Radisson Royal Hotel Copenhagen ApS

Amager Strandvej 60 2300 Copenhagen S Central Business Registration No 35255095

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 Royal Hotel Copenhagen ApS Amager Strandvej 60 2300 Copenhagen S

Central Business Registration No: 35255095 Registered in: Copenhagen Financial year: 01.01.2017 - 31.12.2017

Website: www.radissonblu.com

Board of Directors

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

Executive Board

Brian Gleeson, Chief Executive Officer

Entity auditors

PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 2900 Hellerup 1

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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 Royal Hotel Copenhagen ApS 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.

Copenhagen, 31.05.2018

Executive Board Brian Gleeson Chief Executive Officer

Board of Directors

Thomas Christopher Flanagan Sonja E Chairman

Sonja Dive Dahl

Jan Mikael Kaunitz

Lars Gordon Nielsen

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Sonja Dive Dahl

Copenhagen, 31.05.2018

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Board of Directors Thomas Christopher Flanagan

Jan Mikael Kaunitz

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Lars Gordon Nielsen

Chairman

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Copenhagen, 31.05.2018

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Brian Gleeson Chief Executive Officer

Board of Directors

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Thomas Christopher Flanagan Chairman

Sonja Dive Dahl

Jan Mikael Kaunitz

Lars Gordon Nielsen

Independent auditor's report

To the shareholder of Radisson Royal Hotel Copenhagen ApS

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 Royal Hotel Copenhagen ApS 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

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State-Authorised Public Accountant Identification number (MNE) mne33262

Steffen Kaj Pedersen

State-Authorised Public Accountant Identification number (MNE) mne34357

Management commentary

	2017 DKK'000	2016 DKK'000	2015 DKK'000	2014 DKK'000	2013 DKK'000
Financial highlights					
Key figures					
Revenue	126.967	151.746	148.760	142.257	0
Gross profit/loss	52.585	56.758	64.648	60.930	(9)
Operating profit/loss	2.867	5,260	11.945	10.583	(9)
Net financials	(370)	(57)	(72)	(90)	0
Profit/loss for the year	1.895	4.158	8.883	7.852	(9)
Total assets	112.064	43.960	38.731	24,775	500
Investments in property, plant and equipment	93.190	13.379	5.173	379	0
Equity	23.279	21.384	17.226	8.343	491
Ratios					
Return on equity (%)	8,5	24,1	69,5	177,8	(1,8)
Profit margin (%)	2,3	3,5	8,0	7,4	-
Return on assets (%)	2,6	12,0	30,8	42,7	(1,8)
Gross margin (%)	41,4	37,4	43,5	42,8	*
Net margin (%)	1,5	2,7	6,0	5,5	*
Equity ratio (%)	20,8	48,6	44,5	33,7	98,2

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 (%)	Profit/loss for the year x 100 Average equity	The entity's return on capital invested in the entity by the owners.
Profit margin (%)	Operating profit/loss x 100 Revenue	The entity's profitability
Return on assets (%)	Operating profit/loss x 100 Balance sheet	The entity's return on the total capital
Gross margin (%)	<u>Gross profit/loss x 100</u> Revenue	The entity's operating gearing
Net margin (%)	Profit/loss for the year x 100 Revenue	The entity's operating profitability
Equity ratio (%)	Equity x 100 Total assets	The financial strenth of the entity

Management commentary

Primary activities

The activities at Radisson Royal Hotel Copenhagen ApS consist in the operation of hotel and restaurant as well as congress facilities.

In connection with the agreed cooperation on sales and marketing with Radisson Hotels International, the Company applies the business name Radisson Collection Hotel, Royal Copenhagen.

Development in activities and finances

Total profit for the year amounts to DKK 1,895 thousand. This result is considered satisfactory due to the expected revenue displacement connected with the renovation of the Hotel in 2017.

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 neither affected by special risks.

Outlook

The total hotel revenue for 2018 is expected to increase compared to 2017. A positive net profit is expected for 2018.

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 Copenhagen.

Environmental performance

During the last couple of years, Radisson Blu Hotels & Resorts has implemented the programme "Responsible Business". The primary purpose of the programme is to obtain systematic information on the hotel's energy consumption, waste disposal and chemical consumption detrimental to the environment to prepare a plan for minimising environmental impacts as much as possible. Moreover, special education programmes for hotel employees are part of the hotel in which consideration for the environment is integrated as an important factor.

