to improve marginally (before any IPO related expenses).

## 1. Financial comments – Consolidated Financial Statements

### 1.1. Income statement

**For three months ended on September 30, 2006 (Q3 2006) as compared to three months ended on September 30, 2005 (Q3 2005):**

RevPAR (including leased and managed hotels) grew to EUR 74 (72) in Q3 2006, up by 2.8%, and occupancy was 74% (74). Revenue (including revenues from leased hotels, and fees from managed and franchised hotels) for Q3 2006 amounted to MEUR 180.0 (146.9), up 22.5% or MEUR 33.1.

For like-for-like hotels, i.e., those in operation on or prior to July 1, 2005, the total revenue increase was MEUR 12.0 or approximately 36% of the total increase. This does not include a termination fee received in September 2006 on account of one hotel that left our Group in 2003.

The change in RevPAR and revenue was on account of developments in our two main geographic segments – the Nordic Region and the Rest of Western Europe - where we have all of our leased hotels. The main highlights are as follows:

#### The Nordic Region

Revenue grew by 5.4% to MEUR 77.6 (73.6). Almost the entire increase was due to our leased hotels, which are mainly located in Norway and Sweden. In Norway, total Revenue increased by 10.4%, mainly driven by occupancy. Growth in AHR also noted an improvement compared to the previous period. In Sweden total Revenue increased by 4.1%, mainly driven by occupancy. During the period, AHR recorded a marginal decline.

#### The Rest of Western Europe

Revenue grew by 38.4% to MEUR 94.8 (68.5). Of this growth, over 82% came through our leased hotels, a majority of which are located in Germany, France and the UK.

In Germany, total Revenue increased by 38.8%, driven by a combination of factors, including the opening of new Radisson SAS hotels and the soccer world cup, which resulted in higher AHR.

In France, total Revenue increased by 5.4% for Radisson SAS hotels, and 0.8% for Park Inn. The increase in revenues for Radisson SAS hotels was due to a balanced growth in both occupancy and rate. There were no major changes in occupancy or AHR for Park Inn hotels.

In the UK, total Revenue increased by 5.3% for Radisson SAS hotels, and 137.4% for Park Inn. For Radisson SAS, growth in RevPAR was caused equally by growth in AHR and occupancy. For Park Inn, the large percent growth in revenue was due to 9 new leased hotels that were added to the Group since September 2005.

Eastern Europe and the Middle East, Africa and Other

In Eastern Europe, revenue grew by 69.1% to MEUR 5.7 (3.4). In the Middle East, Africa and Other, revenue grew by 41.5% to MEUR 2.0 (1.4). In both these segments, we are currently not leasing any property, and are primarily managing hotels with only a few franchises.

The markets in Eastern Europe as well as the Middle East noted varying degrees of improvement in RevPAR, which positively contributed to the fee revenues. Moreover, the opening of 8 managed hotels since the end of September 2005 resulted in incremental fee income.

EBITDAR (Earnings before interest, tax, depreciation, amortization and rent) for Q3 2006 amounted to MEUR 63.0 (51.4), up 22.5%. EBITDAR margin was 35.0% (35.0) of Revenue. 'Rent expense' includes rent expense for leased hotels and the impact of guarantee payments for management contracts. Rent expense for Q3 2006 was MEUR 45.8 (36.2).

EBITDA (Earnings before interest, tax, depreciation and amortization) for Q3 2006, including share of income in associated companies, amounted to MEUR 18.6 (16.5), up 13.0%. The following highlights the key developments in our geographic segments:

The Nordic Region

EBITDA grew by 11.4% to MEUR 14.5 (13.0). Of the incremental EBITDA, leased hotels contributed over 86.3% of the total. The decline in EBITDA from managed hotels was due to 1 hotel leaving the Group, while the increase in franchise fees was because of the stepping-up of the fee structure for several Park Inn hotels.

The Rest of Western Europe

EBITDA grew by 14.3% to MEUR 6.5 (5.7). EBITDA from our managed hotels went up by 37.1%, primarily on account of improvement in RevPAR of existing hotels, and partly due to new additions. Since October 2005, we opened leased hotels in Belgium, Germany and the UK. Despite the addition of leased properties, which in their start up phase often contribute negatively to EBITDA, we had a growth of 4.8% in EBITDA from our leased hotels.

Eastern Europe

EBITDA grew by 16.0% to MEUR 4.0 (3.5), which was driven by growth in EBITDA from the existing managed hotels as well as the addition of 5 new managed properties since October 2005.

The Middle East, Africa and Other

EBITDA grew by 54.2% to MEUR 2.1 (1.4), such growth was evenly distributed between EBITDA growth in managed hotels and our share of income in associates.

From October 2005 to Q3 06, we added 3 managed hotels, of which one commenced operations as part of the Group only in September 06.

#### Unallocated Costs

Unallocated costs amounted to MEUR 8.5 (7.0). The amount includes a provision of MEUR 2.8 related to individual bonus arrangements made in September 2006 (see note 10.10. for further information) Excluding this provision, unallocated costs have decreased during the period.

#### **For nine months ended on September 30, 2006 as compared to nine months ended on September 30, 2005:**

RevPAR (including leased and managed hotels) for nine months ended in 2006 was EUR 72 (67), up by 7.5% and Occupancy was 70% (68). RevPAR is split as follows :

Radisson SAS recorded an increase in RevPAR of 9.9% compared to the first nine months of 2005. The figures for leased and managed hotels was EUR 78 (71). The increase is mainly a result of the strong hotel market in most of our destinations.

Park Inn increased its RevPAR by EUR 3 or 6.7 % to EUR 48 (45). The increase was equally attributable to increase in room rates and occupancy.

Revenue for nine months ended in 2006 amounted to MEUR 521.9 (419.7), up 24.3% or MEUR 102.2.

For like-for-like hotels, i.e., those in operation on or prior to January 1, 2005, total revenue increase was MEUR 45.5 or approximately 45% of the total increase, This does not include a termination fee of MEUR 2.5 received in September 2006 on account of one hotel that left our Group in 2003.

The change in revenue was due to developments in the Nordic Region and the Rest of Western Europe. The main highlights are as follows:

#### The Nordic Region

Revenue grew by 9.4% to MEUR 229.8 (210.0). Nearly all of the growth was due to our leased hotels, mainly in Norway and Sweden. In Norway, total Revenue increased by 11.0%, equally driven by occupancy and AHR. In Sweden total Revenue increased by 7.4%, mainly driven by occupancy.

#### The Rest of Western Europe

Revenue grew by 38.4% to MEUR 272.0 (196.5). Of this growth, 90.7% came through our leased hotels.

In Germany, total Revenue increased by approximately 46.0%, driven by a combination of factors, including the opening of new Radisson SAS hotels and the soccer world cup, which resulted in higher AHR.

In France, total Revenue increased by 10.8% for Radisson SAS hotels, and 0.2% for Park Inn. The increase in revenues for Radisson SAS hotels was equally on account of growth in occupancy and AHR. There were no major changes in occupancy or AHR for Park Inn hotels.

In the UK, total Revenue increased by 8.5% for Radisson SAS hotels, and 129.7% for Park Inn. For Radisson SAS, growth in RevPAR was mainly driven by growth in occupancy. For Park Inn, the extraordinary growth in revenue was due to 9 new leased hotels joining the Group.

#### Eastern Europe and the Middle East, Africa and Other

In Eastern Europe, revenue grew by 45.3% to MEUR 13.3 (9.1). In the Middle East, Africa and Other, revenue grew by 67.9% to MEUR 6.9 (4.1). The markets in Eastern Europe as well as the Middle East noted varying degrees of improvement in RevPAR, which positively contributed to the fee revenues. Additionally, the opening of 8 managed hotels since the end of September 2005 resulted in incremental fee income.

EBITDAR for the nine months ended in 2006 amounted to MEUR 174.7 (127.3), up 37.3%. The EBITDAR margin improved to 33.5% (30.3) of Revenue.

'Rent expense' includes rent expense for leased hotels and the impact of guarantee payments for management contracts. Rent expense for nine months ended in 2006 was MEUR 134.9 (106.2).

EBITDA, including share of income in associated companies, amounted to MEUR 43.6 (24.8), up by 75.6%. The following highlights the key developments in our geographic segments:

#### The Nordic Region

EBITDA grew by 38.5% to MEUR 37.0 (26.7). Of the incremental EBITDA, leased hotels contributed over 69% of the total. The increase in EBITDA from managed and franchised hotels was due to improvement in the market.

#### The Rest of Western Europe

EBITDA grew by 188.3% to MEUR 16.5 (5.7). The main reason for this growth was rate driven increase in RevPAR which had a very positive impact on our leased hotels, which contributed 64% of the total increase in EBITDA. The remainder of the growth was primarily due to managed hotels.

