

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS ("QIBs") WITHIN THE MEANING OF RULE 144A ("RULE 144A") UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR (2) NON-U.S. PERSONS PURCHASING THE NOTES DESCRIBED IN THIS PRELIMINARY OFFERING MEMORANDUM OUTSIDE OF THE UNITED STATES IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S ("REGULATION S") UNDER THE SECURITIES ACT (AND, IF INVESTORS ARE RESIDENT IN A MEMBER STATE OF THE EUROPEAN ECONOMIC AREA ("EEA"), A QUALIFIED INVESTOR, WITHIN THE MEANING OF ARTICLE 2(1)(E) OF DIRECTIVE 2003/71/EC, AS AMENDED, AND ANY RELEVANT IMPLEMENTING MEASURE IN EACH MEMBER STATE OF THE EEA).

IMPORTANT: You must read the following before continuing. The following applies to the preliminary offering memorandum following this notice (the "**Preliminary Offering Memorandum**"), whether received by e-mail or otherwise received as a result of electronic communication. You are therefore advised to read this carefully before reading, accessing or making any other use of the Preliminary Offering Memorandum. In accessing the Preliminary Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them, any time you receive any information from us as a result of such access. The Preliminary Offering Memorandum has been prepared in connection with the proposed offering and sale of the securities described therein. The Preliminary Offering Memorandum and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS OF OTHER JURISDICTIONS.

THE FOLLOWING PRELIMINARY OFFERING MEMORANDUM WILL BE ACCESSIBLE IN ELECTRONIC FORMAT AND YOU ACKNOWLEDGE THAT YOU RECEIVED THIS PRELIMINARY OFFERING MEMORANDUM IN A FORM THAT MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT, IN WHOLE OR IN PART, IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS PRELIMINARY OFFERING MEMORANDUM CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED TO, AND WILL NOT BE ABLE TO, PURCHASE ANY OF THE NOTES.

Confirmation of your representation. In order to be eligible to view the Preliminary Offering Memorandum or make an investment decision with respect to the securities described in the Preliminary Offering Memorandum, investors must be either (1) QIBs or (2) non-U.S. persons who are outside of the United States in an offshore transaction in reliance on Regulation S; provided that investors resident in a member state of the EEA are qualified investors (within the meaning of Article 2(1)(e) of Directive 2003/71/EC, as amended, and any relevant implementing measure in each member state of the EEA). The Preliminary Offering Memorandum is being sent at your request. By accepting this e-mail or other electronic transmission and by accessing the Preliminary Offering Memorandum, you shall be deemed to have represented to us and the Initial Purchaser (as defined in the Preliminary Offering Memorandum), being the senders of the Preliminary Offering Memorandum, that:

- (1) you acknowledge that you are receiving such Preliminary Offering Memorandum by electronic transmission; and
- (2) either:
 - (a) you and any customers you represent are QIBs; or

- (b) (i) you and any customers you represent are non-U.S. persons outside the United States and (ii) the e-mail address that you gave us and to which the Preliminary Offering Memorandum has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any state of the United States or the District of Columbia; and
- (3) if you are resident in a member state of the EEA, you are a qualified investor (within the meaning of Article 2(1)(e) of Directive 2003/71/EC, as amended, and any relevant implementing measure in each member state of the EEA).

Prospective purchasers that are QIBs are hereby notified that the seller of the securities will be relying on the exemption from the provisions of Section 5 of the Securities Act pursuant to Rule 144A.

You are reminded that the Preliminary Offering Memorandum has been delivered to you on the basis that you are a person into whose possession the Preliminary Offering Memorandum may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorized to, deliver the Preliminary Offering Memorandum to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Initial Purchaser or any affiliate of the Initial Purchaser is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Initial Purchaser or such affiliate on behalf of the Issuer in such jurisdiction. Under no circumstances shall the Preliminary Offering Memorandum constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

The Preliminary Offering Memorandum has not been approved by an authorized person in the United Kingdom and is for distribution only to persons (i) who have professional experience in matters relating to investments (being investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the “**Financial Promotion Order**”), (ii) falling within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations, etc.”) of the Financial Promotion Order, (iii) who are outside the United Kingdom or (iv) to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “relevant persons”). The Preliminary Offering Memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which the Preliminary Offering Memorandum relates is available only to relevant persons and will be engaged in only with relevant persons. No part of the Preliminary Offering Memorandum should be published, reproduced, distributed or otherwise made available in whole or in part to any other person.

