

**Rezidor Scandinavia Hotel Aarhus A/S**  
**Central Business Registration No. 16739073**  
**Margrethepladsen 1**  
**8000 Aarhus C**

**Annual report 2016**

The Annual General Meeting adopted the annual report on 11/5 2017

**Chairman of the General Meeting**

Name:



Tina Øster Larsen

Advokat

BECH-BRUUN

Langelinie Allé 35

2100 København Ø

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## **Entity details**

### **Entity**

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

Central Business Registration No: 16739073  
Registered in: Aarhus  
Financial year: 01.01.2016 - 31.12.2016

Phone: 86128665  
Fax: 89362025  
Internet: [www.radissonblu.com](http://www.radissonblu.com)

### **Board of Directors**

Thomas Christopher Flanagan, Chairman  
Sonja Dive Dahl  
Lars Gordon Nielsen

### **Executive Board**

Nino Dan Rosenlund

### **Auditors**

Deloitte Statsautoriseret Revisionspartnerselskab  
Weidekampsgade 6  
0900 Copenhagen C

**Statement by Management on the annual report**

The Board of Directors and the Executive Board have today considered and approved the annual report of Rezidor Scandinavia Hotel Aarhus A/S for the financial year 01.01.2016 - 31.12.2016.

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 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016.

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.

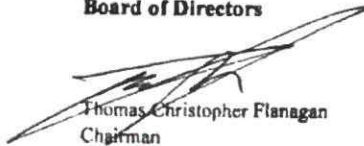
Copenhagen April 27, 2017

Executive Board



Nino Dan Rosenlund

Board of Directors



Thomas Christopher Flanagan  
Chairman



Sonja Dine Dahl



Lars Gordon Nielsen

## **Independent auditor's reports**

### **To the shareholders of Rezidor Scandinavia Hotel Aarhus A/S**

#### **Opinion**

We have audited the financial statements of Rezidor Scandinavia Hotel, Aarhus A/S for the financial year 01.01.2016 - 31.12.2016, which comprise the income statement, balance sheet, statement of changes in equity notes, including a summary of significant accounting policies. The financial statements are prepared 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 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016 in accordance with the Danish Financial Statements Act.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of 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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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 scepticism throughout the audit. We also:

- 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 Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

### Independent auditor's reports

- 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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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 the 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 the management commentary provides the information required under the Danish Financial Statements Act.


Based on the work we have performed, we conclude that the 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 of the management commentary.

Copenhagen, 27, 4 2017

#### Deloitte

Statsautoriseret Revisionspartnerselskab  
Business Registration No 33 96 35 56

  
Ove Nielsen  
State-Authorised  
Public Accountant

  
Jens Lauridsen  
State-Authorised  
Public Accountant

**Management commentary**

	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
	<b>DKK'000</b>	<b>DKK'000</b>	<b>DKK'000</b>	<b>DKK'000</b>	<b>DKK'000</b>
<b>Financial highlights</b>					
<b>Key figures</b>					
Revenue	103.210	100.851	100.123	97.744	103.350
Gross profit	34.817	36.290	38.876	36.636	38.719
Operating profit/loss	3.138	4.087	3.912	4.396	6.813
Net financials	(42)	(45)	(50)	(99)	26
Profit/Loss for the year	2.523	2.904	2.848	3.968	5.108
Total assets	28.963	25.748	24.149	24.210	26.398
Investment in property, plant and equipment	0	1.594	0	0	0
Equity	11.098	11.575	8.671	8.823	10.657
<b>Ratios</b>					
Gross margin (%)	33,7	36,0	38,8	37,0	37,0
Net margin (%)	2,4	2,9	2,8	4,1	4,9
Return on equity (%)	22,3	28,7	32,6	40,7	48,2
Solvency ratio (%)	38,3	45,0	35,9	36,4	40,4
Profit margin (%)	3,0	3,9	4,5	5,3	6,6
Return on Assets (%)	10,8	16,2	18,2	18,4	25,8

## **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 2.143 thousand compared to 2015. 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 212 thousand compared to 2015. The total increase in revenue was DKK 2.358 thousand, and total revenue for the year amounted to DKK 103,210 thousand.

In 2016 our gross profit was negatively impacted by a transfer pricing adjustment of management fee of DKK 1.428 thousand. As a result the profit for the year of DKK 2,523k is down 381 compared to 2015.

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

### **Outlook**

For 2017 a small increase in revenue is expected compared to 2016. Net profit for 2017 is expected to improve compared to 2016.