#### Eastern Europe

EBITDA grew by 16.6% to MEUR 7.9 (6.8), which was driven by improved market performance and the addition of 5 new managed hotels since October 2005.

The Middle East, Africa and Other

EBITDA grew by 77.9% to MEUR 7.0 (4.0), which was mainly on account of higher contribution from the existing hotels as well as the addition of 2 managed hotels to the Group.

Unallocated Costs

Unallocated costs amounted to MEUR 24.9 (18.4). The increase in unallocated costs represent 25.7% of incremental EBITDA before unallocated costs.

Profit before tax, EBT, for the nine-month period ending on September 30, 2006 amounted to MEUR 26.0 (8.7), reflecting an increase of MEUR 23.4.

## **1.2. Balance sheet**

Tangible assets at the end of September 2006 were MEUR 86.6 compared to MEUR 78.9 MEUR at the end of 2005. The increase was primarily due to renovations in several leased hotels. Financial Assets increased from MEUR 52.9 at the end of December 2005 to MEUR 53.9 at the end of September 2006, primarily due to share of income in associated companies resulting in higher share of equity in such companies.

Excluding cash, net working capital was relatively stable at the end of September 2006 and was MEUR – 12.7 compared to MEUR – 19.2 at the end of September 2005.

Compared to year end 2005, total equity at the end of September 2006 went up by MEUR 20.1, to MEUR 169.7. The increase was due to profits generated during the 9 month period.

For changes in minority interest, please refer to Section 2 titled “Post balance sheet events”.

## **1.3. Cash flow**

Net cash flow from operations increased from MEUR – 1.7 at the end of September 2005 to MEUR 13.4 at the end of September 2006. This is in line with the improvement in financial performance of the group. Cash Flow from investments and financing activities in 2005 was impacted by the sale of Radisson SAS Stansted Hotel in August 2005.

## **2. Post balance sheet events**

In connection with the Carlson investment completed on June 30, 2005, SAS sold 25 percent of its Shares in the company to Carlson. In addition, our subsidiary Rezidor SAS Hospitality Holdings AB issued 5,000 preference shares to SAS and 1,667 preference shares to Carlson Summit Inc., a wholly-owned subsidiary of Carlson, as part of the investment. On October 10 2006, we issued 19,938 and 6,646 new Shares to SAS and Carlson Summit Inc., respectively, in exchange for all outstanding preference shares based on a resolution by our Extraordinary General Meeting of Shareholders on October 10, 2006.

The preference shares were acquired by us as consideration in kind in accordance with Swedish law and at a pre-agreed value set out in the provisions regarding redemption of preference shares as set forth in the articles of association of Rezidor SAS Hospitality Holdings AB. After the exchange, Rezidor Hospitality Holdings AB has become a wholly-owned subsidiary.

All our shares carry the same voting rights. As a result of the new shares issued, our share capital increased by EUR 26,584 and our share capital currently is EUR 126,584 (for the group structure, refer to appendix I).

The cash pool with SAS has been cancelled as per 2<sup>nd</sup> October 2006, and the cash amount of MEUR 16.2 belonging to Rezidor was transferred to its regular bank accounts

### **3. Financial comments – Parent Company**

As per September 30, 2006, Rezidor Hotel Group AB was a holding company holding 100% of ordinary shares and 60% of the voting rights in Rezidor SAS Hospitality Holdings AB. Please refer to Section 2 titled “Post balance sheet events” for subsequent changes in the Group structure and minority interest.

Net sales for the nine month period amounted to TEUR 140 (0) and income after financial items amounted to TEUR 2 (0).

Investments during the nine month period amounted to TEUR 0 (0) thousands.

Cash and cash equivalents amounted to TEUR 5 (0).

### **4. Upcoming financial information**

Year-End Financial Report January – December 2006 (date of issuance : February 14, 2007)

For inquiries regarding the content of this report, please contact Mr. Knut Kleiven (Deputy President and CFO) at +32.2.702.92.00 or Mr. Per Blixt (Head of Corporate Communications & Investor Relations) at +32.2.702.92.24 (direct) or at +32.477.760.267 (mobile).

Kurt Ritter  
CEO & President  
Rezidor Hotel Group AB  
Stockholm, October 26, 2006

Rezidor Hotel Group AB,  
Corp. i.d. no. 556674-0964  
Box 6061 - 171 06 Solna, Sweden  
[www.rezidor.com](http://www.rezidor.com)

## 5. Report on Review of Interim Financial Information

To the board of directors' of Rezidor SAS Hospitality Group AB (publ) under name change to Rezidor Hotel Group AB (publ) (Corp. i.d. no. 556674-0964)

### Introduction

We reviewed the accompanying balance sheet of Rezidor SAS Hospitality Group AB (publ.), as of September 30, 2006 and the related statements of income, changes in equity and cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Board of Director's and the Managing Director are responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim financial information based on our review.

### Scope of review

We conducted our review in accordance with the recommendation ÖG 2410 issued by the Institute for the Accounting Profession in Sweden which is substantially consistent with the rules issued by the Certified International Federation of Accountants (IFAC) for a review of interim financial information as described in the International Standard on Review Engagements (ISRE) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit.

Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of the financial position of the entity as at September 30, 2006, and of its financial performance and its cash flows for the nine-month period then ended in accordance with IAS 34, including the Swedish Annual Accounts Act.

Stockholm, October 26, 2006

Deloitte AB

Peter Gustafsson

Authorised Public Accountant

## 6. Consolidated Statements of Operations

|                                                                                               | For the Three Months Ended<br>September 30, |         | For the Nine Months Ended<br>September 30, |          |
|-----------------------------------------------------------------------------------------------|---------------------------------------------|---------|--------------------------------------------|----------|
|                                                                                               | 2006                                        | 2005    | 2006                                       | 2005     |
| (€ in thousands, except for share related data)                                               |                                             |         |                                            |          |
| Revenue                                                                                       | 180,025                                     | 146,863 | 521,929                                    | 419,746  |
| Cost of goods sold                                                                            | -13,009                                     | -11,187 | -39,392                                    | -33,039  |
| Personnel cost                                                                                | -63,768                                     | -49,438 | -184,320                                   | -150,390 |
| Other operating expenses                                                                      | -36,691                                     | -31,859 | -115,159                                   | -100,256 |
| Insurance of properties & property tax                                                        | -3,540                                      | -2,937  | -8,325                                     | -8,804   |
|                                                                                               | 63,017                                      | 51,442  | 174,733                                    | 127,257  |
| Rental expense                                                                                | -45,760                                     | -36,175 | -134,898                                   | -106,199 |
| Share of income in associates                                                                 | 1,378                                       | 1,218   | 3,799                                      | 3,788    |
| <b>Operating Profit before depreciation and amortization and gain on sale of fixed assets</b> | 18,635                                      | 16,485  | 43,634                                     | 24,846   |
| Depreciation and amortization expense                                                         | -5,383                                      | -5,313  | -15,730                                    | -16,195  |
| Gain on sale of shares and tangible fixed assets                                              | -                                           | 6,668   | -                                          | 6,682    |
| <b>Operating Profit</b>                                                                       | 13,252                                      | 17,840  | 27,904                                     | 15,333   |
| Financial income                                                                              | -176                                        | 143     | 725                                        | 319      |
| Financial expense                                                                             | -233                                        | -1,870  | -2,656                                     | -6,946   |
| <b>Profit before tax</b>                                                                      | 12,843                                      | 16,113  | 25,973                                     | 8,706    |
| Income tax                                                                                    | -3,012                                      | 2,656   | -5,796                                     | 3,650    |
| <b>Profit for the period</b>                                                                  | 9,831                                       | 18,769  | 20,177                                     | 12,356   |
| Attributable to:                                                                              |                                             |         |                                            |          |
| Equity holders of the parent                                                                  | 7,081                                       | 16,019  | 11,927                                     | 9,606    |
| Minority interest (preferential dividend)                                                     | 2,750                                       | 2,750   | 8,250                                      | 2,750    |
|                                                                                               | 9,831                                       | 18,769  | 20,177                                     | 12,356   |
| <b>Earnings per share (€) <sup>1)</sup></b>                                                   |                                             |         |                                            |          |
| Basic and diluted                                                                             | 70.81                                       | 160.19  | 119.27                                     | 96.06    |

1) Earnings per share is calculated on 100,000 outstanding shares. Since the Rezidor Group has no options, convertibles or share program, dilution cannot occur.

