

Rezidor Cornerstone A/S
Central Business Registration No
17099442
Amager Strandvej 60-64, 3rd floor
2300 Copenhagen S

Annual report 2016

The Annual General Meeting adopted the annual report on *19 may 2017*

Chairman of the General Meeting



Name: Tina Øster Larsen

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Entity details

Entity

Rezidor Cornerstone A/S
Amager Strandvej 60-64, 3rd floor
2300 Copenhagen S

Central Business Registration No: 17099442

Registered in: Copenhagen

Financial year: 01.01.2016 - 31.12.2016

Board of Directors

Scott Anthony Deibert, Chairman

Remy Jean Eddy Merckx

Lars Gordon Nielsen

Executive Board

Jørgen Lindhardt, Chief Executive Officer

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

P.O. Box 1600

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 Cornerstone 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, 15.05.2017

Executive Board

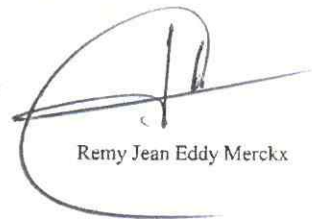


Jørgen Lindhardt
Chief Executive Officer

Board of Directors



Scott Anthony Deibert
Chairman



Remy Jean Eddy Merckx



Lars Gordon Nielsen

Independent auditor's reports

To the shareholders of Rezidor Cornerstone A/S

Opinion

We have audited the financial statements of Rezidor Cornerstone A/S for the financial year 01.01.2016 - 31.12.2016, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and 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 and cash flows 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.

Independent auditor's reports

- 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.
- 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.

København, 15.05.2017

Deloitte

Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56



Ove Nielsen
State-authorized Public Accountant

Management commentary

Primary activities

Rezidor Cornerstone A/S is an internal marketing service company which renders services for all Rezidor hotels and the central Rezidor administration in Brussels:

- All kinds of graphic production and printing
- Project management
- Brand protection
- Distribution and stocking of collaterals
- Distribution and stocking of amenities
- Distribution logistics

Development in activities and finances

Profit of the year amount to DKK 89 thousand which is considered unsatisfactory.

Events after the balance sheet date

The company has subsequent to the balance sheet date decided to cease the warehouse operation and only focus on the studio activities. This changes is not foreseen to have any material impact on the 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 B enterprises with addition of certain provisions for reporting class C enterprises.

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.

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. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement

Revenue

Revenue is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Contract work in progress is included in revenue based on the stage of completion so that revenue corresponds to the selling price of the work performed in the financial year (the percentage-of-completion method).

Cost of sales

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

Other external expenses

Other external expenses comprise expenses for distribution, sale, marketing, administration, etc.

Accounting policies

Staff costs

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

Other financial income from group enterprises

Other financial income from group enterprises comprises interest income etc on receivables from group enterprises.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

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 Entity is jointly taxed with its Parent and all of the Parent's other Danish subsidiaries. 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

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.

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 work in progress consists of direct labour costs.

Receivables

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

Contract work in progress

Contract work in progress is measured at the selling price of the work carried out at the balance sheet date.

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources.

If the selling price of a project in progress cannot be made up reliably, it is measured at the lower of costs incurred and net realisable value.

Accounting policies

Each contract in progress is recognised in the balance sheet under receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

Costs of sales work and of securing contracts as well as financing costs are recognised in the income statement as incurred.

Income tax payable or receivable

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.

