

**Radisson Scandinavia Hotel
Aarhus A/S**

Margrethepladsen 1

8000 Aarhus C

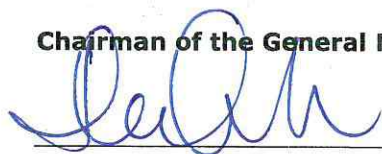
Central Business Registration No

16739073

Annual report 2017

The Annual General Meeting adopted the annual report on 31.05.2018

Chairman of the General Meeting



Name: Tina Øster Larsen

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Entity details

Entity

Radisson Scandinavia Hotel Aarhus A/S
Margrethepladsen 1
8000 Aarhus C

Central Business Registration No: 16739073
Registered in: Aarhus
Financial year: 01.01.2017 - 31.12.2017

Phone: 86128665
Fax: 89362025
Website: www.radissonblu.com

Board of Directors

Thomas Christopher Flanagan, Chairman
Sonja Dive Dahl
Jan Mikael Kaunitz
Lars Gordon Nielsen

Executive Board

Helene Marie Hallre, Chief Executive Officer

Entity auditors

PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab
Strandvejen 44
2900 Hellerup

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Radisson Scandinavia Hotel Aarhus A/S for the financial year 01.01.2017 - 31.12.2017.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Aarhus, 31.05.2018

Executive Board



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Chief Executive Officer

Board of Directors

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Chairman

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Sonja Dive Dahl



Jan Mikael Kaunitz

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Independent auditor's report

To the shareholder of Radisson Scandinavia Hotel Aarhus A/S

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31.12.2017, and of the results of the Company's operations for the financial year 01.01.2017 – 31.12.2017 in accordance with the Danish Financial Statements Act.

We have audited the financial statements of Radisson Scandinavia Hotel Aarhus A/S for the financial year 01.01.2017 – 31.12.2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

Independent auditor's report

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether management commentary provides the information required under the Danish Financial Statements Act.

Independent auditor's report

Based on the work we have performed, in our view, management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in management commentary.

Hellerup, 31.05.2018

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33771231



Ulrik Ræbild

State-Authorised Public Accountant

Identification number (MNE) mne33262



Steffen Kaj Pedersen

State-Authorised Public Accountant

Identification number (MNE) mne34357

Management commentary

	2017	2016	2015	2014	2013
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Financial highlights					
Key figures					
Revenue	110.534	103.210	100.851	100.123	97.744
Gross profit/loss	35.966	34.808	36.290	38.876	36.636
Operating profit/loss	3.347	3.138	4.087	3.912	4.396
Net financials	(32)	(42)	(45)	(50)	(99)
Profit/loss for the year	2.558	2.523	2.904	2.848	3.968
Total assets	34.888	28.963	25.748	24.149	24.210
Investments in property, plant and equipment	0	0	1.594	0	0
Equity	13.656	11.098	11.575	8.671	8.823
Ratios					
Return on equity (%)	20,7	22,3	28,7	32,6	40,7
Profit margin (%)	3,0	3,0	3,9	4,5	5,3
Return on assets (%)	9,9	10,8	16,2	18,2	18,4
Gross margin (%)	32,5	33,7	36,0	38,8	37,0
Net margin (%)	2,3	2,4	2,9	2,8	4,1
Equity ratio (%)	40,5	38,3	45,0	35,9	36,4

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Ratios
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Profit margin (%)	$\frac{\text{Operating profit/loss} \times 100}{\text{Revenue}}$	The entity's profitability
Return on assets (%)	$\frac{\text{Operating profit/loss} \times 100}{\text{Balance sheet}}$	The entity's return on the total capital
Gross margin (%)	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$	The entity's operating gearing
Net margin (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$	The entity's operating profitability
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the entity

Management commentary

Primary activities

As in previous years, the Company's activities have consisted in running hotel, restaurant and congress and conference facilities as a tenant in Scandinavian Congress Center.

In connection with the agreed cooperation on sales and marketing with Radisson Hotels International, the Company applies the business name Radisson Blu Scandinavia Hotel Aarhus.

Development in activities and finances

Revenue in Rooms increased by DKK 4.143 thousand compared to 2016. An increase driven both by an increase in average house rate as well as an increase in occupation. In the congress and restaurant departments revenue increased by DKK 3.129 thousand compared to 2016. The total increase in revenue was DKK 7.324 thousand, and total revenue for the year amounted to DKK 110.530 thousand.

In 2017 our gross profit was negatively impacted by a transfer pricing adjustment of management fee of DKK 2.832 thousand. As a result the profit for the year of DKK 2.558k is at the same level as 2016.