## 7. Consolidated Balance sheet Statements

|                                                    | As of<br>September 30,<br>2006 | As of<br>December 31,<br>2005 |
|----------------------------------------------------|--------------------------------|-------------------------------|
| (€ in thousands, except for share related data)    |                                |                               |
| <b>Assets</b>                                      |                                |                               |
| <b>Non-current assets</b>                          |                                |                               |
| <i>Intangible assets</i>                           |                                |                               |
| Goodwill                                           | 14,074                         | 12,597                        |
| Other intangible assets                            | 60,811                         | 62,809                        |
|                                                    | <u>74,885</u>                  | <u>75,406</u>                 |
| <i>Tangible assets</i>                             |                                |                               |
| Land, buildings and fixed installations            | 26,555                         | 21,695                        |
| Machinery and equipment                            | 50,493                         | 48,894                        |
| Construction in progress                           | 9,592                          | 8,314                         |
|                                                    | <u>86,640</u>                  | <u>78,903</u>                 |
| <i>Financial assets</i>                            |                                |                               |
| Investments in associated companies                | 8,987                          | 5,766                         |
| Other shares and participations                    | 17,389                         | 17,076                        |
| Pension funds, net                                 | 14,557                         | 14,472                        |
| Other long term receivables                        | 13,006                         | 15,612                        |
|                                                    | <u>53,939</u>                  | <u>52,926</u>                 |
| Deferred tax assets                                | 17,130                         | 13,084                        |
|                                                    | <u>232,594</u>                 | <u>220,319</u>                |
| <b>Current assets</b>                              |                                |                               |
| Inventories                                        | 5,289                          | 5,195                         |
| Accounts Receivables                               | 63,164                         | 48,318                        |
| Other receivables                                  | 70,564                         | 54,603                        |
| Other investments                                  | 1,366                          | 2,432                         |
| Cash and cash equivalents                          | 17,909                         | 23,384                        |
|                                                    | <u>158,292</u>                 | <u>133,932</u>                |
| <b>Total assets</b>                                | <u>390,886</u>                 | <u>354,251</u>                |
| <b>Equity and liabilities</b>                      |                                |                               |
| <b>Capital and reserves</b>                        |                                |                               |
| Share capital                                      | 100                            | 100                           |
| Translation reserves                               | 19,078                         | 19,392                        |
| Other paid in capital                              | 88,178                         | 87,978                        |
| Retained earnings                                  | -6,627                         | -18,598                       |
| Equity attributable to equityholders of the parent | <u>100,729</u>                 | <u>88,872</u>                 |
| Minority interest                                  | 68,965                         | 60,715                        |
| Total equity                                       | <u>169,694</u>                 | <u>149,587</u>                |
| <b>Non-current liabilities</b>                     |                                |                               |
| Deferred tax liabilities                           | 16,896                         | 14,303                        |
| Retirement benefit obligation                      | 1,303                          | 1,034                         |
| Other long term liabilities                        | 1,807                          | 430                           |
|                                                    | <u>20,006</u>                  | <u>15,767</u>                 |
| <b>Current liabilities</b>                         |                                |                               |
| Accounts payables                                  | 28,831                         | 34,732                        |
| Current tax liabilities                            | 8,482                          | 5,968                         |
| Liabilities to financial institution               | 48,201                         | 37,687                        |
| Other current liabilities                          | 115,672                        | 110,510                       |
|                                                    | <u>201,186</u>                 | <u>188,897</u>                |
| Total liabilities                                  | <u>221,192</u>                 | <u>204,664</u>                |
| <b>Total equity and liabilities</b>                | <u>390,886</u>                 | <u>354,251</u>                |
| <b>Equity per share (€) I)</b>                     | 1,007.29                       | 888.72                        |

I) Calculated on 100.000 outstanding shares.

| 8. Consolidated Statement of changes in equity                             | Share capital | Translation reserves | Other paid in Capital | Net income        |                       | Attributable to equityholders of the parent | Minority interest | Total equity |
|----------------------------------------------------------------------------|---------------|----------------------|-----------------------|-------------------|-----------------------|---------------------------------------------|-------------------|--------------|
|                                                                            |               |                      |                       | Retained earnings | (loss) for the period |                                             |                   |              |
| (€ in thousands)                                                           |               |                      |                       |                   |                       |                                             |                   |              |
| Balance as of January 1, 2005 - Rezidor SAS Denmark A/S                    | 80,000        | 19,312               | 4,978                 | -36,321           |                       | 67,969                                      | 215               | 68,184       |
| Increase of share capital                                                  | 3,000         |                      |                       |                   |                       | 3,000                                       |                   | 3,000        |
| Formation of Rezidor SAS Hospitality Group AB                              | -82,900       |                      | 83,000                |                   |                       | 100                                         | 55,000            | 55,100       |
| Net profit for the period                                                  |               |                      |                       |                   | 9,606                 | 9,606                                       | 2,750             | 12,356       |
| Change in translation differences                                          |               | 452                  |                       |                   |                       | 452                                         |                   | 452          |
| Ending balance as of September 30, 2005 - Rezidor SAS Hospitality Group AB | 100           | 19,764               | 87,978                | -36,321           | 9,606                 | 81,127                                      | 57,965            | 139,092      |
| Net profit for the period                                                  |               |                      |                       | 4                 | 8,113                 | 8,117                                       | 2,750             | 10,867       |
| Change in translation differences                                          |               | -372                 |                       |                   |                       | -372                                        |                   | -372         |
| Ending balance as of December 31, 2005 - Rezidor SAS Hospitality Group AB  | 100           | 19,392               | 87,978                | -36,317           | 17,719                | 88,872                                      | 60,715            | 149,587      |
| Opening balance at January 1, 2006 - Rezidor SAS Hospitality Group AB      | 100           | 19,392               | 87,978                | -36,317           | 17,719                | 88,872                                      | 60,715            | 149,587      |
| Allocation of net income of previous period                                |               | -133                 | 89                    | 17,763            | -17,719               |                                             |                   |              |
| Net profit for the period                                                  |               |                      |                       |                   | 11,927                | 11,927                                      | 8,250             | 20,177       |
| Change in translation differences                                          |               | -181                 | 111                   |                   |                       | -70                                         |                   | -70          |
| Ending balance as of September 30, 2006 - Rezidor SAS Hospitality Group AB | 100           | 19,078               | 88,178                | -18,554           | 11,927                | 100,729                                     | 68,965            | 169,694      |

## 9. Consolidated Statement of cash flows

|                                                               | For the Nine Months Ended |                |
|---------------------------------------------------------------|---------------------------|----------------|
|                                                               | September 30,             |                |
|                                                               | 2006                      | 2005           |
|                                                               | (€ in thousands)          |                |
| <b>Profit Before Interest and Taxes</b>                       | <b>27,904</b>             | <b>15,333</b>  |
| Non cash items                                                | 12,088                    | -720           |
| Interest and taxes paid, net                                  | -5,211                    | -731           |
| Change in working capital                                     | -21,350                   | -15,620        |
| <b>Cash flow used in/provided by operating activities</b>     | <b>13,431</b>             | <b>-1,738</b>  |
| Purchase of shares and participations                         | -2,265                    | -253           |
| Purchase of machinery & equipment                             | -12,937                   | -14,553        |
| Purchase of land, buildings and other fixed installations     | -1,040                    | -543           |
| Proceeds from sale of fixed assets and shares                 | 0                         | 79,699         |
| Other investing cash flows (net)                              | -9,657                    | -17,031        |
| <b>Cash flow from investing activities</b>                    | <b>-25,899</b>            | <b>47,319</b>  |
| External financing, net                                       | 6,993                     | -53,193        |
| <b>Cash flow from financing activities</b>                    | <b>6,993</b>              | <b>-53,193</b> |
| Effects of exchange rate changes on cash and cash equivalents | 71                        | 73             |
| <b>Net decrease in cash and cash equivalents</b>              | <b>-5,404</b>             | <b>-7,539</b>  |
| <b>Cash and cash equivalents at January 1 (1)</b>             | <b>23,313</b>             | <b>24,193</b>  |
| <b>Cash and cash equivalents at September 30</b>              | <b>17,909</b>             | <b>16,654</b>  |
| (1) Cash and cash equivalents as reported at January 1        | 23,384                    | 24,266         |
| (1) Effect of exchange rate changes                           | -71                       | -73            |
| (1) Cash and cash equivalents as restated at January 1        | 23,313                    | 24,193         |

## **10. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2006**

### **10.1. Basis of preparation**

The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting and the Swedish Annual Accounts Act. The interim financial statements have also been prepared applying the Swedish Accounting Standards Council RR 31.

This report is the first consolidated financial statements reported by the Company. The condensed financial statements has been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by E.U.

The formal financial reports as defined by the Swedish Corporate Governance Code are included on pages 11-39.

### **10.2. General information**

Rezidor Hotel Group AB is a limited company incorporated in Sweden. Its registered office and principal place of business is in Sweden (Stockholm). Rezidor operates international hospitality companies which currently has 272 hotels in operation or under development in 47 countries. Rezidor now operates Radisson SAS Hotels & Resorts, Regent International Hotels Park Inn and Country Inns & Suites along with the goldpoints plus<sup>SM</sup> loyalty program for frequent hotel guests.

### **10.3. Background to the preparation of the financial statements**

The financial statements are consolidated at the level of Rezidor SAS Hospitality Group AB. The group structure is presented in appendix I.