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Other financial liabilities

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

Deferred income

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

Income statement for 2016

	<u>Notes</u>	<u>2016 DKK'000</u>	<u>2015 DKK'000</u>
Revenue		33.088	41.629
Cost of sales		(16.684)	(21.830)
Other external expenses		(3.582)	(3.714)
Gross profit/loss		<u>12.822</u>	<u>16.085</u>
Staff costs	1	(12.600)	(16.184)
Operating profit/loss		<u>222</u>	<u>(99)</u>
Other financial income from group enterprises		45	66
Other financial expenses	2	(38)	(38)
Profit/loss from ordinary activities before tax		<u>229</u>	<u>(71)</u>
Tax on profit/loss from ordinary activities	3	(140)	77
Profit/loss for the year		<u>89</u>	<u>6</u>
Proposed distribution of profit/loss			
Retained earnings		<u>89</u>	<u>6</u>

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016</u> <u>DKK'000</u>	<u>2015</u> <u>DKK'000</u>
Deferred tax		60	82
Fixed asset investment		<u>60</u>	<u>82</u>
Fixed assets		<u>60</u>	<u>82</u>
Raw materials and consumables		2.398	3.595
Inventories		<u>2.398</u>	<u>3.595</u>
Trade receivables		1.327	2.849
Contract work in progress		102	251
Receivables from group enterprises		7.347	6.284
Other short-term receivables		935	849
Income tax receivable		19	101
Prepayments		86	200
Receivables		<u>9.816</u>	<u>10.534</u>
Cash		<u>4</u>	<u>31</u>
Current assets		<u>12.218</u>	<u>14.160</u>
Assets		<u>12.278</u>	<u>14.242</u>

Balance sheet at 31.12.2016

	Notes	2016 DKK'000	2015 DKK'000
Contributed capital	4	2.400	2.400
Retained earnings		7.413	7.324
Equity		<u>9.813</u>	<u>9.724</u>
Provisions for deferred tax		-	-
Provisions		<u>-</u>	<u>-</u>
Bank loans		1	4
Trade payables		346	608
Income tax payable		-	-
Other payables		2.117	3.651
Deferred income		1	255
Current liabilities other than provisions		<u>2.465</u>	<u>4.518</u>
Liabilities other than provisions		<u>2.465</u>	<u>4.518</u>
Equity and liabilities		<u>12.278</u>	<u>14.242</u>
Unrecognised rental and lease commitments	5		
Contingent liabilities	6		
Related parties with control	7		
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Statement of changes in equity for 2016

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	2.400	7.324	9.724
Profit/loss for the year	-	89	89
Equity end of year	2.400	7.413	9.813

Notes

	2016 DKK'000	2015 DKK'000
1. Staff costs		
Wages and salaries	10.793	14.052
Pension costs	874	1.072
Other social security costs	205	254
Other staff costs	728	806
	<u>12.600</u>	<u>16.184</u>
	2016 DKK'000	2015 DKK'000
2. Other financial expenses		
Other financial expenses	38	38
	<u>38</u>	<u>38</u>
	2016 DKK'000	2015 DKK'000
3. Tax on ordinary profit/loss for the year		
Current tax	29	(48)
Change in deferred tax for the year	22	(131)
Adjustment relating to previous years	89	102
	<u>140</u>	<u>(77)</u>
	Number	Par value DKK
4. Contributed capital		Nominal value DKK'000
Ordinary shares	2.400	1.000,00
	<u>2.400</u>	<u>2.400</u>
	2016 DKK'000	2015 DKK'000
5. Unrecognised rental and lease commitments		
Commitments under rental agreements or leases until expiry	1.781	2.587

Notes

6. Contingent liabilities

The Entity is jointly and severally liable with the jointly registered consolidated enterprises for the total VAT liability.

The Entity participates in joint taxation (DK) with Rezidor Hospitality ApS as the administration company and, consequently, is jointly and severally liable as of the financial year 2013 with the other jointly taxed entities for the total corporation tax and for any obligation to withhold tax at source on interest, royalties and dividends for the jointly taxed entities. The jointly taxed entities' total known net liability in the joint taxation arrangement is stated in the financial statements of the administration company.

7. Related parties with control

The following related parties have a controlling interest in Rezidor Cornerstone A/S:

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

8. Consolidation

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

Rezidor Hotel Group AB (publ), Stockholm. Group accounts are available at www.rezidor.com