

Rezidor Loyalty Management A/S
Central Business Registration No
27025374
Amager Strandvej 60-64, 3rd floor
2300 Copenhagen S

Annual report 2016

The Annual General Meeting adopted the annual report on 06.04.2017

Chairman of the General Meeting



Name: Tina Øster Larsen

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Entity details

Entity

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

Central Business Registration No: 27025374

Registered in: Copenhagen

Financial year: 01.01.2016 - 31.12.2016

Board of Directors

Eric Alain De Neef, Chairman

Knut Jan Kleiven

Lars Gordon Nielsen

Gopal Krishan Sawhney

Executive Board

Lars Gordon Nielsen

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 Loyalty Management 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 result 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, 06.04.2017

Executive Board



Lars Gordon Nielsen

Board of Directors

Eric Alain De Neef
chairman


Lars Gordon Nielsen

Knut Jan Kleiven


Gopal Krishan Sawhney

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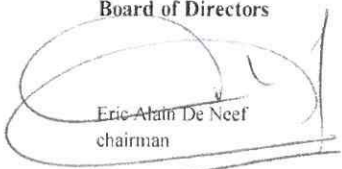
We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 06.04.2017

Executive Board


Lars Gordon Nielsen

Board of Directors


Eric Alain De Neef
chairman

Lars Gordon Nielsen



Knut Jan Kleivan


Gopal Krishan Sawhney

Independent auditor's report

To the shareholder of Rezidor Loyalty Management A/S

Opinion

We have audited the financial statements of Rezidor Loyalty Management A/S for the financial year 01.01.2016 - 31.12.2016, which comprise the income statement, balance sheet, statement of changes in equity 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 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 the 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 report

- 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.

Copenhagen, 06.04.2017

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No. 33 96 35 56



Kim Gerber
State-authorized Public Accountant

Management commentary**Primary activities**

The primary activities of Rezidor Loyalty Management A/S consist in the operation of the Rezidor Group's giftcard program and the business partners' loyalty programs. The company is governed by the Payment Services and Electronic Money Act.

Development in activities and finances

Profit for the year amounts to EUR 52 thousand, which is considered satisfactory.

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 B 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.

Income statement

Revenue

Revenue includes net income from the Rezidor Group's giftcards and the business partners' loyalty programs.

Revenue from commissions on the sale of gift cards is recognised in the income statement when these gift cards are used. Revenue from expired gift cards is recognised after the expiry of the application period, including an additional period of completion.

Revenue from the business partners' loyalty programs is recognised when used by the hotels.

Revenue is recognised excluding VAT and other taxes related to the sale.

Other external expenses

Other external expenses comprise expenses relating to the Entity's ordinary activities, administration, etc., including expenses relating to the use of loyalty programs at the hotels.

Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital gains on payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Accounting policies

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, 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 all Danish entities in the Rezidor Group and another Danish company controlled by HNA Group, 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

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.

Receivables

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

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.

Cash

Cash comprises cash in hand and bank deposits.

Other financial liabilities

Other financial liabilities are measured at amortised cost and consist primarily of outstanding obligations to giftcard and loyalty programs.

Income statement for 2016

| | <u>Notes</u> | <u>2016</u> <u>EUR'000</u> | <u>2015</u> <u>EUR'000</u> |
|---|--------------|-------------------------------|-------------------------------|
| Revenue | | 2.757 | 3.107 |
| Other external expenses | | <u>(2.697)</u> | <u>(3.087)</u> |
| Gross profit/loss | | 60 | 20 |
| Other financial income | 1 | 33 | 32 |
| Other financial expenses | 2 | <u>(15)</u> | <u>(12)</u> |
| Profit/loss before tax | | 78 | 40 |
| Tax on profit/loss for the year | 3 | <u>(26)</u> | <u>(19)</u> |
| Profit/loss for the year | | <u>52</u> | <u>21</u> |
| Proposed distribution of profit/loss | | | |
| Retained earnings | | <u>52</u> | <u>21</u> |
| | | <u>52</u> | <u>21</u> |

Balance sheet at 31.12.2016

| | <u>Notes</u> | <u>2016</u> <u>EUR'000</u> | <u>2015</u> <u>EUR'000</u> |
|-------------------------------------|--------------|-------------------------------|-------------------------------|
| Deferred tax assets | | 12 | 6 |
| Financial assets investments | | <u>12</u> | <u>6</u> |
| Fixed assets | | <u>12</u> | <u>6</u> |
| Trade receivables | | 717 | 480 |
| Receivables from group enterprises | | 2.981 | 3.096 |
| Other short-term receivables | | 2 | 2 |
| Receivables | | <u>3.700</u> | <u>3.578</u> |
| Cash | | <u>1</u> | <u>0</u> |
| Current assets | | <u>3.701</u> | <u>3.578</u> |
| Assets | | <u>3.713</u> | <u>3.584</u> |

Balance sheet 31.12.2016

| | <u>Notes</u> | <u>2016 EUR'000</u> | <u>2015 EUR'000</u> |
|--|--------------|-------------------------|-------------------------|
| Contributed capital | 4 | 134 | 134 |
| Retained earnings | | 643 | 591 |
| Equity | | <u>777</u> | <u>725</u> |
| Bank debt | | 0 | 1 |
| Trade payables | | 170 | 224 |
| Payables to group enterprises | | 16 | 0 |
| Income tax payable | | 24 | 9 |
| Other payables | 5 | 2.726 | 2.625 |
| Current liabilities other than provisions | | <u>2.936</u> | <u>2.859</u> |
| Liabilities other than provisions | | <u>2.936</u> | <u>2.859</u> |
| Equity and liabilities | | <u>3.713</u> | <u>3.584</u> |
| Contingent liabilities | 6 | | |
| Related parties with control | 7 | | |
| Consolidation | 8 | | |

Statement of changes in equity for 2016

| | Contributed capital EUR'000 | Retained earnings EUR'000 | Total EUR'000 |
|---------------------------|--|--|--------------------------|
| Equity beginning of year | 134 | 591 | 725 |
| Profit/loss for the year | - | 52 | 52 |
| Equity end of year | 134 | 643 | 777 |

The Company's base capital is EUR 777 thousand equivalent to DKK 5.784 thousand.

Notes

| | 2016 | 2015 |
|--|----------------|----------------|
| | EUR'000 | EUR'000 |
| 1. Other financial income | | |
| Financial income arising from group enterprises | 33 | 32 |
| | <u>33</u> | <u>32</u> |
| 2. Other financial expenses | | |
| Exchange rate adjustments | 3 | 7 |
| Other financial expenses | 12 | 5 |
| | <u>15</u> | <u>12</u> |
| 3. Tax on ordinary profit/loss for the year | | |
| Current tax | 32 | 18 |
| Change in deferred tax for the year | (5) | 1 |
| | <u>26</u> | <u>19</u> |
| 4. Contributed capital | | |
| The contributed capital amounts to DKK 1,000,000. | | |
| 5. Other payables | | |
| Gift cards obligation | 1.587 | 1.480 |
| Other accrued expenses | 1.139 | 1.145 |
| | <u>2.726</u> | <u>2.625</u> |

6. Contingent liabilities

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.

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

Notes

7. Related parties with control

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

| <u>Name</u> | <u>Registered</u> | <u>Basis of influence</u> |
|--------------------------------|--------------------|---------------------------|
| Rezidor Hospitality ApS | Copenhagen | Parent |
| Rezidor Hospitality Holding AE | 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.