The comparable consolidated financial statements as of September 30, 2005 and for the year ended December 31, 2005 take into account the Intra group transaction and the Carlson Investment from the effective date of the MFAs, which was June 30, 2005. These transactions have been described below.

SAS AB (publ) owned 100 % of the Rezidor SAS Hospitality A/S group ("RSH") before the transactions further described below.

Pursuant to an Investment and Implementation Agreement dated 14 March 2005 between SAS AB (publ.), Carlson Companies Inc and Carlson Hotels Worldwide Inc., SAS undertook certain measures with respect to its, at the time, wholly owned subsidiary Rezidor SAS Hospitality Group AB and a wholly owned subsidiary of the aforementioned company called Rezidor SAS Hospitality Holdings AB (owning 100% of the shares in RSH). Completion of the transaction took place on June 30, 2005 and can be described as follows.

In an initial step, SAS AB (publ) sold to Carlson Hotels Worldwide Inc. 25 % of the shares in Rezidor SAS Hospitality Group AB. Thereafter, Rezidor SAS Hospitality Holdings AB issued 6,667 preference shares of which SAS AB subscribed for 5,000 shares and Carlson Sub subscribed for 1,667 shares. In exchange for the issue of the 5,000 preferred shares it had subscribed, SAS AB (publ) transferred all of the issued share capital in Rezidor SAS Hospitality A/S (Denmark) with an aggregate par value of 5,000 EUR and issued at an aggregate premium of TEUR 165,000. In exchange for the issue of the 1,667 preferred shares, Carlson Sub assigned future royalty fees payable by Rezidor SAS Hospitality A/S (Denmark) under certain Master Franchise Agreements for use of the Carlson brands Radisson, Park Inn, Regent. The 1,667 preference shares issued to Carlson Sub were recorded of an aggregate value of 1,667 EUR and issued at an aggregate premium of TEUR 55,000.

The Carlson Investment has been accounted for in accordance with IFRS 2 (Share-based payment) where the fair value of the amended terms of the Master Franchise Agreements (TEUR 55,000) has been accounted for as an intangible asset amortized over the length of the above mentioned agreements. These agreements expire in 2052 meaning a yearly amortization of TEUR 1,170. The preference shares issued to compensate Carlson have accordingly have been accounted for as a minority interest (in equity).

The intra group transaction described above with SAS is a transaction between entities under common control and accordingly has been accounted for as Group internal restructuring. Therefore, the consideration, (shares in Rezidor SAS Hospitality) has been adjusted against the aggregate premium of TEUR 165,000 as it is a non cash issue.

Rezidor SAS Hospitality Group AB is held by SAS AB (publ) with 75,000 ordinary shares (and 75% of the voting rights) and by Carlson Hotels Worldwide Inc. with 25,000 ordinary shares (and 25% of the voting rights).

Rezidor SAS Hospitality Group AB holds 100% of the ordinary shares of Rezidor SAS Hospitality Holdings AB with 60% of the voting rights, 30% being held by SAS AB (publ) and the rest (10%) of the voting rights being held by Carlson Summit Inc., a wholly owned subsidiary of Carlson Hotels Worldwide Inc.

The Articles of Association of Rezidor SAS Hospitality Holdings AB provides that each preference shareholder shall be entitled, to receive in respect of each preference share held by it and in respect of each financial year, a preferential dividend equal to 5% of the preference amount. The preference amount in respect of each preference share, at any given point in time, means the subscription price per preference share. Therefore, the calculation of the preferential dividends (5%) is based on the preference amounts which are TEUR 165,000 for SAS AB (publ) and TEUR 55,000 for Carlson Summit Inc. These preferential dividends have been accrued since the date of their issuance on 1st July 2005 as an increase in minority interest.

The comparable consolidated historical financial statements as of September 30, 2005 and for the year ended December 31, 2005 are based on the consolidated financial statements of Rezidor SAS Hospitality A/S, the parent company of our group prior to the intra-group transaction and the

Carlson Investment, for the first six months of 2005 using the commercial terms with Carlson in place prior to the effective date of the Carlson Investment and, for the last three months of the period, on the consolidated financial statements of Rezidor SAS Hospitality Group AB taking into account the effect of the Carlson Investment.

For more information, also refer to the Group structure described in the appendix I.

## **10.4. Adoption of new and revised International Financial Reporting Standards**

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2005 and on 1 January 2006 and which were endorsed by the European Commission prior to the release of these financial statements.

## **10.5. Significant accounting policies**

The interim report has been prepared on the historical cost basis, except for the revaluation of certain financial instruments or as described below. The principal accounting policies adopted are set out below.

### **10.5.1 Reporting currency**

EUR is the functional currency of the primary economic environment in which the group operates and consequently the financial statements are presented with EUR as the reporting currency.

### **10.5.2. General provision on recognition and measurement**

Assets are recognized in the balance sheet if 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 recognized in the balance sheet if 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.

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

In connection with recognition and measurement, all affairs and conditions are taken into consideration that arise before the time at which the Interim Report is prepared and that confirm or invalidate affairs and conditions existing on the balance sheet date.

Revenue is recognized in the income statement as and when earned, whereas costs are recognized at the amounts attributable to the financial period under review. Revaluations of financial assets and liabilities are included in the income statement as financial income or financial expenses.

**10.5.3. 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 consolidated financial statements are prepared on the basis described in note 2. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

The consolidated financial statements are prepared by combining uniform items and eliminating intra-group revenue and expenses, Intercompany accounts as well as gains and losses on transactions between companies within the group.

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 into line those by other members of the Group.

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

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

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

**10.5.4. Business combinations**

The acquisition of companies or businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognized 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 recognized and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognized as an asset being the excess of the cost of the business combination over the Group's interest in net fair value of the identifiable assets, liabilities and contingent liabilities recognized. 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 recognized immediately in profit or loss. The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

#### 10.5.5. 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 recognized in the income statement under "Gains (loss) from sale of shares and tangible fixed assets".

#### 10.5.6. Translation of accounts in foreign currency

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

The functional currency of the majority of the reporting entities is considered to be their local currency. On consolidation, the reporting entities' income statements are translated using the monthly average rates and balance sheets are translated using the rates at the balance sheet date.

The main exchange rates used in this report are :

One € equals

|         |          | End of period<br>rate<br>September 30, |      | Average rate<br>January 1 –<br>September 30, |      |
|---------|----------|----------------------------------------|------|----------------------------------------------|------|
| Country | Currency | 2006                                   | 2005 | 2006                                         | 2005 |
| Denmark | DKK      | 7.46                                   | 7.46 | 7.46                                         | 7.45 |
| Sweden  | SEK      | 9.27                                   | 9.34 | 9.31                                         | 9.22 |
| Norway  | NOK      | 8.23                                   | 7.84 | 7.96                                         | 8.06 |
| UK      | GBP      | 0.68                                   | 0.68 | 0.69                                         | 0.68 |

## Income statement

### 10.5.7. Revenue

Revenue consists mainly of fees from the hotel activities, including management and franchise fees, and sales done in owned and leased hotels. Fee revenue (which is normally a percentage of hotels revenue and/or profits) is recognized in the income statement based on the underlying contract agreements, while revenue from sales in the hotels are included in the income statement when the services have been rendered.

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.

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 recognized when the shareholders rights to receive payment have been established.

### 10.5.8. Customer Loyalty Program

A Customer Loyalty Program (named as Goldpoints Plus<sup>SM</sup>) is used by the Company to provide customers with incentives to buy the room nights. Each time a customer buys room nights, the company grants the customer award credits (described as 'points'). The customer can redeem the award credits for awards such as free room nights or trade to awards in other loyalty programs. Members enjoy discounts on various services such as food and beverages.

Within this context, the company recognises the original revenue in full and, concurrently, recognizes a provision for the estimated future costs of supplying the goods or services.

### 10.5.9. Cost of goods sold

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

### 10.5.10. Leasing

As a lessee, Rezidor has entered into lease contracts primarily related to hotel premises, cars and also certain office equipment. 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 the company in principle takes over all the risks and benefits of the asset are reported as finance leasing contracts. At the beginning of the leasing period, finance leasing contracts are reported at fair value. Assets held under finance lease are recognized in the balance sheet as a fixed asset and future commitment to the lessor as a liability. Assessment of the leased assets useful economic life corresponds to the principles Rezidor applies to acquired assets.

Currently, we treat all of our leases as operating leases. All leasing arrangements, where in principle all risks and benefits remain with the lessor, are consequently reported as operating lease contracts. The lease cost for operating lease contracts is recognized on a straight-line basis unless another systematic basis is a better representative of the time pattern of the benefits to the group.

#### **10.5.11. Personnel cost**

Personnel costs comprise salaries and wages as well as social security costs, pension contributions, etc. for the companies staff.