A renovation of the lobby and restaurant areas is expected to be initiated at the end 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 is characterised by a significantly increased supply in the years 2013-2014. An increase that continues with a new hotel opening in april 2017 with 305 rooms. Furthermore a new conference hotel is expected to open in Aarhus in 2020.

### **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 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 2017, focus will continue to be on an improvement of the service concepts putting the guest in focus.

As part of this, the chain's 4D concept will be rolled out in all hotel departments in 2017. This will involve additional focus on the efforts to Develop our talent, Delight our guests, Drive the business and Deliver results.

### **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.



## **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 one 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 invoiced sale for the year less deduction of VAT, and price reduction directly related to revenue.

#### **Cost of sales**

Cost of sales comprises cost of sales for the financial year measured at cost, adjusted for ordinary inventory write-downs.

#### **Other external expenses**

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

#### **Staff cost**

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

## Accounting policies

### Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses relating to 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 property, plant and equipment.

### Other financial expenses

Other financial expenses comprise interest expenses.

### Income taxes

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 Company is jointly taxed with the Parent and its wholly owned Danish subsidiaries. The current Danish income tax is allocated among the jointly taxed companies 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

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset

The basis of depreciation is cost less estimated re-sidual value after the end of useful life. Straightline depreciation is

Other fixtures and fittings, tools and equipment 5 years

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

#### 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

#### Receivables

Receivables are measured at amortised cost, usually equalling nominal value, less write-downs for bad and doubtful debts.

#### 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.

## Accounting policies

### Other financial liabilities

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

### Income tax receivable or payable

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

### Deferred income

Deferred income comprises received income 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 flow is included in the cash flow statement of Rezidor Hotel Group.

### Financial highlights

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

Ratios	Calculation formula	Ratios reflect
Gross margin (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$	The entity's operating profitability.
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.
Solvency ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of entity.
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.

**Income statement for 2016**

	<u>Notes</u>	<b>2016</b> <b>DKK'000</b>	<b>2015</b> <b>DKK'000</b>
Revenue		103.210	100.851
Cost of sales		(10.555)	(10.366)
Other external expenses		<u>(57.838)</u>	<u>(54.195)</u>
<b>Gross profit/loss</b>		<b>34.817</b>	<b>36.290</b>
Staff costs	1	(31.360)	(31.698)
Amortisation, depreciation and impairment losses		<u>(319)</u>	<u>(505)</u>
<b>Operating profit/loss</b>		<b>3.138</b>	<b>4.087</b>
Other financial expenses		<u>(42)</u>	<u>(45)</u>
<b>Profit/loss form ordinary activities before tax</b>		<b>3.096</b>	<b>4.042</b>
Tax on profit/loss from ordinary activities	2	<u>(573)</u>	<u>(1.138)</u>
<b>Profit/loss for the year</b>	3	<u><b>2.523</b></u>	<u><b>2.904</b></u>

**Balance sheet at 31.12.2016**

	<u>Notes</u>	<u>2016 DKK'000</u>	<u>2015 DKK'000</u>
Other fixtures and fittings, tools and equipment		770	1.089
<b>Property, plant and equipment</b>	4	<u>770</u>	<u>1.089</u>
Deferred tax	5	80	93
<b>Fixed assets investment</b>		<u>80</u>	<u>93</u>
<b>Fixed assets</b>		<u>850</u>	<u>1.182</u>
Raw materials and consumables		554	422
<b>Inventories</b>		<u>554</u>	<u>422</u>
Trade receivables		3.105	4.619
Receivables from group enterprises		16	-
Other receivables		2.922	10
Prepayments and accrued income	6	851	1.019
<b>Receivables</b>		<u>6.894</u>	<u>5.648</u>
<b>Cash</b>		<u>20.665</u>	<u>18.496</u>
<b>Current assets</b>		<u>28.113</u>	<u>24.566</u>
<b>Assets</b>		<u><u>28.963</u></u>	<u><u>25.748</u></u>

**Balance sheet at 31.12.2016**

	<u>Notes</u>	<u>2016 DKK'000</u>	<u>2015 DKK'000</u>
Contributed capital	7	500	500
Retained earnings		10.598	8.075
Proposed dividend for the financial year		-	3.000
<b>Equity</b>		<u><b>11.098</b></u>	<u><b>11.575</b></u>
Trade payables		13.619	9.981
Payables to group enterprises		101	11
Income tax payable		768	1.238
Other payables	8	2.761	2.354
Deferred income	9	616	589
<b>Current liabilities other than provisions</b>		<u><b>17.865</b></u>	<u><b>14.173</b></u>
<b>Liabilities other than provisions</b>		<u><b>17.865</b></u>	<u><b>14.173</b></u>
<b>Equity and liabilities</b>		<u><u><b>28.963</b></u></u>	<u><u><b>25.748</b></u></u>
Unrecognised rental and lease commitments	10		
Contingent liabilities	11		
Related parties with control	12		
Consolidation	13		

