

Rezidor Scandinavia ApS
Central Business Registration No 35255109
Amager Strandvej 60-64, 3rd floor
2300 Copenhagen S

Annual report 2016

The Annual General Meeting adopted the annual report on . 22 May 2017

Chairman of the General Meeting



Name: Tina Øster Larsen

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Entity details

Entity

Rezidor Scandinavia ApS
Amager Strandvej 60-64, 3rd floor
2300 Copenhagen S

Central Business Registration No: 35255109
Registered in: Copenhagen
Financial year: 01.01.2016 - 31.12.2016

Internet: www.radissonblu.com

Board of Directors

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

Executive Board

Steen Block Gartmann

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 Scandinavia ApS for the financial year 01.01.2016 - 31.12.2016.

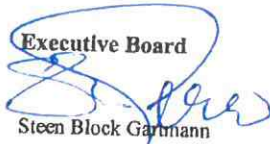
The annual report is presented in accordance with the Danish Financial Statements Act.

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, 22.05.2017

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Board of Directors

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Chairman

Sonja Dive Dahl

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Independent auditor's report

To the shareholder of Rezidor Scandinavia ApS

Opinion

We have audited the financial statements of Rezidor Scandinavia ApS 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 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, 22.05.2017

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No 33 96 35 56



Ove Nielsen

State Authorised Public Accountant

Management commentary

	2016	2015	2014	2013
	<u>DKK'000</u>	<u>DKK'000</u>	<u>DKK'000</u>	<u>DKK'000</u>
Financial highlights				
Key figures				
Revenue	221.091	203.020	184.729	0
Gross profit	80.523	87.340	75.947	(9)
Operating profit/loss	6.663	16.232	7.811	(9)
Net financials	(45)	(58)	(86)	0
Profit/loss for the year	5.119	12.351	5.703	(9)
Total assets	70.526	47.680	29.052	849
Investments in property, plant and equipment	7.997	5.874	1.440	0
Equity	23.664	18.545	6.194	491
Ratios				
Net margin (%)	2,3	6,1	3,1	-
Return on equity (%)	24,3	99,9	170,6	(1,8)
Solvency ratio (%)	33,6	38,9	21,3	57,8

Management commentary

Primary activities

The activities of Rezidor Scandinavia ApS consist in the operation of hotel and restaurant as well as congress

Development in activities and finances

Profit for the year amounts to DKK 5,119 thousand, which is considered satisfactory.

Total hotel revenue increased in 2016 compared to 2015 as expected.

Outlook

Total hotel revenue for 2017 is expected to increase compared to 2016. A net profit is expected for 2017.

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 systematic information 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 part of the programme so that they will be capable of identifying potential environmental impacts and of planning the operations of the hotel in which consideration for the environment is integrated as an important factor.

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.

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

The Company's revenue represents invoiced sale for the year less VAT and price reductions 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 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, 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 Danish subsidiaries. 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. For self-constructed assets, cost comprises direct and indirect costs of materials, components, sub-suppliers 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
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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 incurred to execute sale.

Accounting policies

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.

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 usually corresponds to nominal value.

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

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 flows are included in the cash flow statement of Rezidor Hotel Group AB (publ), Stockholm.

Accounting policies**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
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 the Entity

Income statement for 2016

	<u>Notes</u>	<u>2016 DKK'000</u>	<u>2015 DKK'000</u>
Revenue		221.091	203.020
Cost of sales		(16.392)	(16.328)
Other external expenses		(124.176)	(99.352)
Gross profit/loss		80.523	87.340
Staff costs	1	(72.499)	(70.779)
Depreciation, amortisation and impairment losses		(1.361)	(329)
Operating profit/loss		6.663	16.232
Other financial expenses		(45)	(58)
Profit/loss from ordinary activities before tax		6.618	16.174
Tax on profit/loss from ordinary activities	2	(1.499)	(3.823)
Profit/loss for the year	3	5.119	12.351