#### **10.5.12. Other operating expenses**

Other operating expenses include expenses related to operating the hotels such as heat, light, power, IT and telecommunication, as well as expenses related to sale, marketing and administration such as fee expenses and commissions.

#### **10.5.13. Financial income and expenses**

Financial income and expenses items include interest income and expenses, realized and unrealized foreign exchange gains and losses on securities and shares, liabilities, value adjustments of financial assets, addition or deduction of amortization relating to mortgage debt.

#### **10.5.14. 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 recognized on difference between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax are generally recognized for all taxable temporary differences. Deferred tax assets are recognized to the extent that is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized 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 recognized 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 realized. 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 dealt within 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.

## **Balance sheet**

### **10.5.15. Goodwill**

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

### **10.5.16. Other intangible assets**

Acquired intangible assets in the form of rights are measured at cost less accumulated amortization. These rights are amortized on a straight line basis over the term of the agreement. Other intangible assets primarily relates to the contractual rights relating to the Carlson agreement which is being amortized over the length of the contract. The contract expires in 2052.

Intangible assets are written down to the lower of recoverable amount and carrying amount.

### **10.5.17. Property, plant and equipment**

Land, buildings, and fixed installations as well as machinery and equipment (mainly related to investments in leased hotels) are measured at cost less accumulated depreciation and write-downs. Land is not being depreciated.

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

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

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

|                                                            |        |
|------------------------------------------------------------|--------|
| Buildings                                                  | 2,5 %  |
| Fixed installations and technical improvements             | 10,0 % |
| Guest room furniture, fixture and equipment                | 15,0 % |
| Other Furniture, Fixtures & Equipment (FF&E) and machinery | 20,0 % |

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

Tangible assets are written down to the lower of recoverable amount if the recoverable amount is lower than the carrying amount. The recoverable amount is the highest amount between 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.

#### **10.5.18. 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 that those assets have suffered an impairment loss. 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 recognized immediately in profit or loss.

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

**10.5.19. 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 requires the unanimous consent of the parties sharing control. Currently, where the shareholding and votes is 50% of total (shareholding and votes), the company classifies these related investments as investments in associated companies due to other factors.

The results, assets and liabilities of associates and joint ventures are incorporated in these 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.

This share of income represents our share in the net income (after tax) from these associates and is directly accounted in the income statement. No further income tax expense is charged to this 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 as 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 Groups 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 recognized.

Any goodwill arising on 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).

**10.5.20. Other shares and participations**

Other shares and participations are accounted for in accordance with the fair value option in IAS 39, and are measured at fair value at the balance sheet date. The changes in fair value is recorded in equity.

**10.5.21. 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.

**10.5.22. Receivables**

Receivables are measured at amortized cost, usually equaling nominal value, less provisions for bad debts.

**10.5.23. Provisions**

Provisions for obligations related to lease contracts and management contracts are made if a contract is considered onerous.

Other provisions are recognized 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.

**10.5.24. Current interest-bearing liabilities**

Other financial liabilities are recognized at amortized cost, usually equaling nominal value.

**10.5.25. Retirement benefit obligations**

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

For pension plans where the employer has accepted responsibility for defined contribution solutions, the obligation to employees ceases when contractual premiums have been paid. For other pensions plans where defined benefit pensions have been agreed, the commitments do not cease until the contractual pensions have been paid to the employee on retirement. The Group calculates its pension obligations for the defined benefit pension plans. Calculations of obligations are based on estimated future final salary. An estimate of funded assets is made at the balance sheet date.

Pension costs for the year comprise the present value of pensions earned during the year, plus interest on the obligation at the beginning of the year, less return on funded assets. Amortization of deviations from estimates and plan amendments is added to this total for certain pension plans.

Cumulative actuarial deviations from estimates of up to 10% of the greater of pension obligations and pension assets are included in the so-called corridor and are not amortized. When the cumulated actuarial deviations from estimates exceeds this 10% limit, the excess amount is amortized over the average remaining employment period of the participants in the plan currently 15 years.

**10.5.26. Share-based payment transactions**

During the first quarter of 2005, the SAS group concluded an agreement with the U.S. based Carlson Hotels Worldwide. Under this agreement Carlson Hotels acquired 25% in Rezidor in exchange for improved commercial terms in the parties' Master Franchise Agreement (MFA).

The agreement was completed end of June 2005 (see description in section 10.3 and the appendix).

**10.5.27. Financial risk management**

Rezidor is exposed to interest rate-, currency-, credit- and liquidity risks. According to the Group Finance policy, Rezidor may use derivative financial instruments to hedge the financial risks. As a result of Rezidor's strategy not to own real estate, the risks from financing activities are limited.

Rezidor's main financing risk is related to the ability to control and meet its off-balance sheet commitments under fixed leases and management contracts with guarantees. These commitments are normally limited to an agreed maximum financial exposure for Rezidor for the entire term of the contracts (cap).

Such cap usually amounts to the equivalent of 2-3 years fixed lease or guaranteed result. If the caps are utilised, the contracts will continue without further commitments of guaranteed cash flows to the property owners.

In order to manage and control the off balance sheet commitments, a financial policy was implemented some years ago.

**10.5.28. Interest rate risk**

All liabilities to financial institutions are variable rate loans. Rezidor occasionally provides loans to certain of its hotel operators. Interest on such loans are primarily agreed on variable terms.

**10.5.29. Currency risk**

Exposure to foreign currency fluctuations is mainly related to the conversion of the accounting for foreign entities into Euro. Activities in foreign entities, which includes owned and leased hotels, are typically carried out in local currency. Furthermore, there is an exposure to foreign currency fluctuation in the Danish entities related to management and franchise fees, which are typically invoiced in foreign currency.

**10.5.30. Credit risks**

Credit risks related to financial assets equal the values included in the balance sheet. In some cases Rezidor has granted loans to hotel owners in early stages of new projects. Based on market conditions, interest rates, repayment schedules and security arrangements have been agreed upon. As of each year end, there were no significant credit risks to report.

**10.5.31. Liquidity risks**

It is the policy of Rezidor that the raising of capital and placement of excess liquidity is managed centrally. Furthermore the Group has objectives for liquidity reserves, such as excess cash and irrevocable credit facilities, that the Group at any time should have available.

**10.5.32. 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 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 recognized in the cash flow statement from the time of their acquisition, and cash flows from divested enterprises are recognized 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 the 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 as well as investments.

“Cash flow from financing activities” includes changes in the size or 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.

“Liquid funds” includes cash and cash equivalents.

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

#### **10.5.33. Segment information**

Revenue, EBITDA, EBIT are disclosed within a primary geographical segment and also within a second operating structure segment.

The primary segment (by geographic area) is defined as:

The Nordic Region,  
Rest of Western Europe,  
Eastern Europe,  
Middle East, Africa and Other

The secondary segment (operating structure) is defined as:

Leased,  
Managed,  
Franchised,  
Other.

For EBITDA and EBIT :

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

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

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

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

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 tangible assets (for EBIT).

The line item 'Unallocated costs' represents corporate costs (excluding the marketing costs which are allocated to the operational units – i.e. Leased,, Managed, Franchised).

Total assets and capital expenditure (investments) are only disclosed within the primary geographical segment. 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 and Occupancy rate are segmented between majors brands which are Radisson SAS and Park Inn.

The number of hotels and rooms in operation, is segmented by geographic area and by operating structure.

## 10.6. Critical judgments 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. 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 Groups' reported earnings and financial position.

In reporting intangible assets and tangible fixed assets, an assessment is made of the useful economic life and an assessment is made at least once a year to determine whether impairment exists.

Other shares and participations are available for sale and are measured at fair value at the balance sheet date. The changes to fair value are recorded in their related caption. The fair value calculation method is based either on enterprise valuation done by an external party, estimated future cash flows and/or on benchmarking analysis.

Deferred tax is recognized for all temporary differences between stated and taxable income and for deferred tax receivables attributable to unutilized loss carry-forwards. The valuation of loss carry-forwards and ability to utilize tax loss carry-forwards is based on estimates of future taxable income.

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

Provision are made when any probable and quantifiable risk of loss attributable to disputes is judged to exist.

Moreover, in the process of applying the entity's accounting policies, which are described here above in note 4, management has made following judgments that have the most significant effect on the amounts recognized in the financial statements.

For business combination :

IFRS 3 has been adopted for business combinations for which the agreement date is or after 31 March 2004.

Therefore the Group has applied the revised accounting policy for goodwill prospectively from the beginning of its first annual period beginning on or after 31 March 2004. Nevertheless, the Group had no acquisitions during 2004 accounting period. The Group carried goodwill in its balance sheet at cost less accumulated depreciation and accumulated impairment losses. Following IFRS 3, Goodwill is not subject to depreciation but to impairment testing (see here below in note 6).