**Statement of changes in equity for 2016**

	<b>Contributed capital DKK'000</b>	<b>Retained earnings DKK'000</b>	<b>Proposed dividend for the financial year DKK'000</b>	<b>Total DKK'000</b>
Equity beginning of year	500	8.075	3.000	11.575
Dividends paid			(3.000)	(3.000)
Profit/loss for the year	-	2.523	-	2.523
<b>Equity end of year</b>	<b>500</b>	<b>10.598</b>	<b>-</b>	<b>11.098</b>

**Notes**

	<b>2016</b>	<b>2015</b>
	<b>DKK'000</b>	<b>DKK'000</b>
<b>1. Staff costs</b>		
Wages and salaries	28.327	29.455
Pension costs	2.216	2.333
Other social security costs	428	367
Other staff costs	389	-457
	<b>31.360</b>	<b>31.698</b>
Average number of full-time employees	<b>91</b>	<b>94</b>

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

	<b>2016</b>	<b>2015</b>
	<b>DKK'000</b>	<b>DKK'000</b>
<b>2. Tax on ordinary profit/loss for the year</b>		
Current tax	560	1.212
Change in deferred tax	13	(74)
	<b>573</b>	<b>1.138</b>

**3. Proposed distribution of profit/loss**

Dividend for the financial year recognised in entity	-	3.000
Retained earnings	2.523	(96)
	<b>2.523</b>	<b>2.904</b>

**4. Property, plant and equipment**

Cost start of year		1.594
Additions		-
<b>Cost end of year</b>		<b>1.594</b>
Depreciation and impairment losses start of the year		(505)
Depreciation for the year		(319)
<b>Depreciation and impairment losses end of the year</b>		<b>(824)</b>
<b>Carrying amount end of year</b>		<b>770</b>



## Notes

### 5. Deferred Tax

	1. January	Included in profit for the year	Included in shareholders' equity	31. December
2016				
Fixed assets	76	(48)	0	28
Receivables	17	35	0	52
	<u>93</u>	<u>(13)</u>	<u>0</u>	<u>80</u>
2015				
Fixed assets	0	76	0	76
Receivables	17	0	0	17
	<u>17</u>	<u>76</u>	<u>0</u>	<u>93</u>

Recognition of deferred tax requires management to assess the profitability and amount of future profit.

### 6. Prepayments

Prepayments consists of prepayed costs.

### 7. 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.

	<u>2016</u> DKK'000	<u>2015</u> DKK'000
<b>8. Other payables</b>		
Wages and salaries, personal income taxes, social security costs, etc. payable	791	323
Holiday pay obligation	1.970	2.031
	<u>2.761</u>	<u>2.354</u>

### 9. Deferred income

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

## Notes

	<b>2016</b>	<b>2015</b>
	<b>DKK'000</b>	<b>DKK'000</b>
<b>10. Unrecognised rental and lease commitments</b>		
Commitments under rental agreements or leases until expiry	271	525
	<b>271</b>	<b>525</b>

The company has concluded lease on automobiles and copying machines. The residual lease term constitutes a maximum of 31 months. For 2017 the unrecognised rental and lease commitments are expected to amount to DKK 133 thousand.

### Contractual obligations

The annual rent 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 1 September 2036. For 2016, the rent obligation is expected to amount to

**31.998**

### 11. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement in which Rezidor Hospitality A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefor liable from the financial year 2013 for income taxes ect for the jointly taxed companies and from 1 July 2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for the jointly taxed companies.

### 12. Related parties with control

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

<b>Name</b>	<b>Registered office</b>	<b>Basis of influence</b>
Rezidor Hotels ApS Danmark	Copenhagen	Parent
Rezidor Hospitality ApS	Copenhagen	Parent
Rezidor Hospitality Holding AB	Stockholm	Parent
Rezidor Hotel Group AB	Stockholm	Parent
HNA Group Ltd.	Kaikou City, China	Ultimate Parent

### 13. Consolidation

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

HNA Group 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:

Rezidor Hotel Group AB, Stockholm.

Rezidor Scandinavia Hotel Aarhus A/S is included as a subsidiary in the consolidated financial statements of Rezidor Hotel Group AB, Stockholm. The consolidated financial statements are available at [www.rezidor.com](http://www.rezidor.com).