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		13.327	6.153
Property, plant and equipment in progress		266	804
Fixed asset investments	4	<u>13.593</u>	<u>6.957</u>
Fixed assets		<u>13.593</u>	<u>6.957</u>
Manufactured goods and goods for resale		1.025	1.220
Inventories		<u>1.025</u>	<u>1.220</u>
Trade receivables		9.693	9.757
Receivables from group enterprises		42.085	26.646
Other receivables		1.381	0
Prepayments	5	1.729	1.569
Receivables		<u>54.888</u>	<u>37.972</u>
Cash		<u>1.020</u>	<u>1.531</u>
Current assets		<u>56.933</u>	<u>40.723</u>
Assets		<u><u>70.526</u></u>	<u><u>47.680</u></u>

Balance sheet at 31.12.2016

	<u>Notes</u>	<u>2016</u> <u>DKK'000</u>	<u>2015</u> <u>DKK'000</u>
Contributed capital	6	500	500
Retained earnings		23.164	18.045
Equity		<u>23.664</u>	<u>18.545</u>
Provisions for deferred tax	7	660	228
Provisions		<u>660</u>	<u>228</u>
Prepayments received from customers		1.000	948
Trade payables		6.034	7.266
Debt to group enterprises		491	183
Income tax payable		1.048	3.647
Other payables	8	37.115	16.335
Deferred income	9	514	528
Current liabilities other than provisions		<u>46.202</u>	<u>28.907</u>
Liabilities other than provisions		<u>46.202</u>	<u>28.907</u>
Equity and liabilities		<u>70.526</u>	<u>47.680</u>
Contingent liabilities	10		
Related parties with control	11		
Consolidation	12		

Statement of changes in equity for 2016

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	500	18.045	18.545
Profit/loss for the year	-	5.119	5.119
Equity end of year	500	23.164	23.664

Notes

	2016 DKK'000	2015 DKK'000
1. Staff costs		
Wages and salaries	67.132	65.548
Pension costs	3.984	3.900
Other staff costs	1.383	1.331
	<u>72.499</u>	<u>70.779</u>
 Average number of employees	 <u>150</u>	 <u>144</u>
	2016 DKK'000	2015 DKK'000
2. Tax on ordinary profit/loss for the year		
Current tax	1.067	3.638
Change in deferred tax for the year	432	185
	<u>1.499</u>	<u>3.823</u>
	2016 DKK'000	2015 DKK'000
3. Proposed distribution of profit/loss		
Retained earnings	5.119	12.351
	<u>5.119</u>	<u>12.351</u>
	Other fixtures and fittings, tools and equipment DKK'000	Property, plant and equipment in progress DKK'000
4. Property, plant and equipment		
Cost beginning of year	6.510	804
Transfer	8.535	(8.535)
Additions	0	7.997
Cost end of year	<u>15.045</u>	<u>266</u>
Depreciation and impairment losses beginning of year	(357)	0
Depreciation for the year	(1.361)	0
Depreciation and impairment losses end of year	<u>(1.718)</u>	<u>0</u>
Carrying amount end of year	<u>13.327</u>	<u>266</u>
5. Prepayments		
Prepayments comprise incurred costs relating to subsequent financial years.		

Notes

	Number	Par value DKK	Nominal value DKK'000
6. Contributed capital			
Share capital	5.000	100,00	500
	<u>5.000</u>		<u>500</u>
7. Deferred tax			
Property, plant and equipment		748	385
Receivables		(88)	(157)
		<u>660</u>	<u>228</u>
Changes during the year			
Beginning of year		228	
Recognised in the income statement		432	
End of year		<u>660</u>	
8. Other payables			
VAT and duties		0	1.124
Wages and salaries, personal income taxes, social security costs, etc payable		377	395
Holiday pay obligation		3.599	3.930
Other costs payable		33.139	10.886
		<u>37.115</u>	<u>16.335</u>

9. Short-term deferred income

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

10. 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.

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 31 December 2034. For 2017, the rent obligation is expected to amount to DKK 50,000 thousand.

Notes**11. Related parties with control**

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

12. 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 <https://annualreport2016.rezidor.com/>

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.