For amortizing the intangible assets :

Following the New Franchise Agreement, the brands of the Group have been valued and thus classified as intangible asset. This intangible asset has been depreciated on a linear basis throughout its useful life which is the lifetime of the New Franchise Agreement.

## **10.7. Key sources of estimation uncertainty**

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

For general impairment testing :

At each balance sheet date (closing date), a review is conducted to look for any indication that the company's tangible, intangible assets and contracts are impaired and if this is the case, the recoverable amount of the individual assets and contracts (or the cash-generating unit to which they belong) is calculated in order to determine whether impairment exists. The method used for testing assets in use is to apply the net present value (NPV) technique using the internal discount rate (Weighted Average Cost of Capital) which is recalculated regularly and per region. The cash flows discounted are based on long range plans. If the net present value of these long range plans shows a NPV that is below the carrying value, then impairment is considered on the related tangible and intangible assets group of assets.

For impairment on management contracts and lease agreements :

The same method as for impairment is applied to test if management contracts or lease agreements are onerous and if applicable a provision is recorded.

### **10.8. Parent company**

The Parent Company reports in accordance with RR 32 "Reporting in separate financial statements". RR 32 requires the Parent Company to use similar accounting principles as for the Group, i.e. IFRS to the extent allowed by RR 32.

## 10.9. Segment information

### 10.9.1. Operating revenue

| Operating Revenue per area of operation | For the Three Months Ended September 30, |                |               |              | For the Nine Months Ended September 30, |                |                |              |
|-----------------------------------------|------------------------------------------|----------------|---------------|--------------|-----------------------------------------|----------------|----------------|--------------|
|                                         | 2006                                     | 2005           | Var           | Var %        | 2006                                    | 2005           | Var            | Var %        |
|                                         | (€ in thousands)                         |                |               |              | (€ in thousands)                        |                |                |              |
| Rooms Revenue                           | 104,819                                  | 86,058         | 18,761        | 21.8%        | 295,222                                 | 235,854        | 59,368         | 25.2%        |
| F&B Revenue                             | 47,207                                   | 39,565         | 7,642         | 19.3%        | 150,971                                 | 125,251        | 25,720         | 20.5%        |
| Other Hotel Revenue                     | 5,861                                    | 6,122          | -261          | -4.3%        | 18,211                                  | 15,870         | 2,341          | 14.8%        |
| <b>Total hotel revenue</b>              | <b>157,887</b>                           | <b>131,745</b> | <b>26,142</b> | <b>19.8%</b> | <b>464,404</b>                          | <b>376,975</b> | <b>87,429</b>  | <b>23.2%</b> |
| Fee Revenue                             | 18,505                                   | 12,356         | 6,149         | 49.8%        | 47,778                                  | 33,246         | 14,532         | 43.7%        |
| Other Revenue                           | 3,633                                    | 2,762          | 871           | 31.5%        | 9,747                                   | 9,525          | 222            | 2.3%         |
| <b>Total operating revenue</b>          | <b>180,025</b>                           | <b>146,863</b> | <b>33,162</b> | <b>22.6%</b> | <b>521,929</b>                          | <b>419,746</b> | <b>102,183</b> | <b>24.3%</b> |

| Management fees, franchise fees and other fee revenue | For the Three Months Ended September 30, |               |              |              | For the Nine Months Ended September 30, |               |               |              |
|-------------------------------------------------------|------------------------------------------|---------------|--------------|--------------|-----------------------------------------|---------------|---------------|--------------|
|                                                       | 2,006                                    | 2,005         | Var          | Var %        | 2,006                                   | 2,005         | Var           | Var %        |
|                                                       | (€ in thousands)                         |               |              |              | (€ in thousands)                        |               |               |              |
| Management Fees                                       | 7,569                                    | 4,358         | 3,211        | 73.7%        | 19,272                                  | 12,694        | 6,578         | 51.8%        |
| Incentive Fees                                        | 4,991                                    | 3,244         | 1,747        | 53.9%        | 11,847                                  | 7,114         | 4,733         | 66.5%        |
| Franchise Fees                                        | 1,929                                    | 1,370         | 559          | 40.8%        | 4,843                                   | 4,317         | 526           | 12.2%        |
| Other Fees                                            | 4,016                                    | 3,384         | 632          | 18.7%        | 11,816                                  | 9,121         | 2,695         | 29.5%        |
| <b>Fee revenue</b>                                    | <b>18,505</b>                            | <b>12,356</b> | <b>6,149</b> | <b>49.8%</b> | <b>47,778</b>                           | <b>33,246</b> | <b>14,532</b> | <b>43.7%</b> |

## 10.9.1. Operating revenue

| € in thousands            | Nordic Region  |                | Rest of Western Europe |                | Eastern Europe |              | Middle East, Africa and Other |              | Total          |                |
|---------------------------|----------------|----------------|------------------------|----------------|----------------|--------------|-------------------------------|--------------|----------------|----------------|
| For the nine months ended | Sep 30, 2006   | Sep 30, 2005   | Sep 30, 2006           | Sep 30, 2005   | Sep 30, 2006   | Sep 30, 2005 | Sep 30, 2006                  | Sep 30, 2005 | Sep 30, 2006   | Sep 30, 2005   |
| Leased                    | 213,090        | 194,110        | 251,314                | 182,865        | -              | -            | -                             | -            | 464,404        | 376,975        |
| Managed                   | 3,205          | 2,904          | 17,600                 | 10,816         | 12,717         | 8,626        | 6,627                         | 3,738        | 40,149         | 26,084         |
| Franchised                | 4,528          | 4,352          | 2,259                  | 1,922          | 545            | 501          | 297                           | 386          | 7,629          | 7,161          |
| Other                     | 8,936          | 8,628          | 811                    | 898            | -              | -            | -                             | -            | 9,747          | 9,526          |
| <b>Total</b>              | <b>229,759</b> | <b>209,994</b> | <b>271,984</b>         | <b>196,501</b> | <b>13,262</b>  | <b>9,127</b> | <b>6,924</b>                  | <b>4,124</b> | <b>521,929</b> | <b>419,746</b> |

| € in thousands             | Nordic Region |               | Rest of Western Europe |               | Eastern Europe |              | Middle East, Africa and Other |              | Total          |                |
|----------------------------|---------------|---------------|------------------------|---------------|----------------|--------------|-------------------------------|--------------|----------------|----------------|
| For the three months ended | Sep 30, 2006  | Sep 30, 2005  | Sep 30, 2006           | Sep 30, 2005  | Sep 30, 2006   | Sep 30, 2005 | Sep 30, 2006                  | Sep 30, 2005 | Sep 30, 2006   | Sep 30, 2005   |
| Leased                     | 71,620        | 67,081        | 86,266                 | 64,664        | -              | -            | -                             | -            | 157,886        | 131,745        |
| Managed                    | 1,229         | 1,311         | 7,573                  | 4,020         | 5,528          | 3,189        | 1,804                         | 1,245        | 16,134         | 9,765          |
| Franchised                 | 1,409         | 1,549         | 625                    | 712           | 173            | 182          | 166                           | 147          | 2,373          | 2,590          |
| Other                      | 3,300         | 3,685         | 332                    | -922          | -              | -            | -                             | -            | 3,632          | 2,763          |
| <b>Total</b>               | <b>77,558</b> | <b>73,626</b> | <b>94,796</b>          | <b>68,474</b> | <b>5,701</b>   | <b>3,371</b> | <b>1,970</b>                  | <b>1,392</b> | <b>180,025</b> | <b>146,863</b> |

## 10.9.2. EBITDA

| € in thousands            | Nordic Region |               | Rest of Western Europe |              | Eastern Europe |              | Middle East, Africa and Other |              | Unallocated costs |                | Total         |               |
|---------------------------|---------------|---------------|------------------------|--------------|----------------|--------------|-------------------------------|--------------|-------------------|----------------|---------------|---------------|
| For the nine months ended | Sep 30, 2006  | Sep 30, 2005  | Sep 30, 2006           | Sep 30, 2005 | Sep 30, 2006   | Sep 30, 2005 | Sep 30, 2006                  | Sep 30, 2005 | Sep 30, 2006      | Sep 30, 2005   | Sep 30, 2006  | Sep 30, 2005  |
| Leased                    | 29,713        | 22,552        | 9,534                  | 2,682        | -              | -            | -                             | -            | -                 | -              | 39,247        | 25,234        |
| Managed                   | 1,703         | 1,310         | 7,146                  | 3,739        | 7,925          | 6,152        | 4,905                         | 2,261        | -                 | -              | 21,679        | 13,462        |
| Franchised                | 2,137         | 1,286         | 908                    | 356          | 91             | -9           | 297                           | 103          | -                 | -              | 3,434         | 1,736         |
| Other <sup>(*)</sup>      | 3,477         | 1,582         | -1,087                 | -1,053       | -80            | 661          | 1847                          | 1,598        | -                 | -              | 4,157         | 2,788         |
| Unallocated costs         | -             | -             | -                      | -            | -              | -            | -                             | -            | -24,883           | -18,374        | -24,883       | -18,374       |
| <b>Total</b>              | <b>37,030</b> | <b>26,730</b> | <b>16,502</b>          | <b>5,724</b> | <b>7,936</b>   | <b>6,804</b> | <b>7,049</b>                  | <b>3,962</b> | <b>-24,883</b>    | <b>-18,374</b> | <b>43,634</b> | <b>24,846</b> |