Income statement

	Notes	2017 DKK'000	2016 DKK'000
Revenue Cost of sales Other external expenses Gross profit/loss		126.967 (6.157) (68.225) 52.585	151.746 (9.880) <u>(85.108)</u> 56.758
Staff costs Depreciation, amortisation and impairment losses Operating profit/loss	2	(47.029) (2.689) 2.867	(50.954) (544) 5.260
Other financial expenses Profit/loss before tax		(370) 2.497	(57) 5.203
Tax on profit/loss for the year	3	(602)	(1.045)
Profit/loss for the year	4	1.895	4.158

Balance sheet at 31.12.2017

	Notes	2017 DKK'000	2016 DKK'000
Other fixtures and fittings, tools and equipment Leasehold improvements Property, plant and equipment in progress Property, plant and equipment	5	30.511 60.083 13.080 103.674	1.574 4.186 7.413 13.173
Fixed assets		103.674	13.173
Manufactured goods and goods for resale Inventories		745 745	967 967
Trade receivables Receivables from group enterprises Other receivables Prepayments Receivables	6	2.734 148 3.063 1.442 7.387	3.773 20.944 654 4.299 29.670
Cash		258	150
Current assets		8.390	30.787
Assets		112.064	43.960

Balance sheet at 31.12.2017

	Notes	2017 DKK'000	2016 DKK'000
Contributed capital Retained earnings	7	500 22.779	500 20.884
Equity		23.279	21.384
Deferred tax Provisions	8	45 45	157 157
Trade payables Payables to group enterprises Income tax payable Other payables Deferred income Current liabilities other than provisions	9 10	8.051 71.085 736 8.551 317 88.740	6.087 5.283 1.158 9.574 317 22.419
Liabilities other than provisions		88.740	22.419
Equity and liabilities		112.064	43.960
Events after the balance sheet date Contingent liabilities Related parties with controlling interest Group relations	1 11 12		
	13		

Statement of changes in equity for 2017

	Contributed	Retained	
	capital	earnings	Total
	DKK'000	DKK'000	DKK'000
Equity beginning of year	500	20.884	21.384
Profit/loss for the year	0	1.895	1.895
Equity end of year	500	22.779	23.279

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	42.687	46.291
Pension costs	3.188	3,427
Other social security costs	1.154	1.236
	47.029	50.954
Average number of employees	111	128

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	714	1.158
Change in deferred tax for the year	(112)	63
Adjustment concerning previous years	0	(176)
	602	1.045
	2017	2016
	DKK,000	DKK'000
4. Proposed distribution of profit/loss		
Retained earnings	1.895	4.158
	1.895	4.158

5. Property, plant and equipment	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improve- ments DKK'000	Property, plant and equipment in progress DKK'000
Cost beginning of year Additions Cost end of year	1.947 30.784 32.731	4.440 56.739 61.179	7.413 5.667 13.080
Depreciation and impairment losses beginning of the year Depreciation for the year Depreciation and impairment losses end of the year	(373) (1.847) (2.220)	(254) (842) (1.096)	0 0
Carrying amount end of year	30.511	60.083	13.080

6. Prepayments

Prepayments comprise incurred costs relating to subsequent financial years.

			Nominal
		Par value	value
	Number	DKK'000	DKK'000
7. Contributed capital			
Ordinary shares	500	100	500
	500	_	500

8. Deferred tax	2017 DKK'000	2016 DKK'000
Property, plant and equipment	45	171
Receivables		
Receivables	0	(14)
	45	157
Changes during the year		
Beginning of year	157	
Recognised in the income statement	(112)	
End of year	45	
	2017	2016
	DKK'000	DKK'000
9. Other payables		

	8.551	9.574
Other costs payable	5.639	6.281
Holiday pay obligation	2.525	2.887
Wages and salaries, personal income taxes, social security costs, etc payable	387	406
er enter payables		

10. Deferred income

Short-term deferred income comprises income received for recognition in subsequent financial years.

11. 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.

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 31.12.2034. For 2017, the rental obligation is expected to amount to DKK 35,954 thousand.

12. Related parties with controlling interest

Related parties with a controlling interest in Radisson Royal Hotel Copenhagen ApS:

Name	Registred office	Basis of influence
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

13. 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.

Foreign currency translation

On initial recognition, foreign corrency 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. 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 nonmonetary assets that have been purchased in foreign currencies are translated using historical rates.

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 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, including 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.

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 as well as leasehold improvements 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. For self-constructed assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour costs. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

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	3-5 years
Leasehold improvements	10 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

Accounting policies

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.

Manufactrured goods and goods for resale, 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 at amortised cost, equalling nominal value, less writedowns 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.

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.

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 statement of Radisson Hotel Group AB, Stockholm.