Taking the transfer pricing adjustment into consideration, the profit for the year is assessed as satisfactory.

Uncertainty relating to recognition and measurement

There is no uncertainty relating to recognition and measurement in the financial statements.

Unusual circumstances affecting recognition and measurement

There have been no unusual circumstances affecting recognition and measurement in the financial statements. The financial statements are not affected by any special risks.

Outlook

For 2018 a small increase in revenue is expected compared to 2017. Net profit for 2018 is expected to improve compared to 2017.

A renovation of the lobby and restaurant areas initiated in 2017 is expected to be finished in the first quarter of 2017.

Particular risks

The most material business risks are related to the general economic development, in particular to the development within the hotel, congress and event market in Aarhus, which has been characterised by a significantly increased supply in the years 2013-2014. An increase that continued with a new hotel opening in April 2017 with 305 rooms. Furthermore, a new large conference hotel, as well as one or two other smaller hotels, are expected to open in Aarhus by 2021.

Environmental performance

During the last couple of years, Radisson Blu Hotels & Resorts has implemented the programme "Responsible Business". The main purpose of the programme is to obtain information systematically on the hotel's energy consumption, waste disposal and chemical consumption detrimental to the environment in order to prepare a plan for minimising environmental impacts as much as possible. Moreover, special education programmes for hotel employees are a part of the programme so that they will be capable of identifying

Management commentary

potential environmental impacts and plan the operations of the hotel in which consideration for the environment is an important factor. As part of the environmental programme, energy control systems for approx. DKK 2 million have been installed to optimise the hotel's energy consumption.

Service concept

Radisson Blu and the chain's service concepts are operated and developed by The Rezidor Hotel Group. Management of Rezidor Scandinavia Hotel Aarhus A/S will ensure that the service concepts are carried out in accordance with the agreement made at chain level. In 2018, focus will continue to be on an improvement of the service concepts putting the guest in focus.

Income statement for 2017

	<u>Notes</u>	<u>2017</u> <u>DKK'000</u>	<u>2016</u> <u>DKK'000</u>
Revenue		110.534	103.210
Cost of sales		(11.447)	(10.555)
Other external expenses		(63.121)	(57.847)
Gross profit/loss		35.966	34.808
Staff costs	2	(32.300)	(31.351)
Depreciation, amortisation and impairment losses		(319)	(319)
Operating profit/loss		3.347	3.138
Other financial expenses		(32)	(42)
Profit/loss before tax		3.315	3.096
Tax on profit/loss for the year	3	(757)	(573)
Profit/loss for the year	4	2.558	2.523

Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK'000</u>	<u>2016 DKK'000</u>
Other fixtures and fittings, tools and equipment		451	770
Property, plant and equipment	5	<u>451</u>	<u>770</u>
Deferred tax	6	163	80
Fixed asset investments		<u>163</u>	<u>80</u>
Fixed assets		<u>614</u>	<u>850</u>
Manufactured goods and goods for resale		553	554
Inventories		<u>553</u>	<u>554</u>
Trade receivables		5.689	3.105
Receivables from group enterprises		0	16
Other receivables		1.607	2.922
Prepayments	7	940	851
Receivables		<u>8.236</u>	<u>6.894</u>
Cash		<u>25.485</u>	<u>20.665</u>
Current assets		<u>34.274</u>	<u>28.113</u>
Assets		<u>34.888</u>	<u>28.963</u>

Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017</u> <u>DKK'000</u>	<u>2016</u> <u>DKK'000</u>
Contributed capital	8	500	500
Retained earnings		13.156	10.598
Equity		<u>13.656</u>	<u>11.098</u>
Trade payables		5.689	8.887
Payables to group enterprises		4.362	101
Income tax payable		853	768
Other payables	9	9.757	7.493
Deferred income	10	571	616
Current liabilities other than provisions		<u>21.232</u>	<u>17.865</u>
Liabilities other than provisions		<u>21.232</u>	<u>17.865</u>
Equity and liabilities		<u>34.888</u>	<u>28.963</u>
Events after the balance sheet date	1		
Unrecognised rental and lease commitments	11		
Contingent liabilities	12		
Related parties with controlling interest	13		
Group relations	14		

Statement of changes in equity for 2017

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	500	10.598	11.098
Profit/loss for the year	0	2.558	2.558
Equity end of year	500	13.156	13.656

Notes

1. Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

	2017	2016
	DKK'000	DKK'000
2. Staff costs		
Wages and salaries	29.510	28.327
Pension costs	2.276	2.216
Other social security costs	389	428
Other staff costs	125	380
	32.300	31.351
Average number of employees	92	94

Referring to section 98b(3) of the Danish Financial Statements Act, remuneration to Management is not disclosed.