| € in thousands             | Nordic Region |               | Rest of Western Europe |              | Eastern Europe |              | Middle East, Africa and Other |              | Unallocated costs |               | Total         |               |
|----------------------------|---------------|---------------|------------------------|--------------|----------------|--------------|-------------------------------|--------------|-------------------|---------------|---------------|---------------|
| For the three months ended | Sep 30, 2006  | Sep 30, 2005  | Sep 30, 2006           | Sep 30, 2005 | Sep 30, 2006   | Sep 30, 2005 | Sep 30, 2006                  | Sep 30, 2005 | Sep 30, 2006      | Sep 30, 2005  | Sep 30, 2006  | Sep 30, 2005  |
| Leased                     | 11,032        | 9,757         | 3,103                  | 2,960        | -              | -            | -                             | -            | -                 | -             | 14,135        | 12,717        |
| Managed                    | 658           | 907           | 4,175                  | 3,046        | 3,860          | 3,117        | 1,305                         | 1,074        | -                 | -             | 9,998         | 8,144         |
| Franchised                 | 632           | 659           | 168                    | 205          | 32             | -8           | 166                           | -72          | -                 | -             | 999           | 784           |
| Other <sup>(*)</sup>       | 2,139         | 1,660         | -904                   | -485         | 115            | 345          | 634                           | 363          | -                 | -             | 1,984         | 1,883         |
| Unallocated costs          | -             | -             | -                      | -            | -              | -            | -                             | -            | -8,481            | -7,043        | -8,481        | -7,043        |
| <b>Total</b>               | <b>14,461</b> | <b>12,983</b> | <b>6,542</b>           | <b>5,726</b> | <b>4,007</b>   | <b>3,454</b> | <b>2,105</b>                  | <b>1,365</b> | <b>-8,481</b>     | <b>-7,043</b> | <b>18,635</b> | <b>16,485</b> |

(\*) Other also includes share of income from associates

## 10.9.3. EBIT

| € in thousands            | Nordic Region |               | Rest of Western Europe |              | Eastern Europe |              | Middle East, Africa and Other |              | Unallocated costs |                | Total         |               |
|---------------------------|---------------|---------------|------------------------|--------------|----------------|--------------|-------------------------------|--------------|-------------------|----------------|---------------|---------------|
| For the nine months ended | Sep 30, 2006  | Sep 30, 2005  | Sep 30, 2006           | Sep 30, 2005 | Sep 30, 2006   | Sep 30, 2005 | Sep 30, 2006                  | Sep 30, 2005 | Sep 30, 2006      | Sep 30, 2005   | Sep 30, 2006  | Sep 30, 2005  |
| Leased <sup>(1)</sup>     | 20,617        | 14,038        | 4,469                  | 2,571        | -              | -            | -                             | -            | -                 | -              | 25,086        | 16,609        |
| Managed                   | 1,665         | 1,289         | 7,049                  | 3,694        | 7,847          | 6,119        | 4,862                         | 2,241        | -                 | -              | 21,423        | 13,343        |
| Franchised                | 2,077         | 1,249         | 875                    | 337          | 79             | -15          | 297                           | 99           | -                 | -              | 3,328         | 1,670         |
| Other <sup>(2)</sup>      | 2,658         | 1,280         | -1,475                 | -1,454       | -80            | 661          | 1,847                         | 1,598        | -                 | -              | 2,950         | 2,085         |
| Unallocated costs         | -             | -             | -                      | -            | -              | -            | -                             | -            | -24,883           | -18,374        | -24,883       | -18,374       |
| <b>Total</b>              | <b>27,017</b> | <b>17,856</b> | <b>10,918</b>          | <b>5,148</b> | <b>7,846</b>   | <b>6,765</b> | <b>7,006</b>                  | <b>3,938</b> | <b>-24,883</b>    | <b>-18,374</b> | <b>27,904</b> | <b>15,333</b> |

| € in thousands             | Nordic Region |              | Rest of Western Europe |               | Eastern Europe |              | Middle East, Africa and Other |              | Unallocated costs |               | Total         |               |
|----------------------------|---------------|--------------|------------------------|---------------|----------------|--------------|-------------------------------|--------------|-------------------|---------------|---------------|---------------|
| For the three months ended | Sep 30, 2006  | Sep 30, 2005 | Sep 30, 2006           | Sep 30, 2005  | Sep 30, 2006   | Sep 30, 2005 | Sep 30, 2006                  | Sep 30, 2005 | Sep 30, 2006      | Sep 30, 2005  | Sep 30, 2006  | Sep 30, 2005  |
| Leased <sup>(1)</sup>      | 8,053         | 6,935        | 1,296                  | 7,157         | -              | -            | -                             | -            | -                 | -             | 9,349         | 14,092        |
| Managed                    | 656           | 926          | 4,171                  | 3,091         | 3,856          | 3,150        | 1,310                         | 1,098        | -                 | -             | 9,993         | 8,265         |
| Franchised                 | 635           | 696          | 169                    | 222           | 32             | -3           | 166                           | -73          | -                 | -             | 1,003         | 842           |
| Other <sup>(2)</sup>       | 1,710         | 671          | -1,071                 | 305           | 115            | 345          | 634                           | 363          | -                 | -             | 1,388         | 1,684         |
| Unallocated costs          | -             | -            | -                      | -             | -              | -            | -                             | -            | -8,481            | -7,043        | -8,481        | -7,043        |
| <b>Total</b>               | <b>11,054</b> | <b>9,228</b> | <b>4,565</b>           | <b>10,775</b> | <b>4,003</b>   | <b>3,492</b> | <b>2,110</b>                  | <b>1,388</b> | <b>-8,481</b>     | <b>-7,043</b> | <b>13,252</b> | <b>17,840</b> |

(1) Leased segment also includes Owned properties. - (2) Other also includes share of income from associates and income from sale of assets.

**10.9.4. Balance sheet and investments**

| € in thousands | Nordic Region |              | Rest of Western Europe |              | Eastern Europe |              | Middle East, Africa and Other |              | Total        |              |
|----------------|---------------|--------------|------------------------|--------------|----------------|--------------|-------------------------------|--------------|--------------|--------------|
|                | Sep 30, 2006  | Dec 31, 2005 | Sep 30, 2006           | Dec 31, 2005 | Sep 30, 2006   | Dec 31, 2005 | Sep 30, 2006                  | Dec 31, 2005 | Sep 30, 2006 | Dec 31, 2005 |
| Total assets   | 189,693       | 168,494      | 147,843                | 136,297      | 18,112         | 16,466       | 35,238                        | 32,994       | 390,886      | 354,251      |

**10.9.5. RevPAR & Occupancy**

|                            | Radisson SAS |              | Park Inn     |              | Rezidor      |              |
|----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| For the nine months ended  | Sep 30, 2006 | Sep 30, 2005 | Sep 30, 2006 | Sep 30, 2005 | Sep 30, 2006 | Sep 30, 2005 |
| RevPAR, €                  | 78           | 71           | 48           | 45           | 72           | 67           |
| Occupancy (%)              | 71           | 69           | 63           | 62           | 70           | 68           |
|                            | Radisson SAS |              | Park Inn     |              | Rezidor      |              |
| For the three months ended | Sep 30, 2006 | Sep 30, 2005 | Sep 30, 2006 | Sep 30, 2005 | Sep 30, 2006 | Sep 30, 2005 |
| RevPAR, €                  | 79           | 76           | 51           | 50           | 74           | 72           |
| Occupancy (%)              | 76           | 75           | 67           | 68           | 74           | 74           |

**10.9.6. Hotel inventory**

The Rezidor Hotel Group  
Hotel Inventory Summary by region and by contract type  
As of September 30, 2006 - In Operation

|                  | NORDIC REGION |        | REST OF WESTERN EUROPE |        | EASTERN EUROPE |       | THE MIDDLE EAST, AFRICA AND OTHER |       | TOTAL  |        |
|------------------|---------------|--------|------------------------|--------|----------------|-------|-----------------------------------|-------|--------|--------|
|                  | Hotels        | Rooms  | Hotels                 | Rooms  | Hotels         | Rooms | Hotels                            | Rooms | Hotels | Rooms  |
| Total leased     | 22            | 5,812  | 41                     | 8,415  | -              | -     | -                                 | -     | 63     | 14,227 |
| Total managed    | 7             | 2,042  | 41                     | 7,099  | 24             | 5,722 | 18                                | 4,264 | 90     | 19,127 |
| Total franchised | 42            | 6,192  | 25                     | 4,797  | 5              | 1,158 | 1                                 | 282   | 73     | 12,429 |
| Total Rezidor    | 71            | 14,046 | 107                    | 20,311 | 29             | 6,880 | 19                                | 4,546 | 226    | 45,783 |

The Rezidor Hotel Group  
Hotel Inventory Summary by region and by contract type  
As of September 30, 2005 - In Operation

|                  | NORDIC REGION |        | REST OF WESTERN EUROPE |        | EASTERN EUROPE |       | THE MIDDLE EAST, AFRICA AND OTHER |       | TOTAL  |        |
|------------------|---------------|--------|------------------------|--------|----------------|-------|-----------------------------------|-------|--------|--------|
|                  | Hotels        | Rooms  | Hotels                 | Rooms  | Hotels         | Rooms | Hotels                            | Rooms | Hotels | Rooms  |
| Total leased     | 22            | 5,812  | 30                     | 6,600  | -              | -     | -                                 | -     | 52     | 12,412 |
| Total managed    | 8             | 2,180  | 33                     | 5,948  | 19             | 4,128 | 16                                | 3,635 | 76     | 15,819 |
| Total franchised | 44            | 6,284  | 23                     | 4,115  | 6              | 1,448 | 3                                 | 974   | 76     | 12,821 |
| Total Rezidor    | 74            | 14,204 | 86                     | 16,663 | 25             | 5,576 | 19                                | 4,609 | 204    | 41,052 |

## 10.10. Related party transactions

Related parties is SAS AB, the ultimate parent company with controlling influence, and Carlson, owning 25% of the shares with significant influence. Other related parties with whom Rezidor has had transactions are the management of Rezidor.

The business relationship with SAS mainly involve services for the crew and staff of SAS throughout the world, and administration of parts of SAS' frequent flyer program, 'Eurobonus'. Rezidor also buys services from SAS Finance. All transactions with SAS are based on commercial terms.

Rezidor has established a financial grouping of liquid funds (cash pool), which utilizes the services from SAS Finance.

On September 30, 2006, Rezidor had ordinary current receivable claims towards SAS of TEUR 17,313 (18,422) and ordinary current liabilities of TEUR 18,267 (21,865)

1,5% (1,6% ) of Rezidor operating revenue represents sales to other companies within the SAS group.

The business relationship with Carlson mainly consisted of operating costs related to the use of the brands and for the use of the reservation system of Carlson.

The basis for the annual bonus scheme for Rezidor key management personnel is the consolidated profitability of the Rezidor. These bonuses are based on percentages that are not fixed as they vary in relation to the level of achievement, and are capped at approximately 35 to 50 % of annual salary.

The Managing Director and the CFO had individual bonus arrangements ranging from 2003-2007. These agreements have been settled in October 2006. An amount of 2.8 MEUR (including taxes and social security costs) has been provided for in the financial statements as of September 30, 2006.

## 10.11. Share capital

As at September 30, 2006 100.000 shares were issued and outstanding. The company's share capital was EUR 100.000, with a nominal value of EUR 1 per share. No convertible debentures or share options exist within the Group.

## 10.12. Pension funds, net

Most pension plans are defined benefit arrangements, through its parent company. The majority are placed with insurance companies. Rezidor pension plans for salaried employees in Sweden, Norway and Belgium are secured through defined benefit pensions plans with insurance companies.

Rezidor employees in Sweden are covered by ITP pension reinsured by Alecta (the Alecta plan). The Alecta plan is a multi-employer pension plan and has been classified by the Swedish Financial Accounting Standards Council as a defined benefit pension plan. Rezidor has, through its ultimate parent company, signed a special and specific agreement with Alecta whereby Alecta has undertaken to supply all basic data concerning employees (pay, age etc.), which supports Rezidor accounting according to IAS 19. Alecta has specifically certified that the information regarding the basic data is correct and reliable.

The agreement with Alecta also means that Rezidor received written confirmation that the surplus in the Alecta plan will benefit Rezidor in the form of either indirect or direct premium reductions or through cash refunds. Based on the information Rezidor receives, Rezidor reports its proportional share of the Alecta plan's commitments, managed assets and costs in accordance with IAS 19 rules regarding defined benefit pension plans. With the support Rezidor can apply the main rule in IAS 19 regarding defined benefit pension plans that cover many employers.

In a situation where the company is no longer a subsidiary of SAS, the accounting principles for the Alecta plan in Sweden will be re-assessed as the information referred to above will no longer be available. Therefore, the plan will have to be accounted for as a defined contribution plan under the alternative rules in IAS 19 par 30.

The negative equity effect of this change amounts to approximately TEUR 2,000.

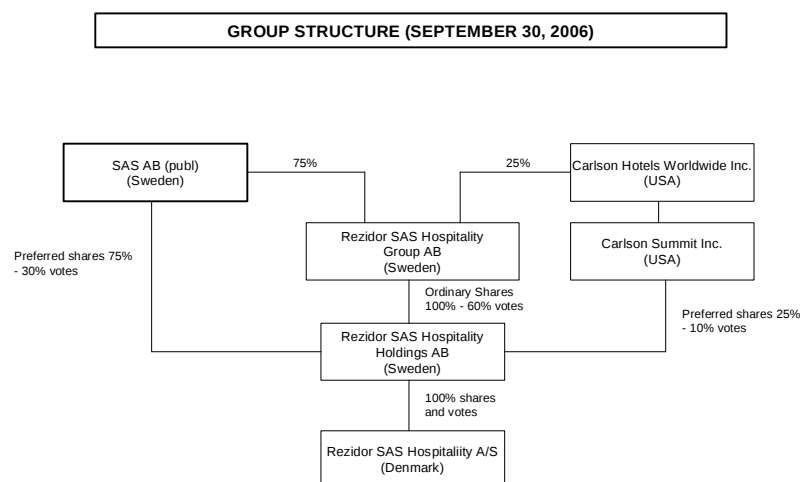
### 10.13. Pledged assets and contingent liabilities

|                                           | <u>As of September 30,</u><br><u>2006</u> | <u>As of December 31,</u><br><u>2005</u> |
|-------------------------------------------|-------------------------------------------|------------------------------------------|
| <b><u>Assets pledged</u></b>              |                                           |                                          |
| Securities on deposit (€ in thousands)    | 1,366                                     | 2,432                                    |
| <br>                                      |                                           |                                          |
|                                           | <u>As of September 30,</u><br><u>2006</u> | <u>As of December 31,</u><br><u>2005</u> |
| <b><u>Contingent liabilities</u></b>      |                                           |                                          |
| Miscellaneous guarantees (€ in thousands) | 2,039                                     | 1,529                                    |

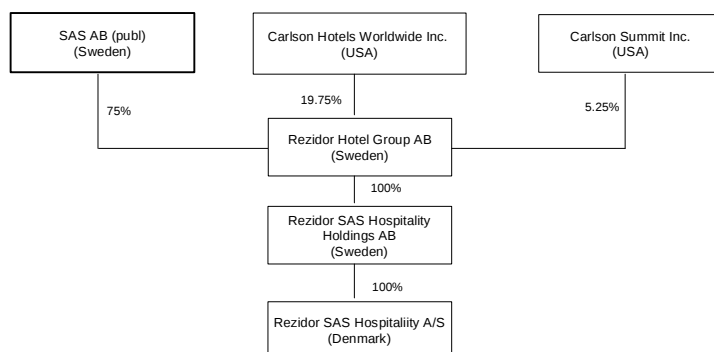
Certain lease and management agreements entered into by members of the group contain change of control clauses in relation to such members or their parents leading to possible changes in commercial terms and/or early termination.

## I I. Appendix

### APPENDIX I : GROUP STRUCTURE



**GROUP STRUCTURE AFTER THE EXTRAORDINARY GENERAL MEETING (OCTOBER 10, 2006)**



**APPENDIX 2 : DEFINITIONS**

|                          |                                                                                                                                              |
|--------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|
| <b>AHR</b>               | Average House Rate – Rooms revenue in relation with the number of rooms sold                                                                 |
| <b>Occupancy (%)</b>     | Number of rooms sold in relation to the number of rooms available                                                                            |
| <b>RevPAR</b>            | Revenue Per Available Room – Rooms revenue in relation with the number of rooms available                                                    |
| <b>Operating revenue</b> | All related business revenues (including Rooms revenue, Food & Beverage revenue, Other hotel revenue and Fee revenue) – see income statement |
| <b>EBITDAR</b>           | EBITDA before rental expense and share of income in associates                                                                               |
| <b>EBITDA</b>            | Operating profit (loss) before depreciation and amortization and gain on sale of Shares and tangible assets                                  |
| <b>EBIT</b>              | Operating income before net financial items and tax                                                                                          |