	2017	2016
	DKK'000	DKK'000
3. Tax on profit/loss for the year		
Tax on current year taxable income	840	560
Change in deferred tax for the year	(83)	13
	757	573

	2017	2016
	DKK'000	DKK'000
4. Proposed distribution of profit/loss		
Retained earnings	2.558	2.523
	2.558	2.523

Notes

	Other fixtures and fittings, tools and equipment DKK'000	
5. Property, plant and equipment		
Cost beginning of year		1.594
Cost end of year		1.594
Depreciation and impairment losses beginning of the year		(824)
Depreciation for the year		(319)
Depreciation and impairment losses end of the year		(1.143)
Carrying amount end of year		451
	2017	2016
	DKK'000	DKK'000
6. Deferred tax		
Property, plant and equipment	49	28
Receivables	114	52
	163	80
Changes during the year		
Beginning of year	80	
Recognised in the income statement	83	
End of year	163	

7. Prepayments

Prepayments comprise incurred costs relating to subsequent financial years.

Notes

8. Contributed capital

The contributed capital consists of shares at DKK 1,000 or multiples thereof. The shares have not been divided into classes.

There have been no changes in the contributed capital since the establishment of the Company.

	2017	2016
	DKK'000	DKK'000
9. Other payables		
Wages and salaries, personal income taxes, social security costs, etc payable	627	791
Holiday pay obligation	1.987	1.970
Other costs payable	7.143	4.732
	9.757	7.493

10. Deferred income

Deferred income primarily consists of prepayments received from customer arrangements in the coming year.

	2017	2016
	DKK'000	DKK'000
11. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	196	271

The Company has concluded leases on cars and copying machines. The residual lease term constitutes a maximum of 19 months. For 2018, the unrecognised rental and lease commitments are expected to amount to DKK 148 thousand.

Contractual obligations

The annual rental obligation incumbent on the Company for rent of the hotel building is partly a minimum rent, partly dependent on the Company's operating profit. The tenancy is interminable by the tenant until 01.09.2036. For 2017, the rental obligation is expected to amount to

30.454

Notes

12. Contingent liabilities

The Company is jointly taxed with all Danish subsidiaries of the Radisson Group and other Danish entities controlled by HNA Group Co., Ltd. The Company has unlimited joint and several liability for Danish corporation taxes and withholding taxes on dividends, interest and royalties under the joint taxation scheme.

The Company is jointly and severally liable with the jointly registered group enterprises for the total VAT liability.

13. Related parties with controlling interest

Related parties with a controlling interest in Radisson Scandinavia Hotel Aarhus A/S:

<u>Name</u>	<u>Registered office</u>	<u>Basis of influence</u>
Radisson Hotels ApS Danmark	Copenhagen	Parent
Radisson Hospitality Denmark ApS	Copenhagen	Parent
Radisson Hospitality Holding AB	Stockholm	Parent
Radisson Hotel Group AB	Stockholm	Parent
HNA Group Co., Ltd.	Haikou City, China	Ultimate Parent

14. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:

HNA Group Co., Ltd., Haikou City, China

The consolidated financial statements are not published.

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

Radisson Hotel Group AB, Stockholm, Sweden

Group accounts are available at www.radissonhotelgroup.com

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The accounting policies applied to these financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

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

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year. Value adjustments of financial assets and liabilities are recognised in the income statement as financial income or financial expenses.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses.

Income statement

Revenue

The Company's revenue represents sales invoiced for the year less VAT and price reductions directly related to revenue.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Other external expenses

Other external expenses comprise expenses for sale, marketing, administration, premises, bad debts, etc.

Accounting policies

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

Other financial expenses

Other financial expenses comprise interest expenses.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with all Danish subsidiaries in the Radisson Group and other Danish companies controlled by HNA Group Co., Ltd. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Property, plant and equipment

Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	5 years
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Estimated useful lives and residual values are reassessed annually.

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Accounting policies

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost of goods for resale, raw materials and consumables consists of purchase price plus delivery costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which corresponds to nominal value.

Income tax receivable or payable

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

Deferred income

Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

Cash flow statement

The Company has not prepared any cash flow statement according to section 86(4) of the Danish Financial Statements Act, as the Company's cash flows are included in the cash flow statements of Radisson Hotel Group AB, Stockholm.