No person may communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) received by it in connection with the issue or sale of the securities other than in circumstances in which Section 21(1) of the Financial Services and Markets Act 2000 does not apply to us.

The Preliminary Offering Memorandum has been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Initial Purchaser, any person who controls the Initial Purchaser, the Issuer, the Guarantors (each term, as defined in the Preliminary

Offering Memorandum), any of their respective directors, officers, employees or agents or affiliates of any of the foregoing entities or persons, accepts any liability or responsibility whatsoever in respect of any difference between the Preliminary Offering Memorandum distributed to you in electronic form and any version that will be provided to you at a later date on request from the Initial Purchaser.

Professional Investors and ECPs Only Target Market

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the debt securities described in the attached Preliminary Offering Memorandum has led to the conclusion that: (i) the target market for such debt securities is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of such debt securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending such debt securities (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of such debt securities (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

Prohibition of Sales to EEA Retail Investors

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the debt securities described in the attached Preliminary Offering Memorandum or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling such debt securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

SUBJECT TO COMPLETION, DATED JUNE 25, 2018

Preliminary Offering Memorandum

Strictly Confidential
Not for general distribution
in the United States

RADISSON HOSPITALITY

Radisson Hotel Holdings AB (publ)

€250,000,000 % Senior Secured Notes due 2023

Radisson Hotel Holdings AB (publ) Swedish registration number 556674-0972 (the "Issuer"), a registered Swedish public limited liability company (*Sw. publikt aktiebolag*), is offering (the "Offering") €250,000,000 aggregate principal amount of its % Senior Secured Notes due 2023 (the "Notes"). The Notes will be issued pursuant to an indenture (the "Indenture") to be dated on or about , 2018 (the "Issue Date"), among, *inter alios*, the Issuer, the Guarantors (as defined below), BNY Mellon Corporate Trustee Services Limited as trustee (the "Trustee") The Bank of New York Mellon, London Branch as a security agent in respect of the Collateral (as defined below) in Germany, Norway, the Netherlands and the United Kingdom, and The Law Debenture Trust Corporation p.l.c. as a security agent in respect of the Collateral in Belgium, Denmark and Sweden (together, the "Security Agents").

The Issuer will pay interest on the Notes semi-annually in arrears on and of each year, commencing on , .
The Notes will mature on , 2023.

Prior to , 2020, the Issuer will be entitled, at its option, to redeem all or a portion of the Notes at a redemption price equal to 100% of the principal amount of the Notes plus accrued and unpaid interest and additional amounts, if any, to the redemption date and a "make-whole" premium, as described in this offering memorandum. In addition, prior to , 2020, the Issuer may redeem at its option up to 40% of the Notes originally issued with the net proceeds from certain equity offerings at a redemption price of % of the aggregate principal amount thereof, plus accrued and unpaid interest thereon and additional amounts, if any, to the applicable redemption date, provided that at least 60% of the original aggregate principal amount of the Notes remains outstanding after the redemption. The Notes may be redeemed at any time on or after , 2020, at the redemption prices set forth in this offering memorandum.

The Issuer may redeem all of the Notes upon the occurrence of certain changes in applicable tax law at a redemption price equal to 100% of the principal amount of the Notes plus accrued and unpaid interest and additional amounts, if any. Upon the occurrence of certain events constituting a change of control, the Issuer may be required to make an offer to purchase the Notes. However, a change of control will not be deemed to have occurred if specified consolidated leverage ratios are not exceeded in connection with such event.

The Notes will be senior obligations of the Issuer and will be guaranteed on a senior basis (the "Notes Guarantees") by Radisson Hospitality AB (publ) (the "Parent Company") and certain subsidiaries of the Parent Company (the "Subsidiary Guarantors", and together with the Parent Company, the "Guarantors"). The Notes and the Notes Guarantees will rank senior in the right of payments to all of the Issuer's and Guarantors' respective existing and future indebtedness that is expressly subordinated in right of payment to the Notes and the Notes Guarantees and will rank *pari passu* in right of payment to all existing and future indebtedness of the Issuer and the Guarantors, respectively, that is not so subordinated as further described in this offering memorandum. On the Issue Date, the Notes and the Notes Guarantees will be secured by first priority (to the extent possible) security interests over: (i) the issued share capital of the Issuer and the Subsidiary Guarantors; (ii) bank accounts (except for the dividend payment accounts of Guarantors in Sweden), material contracts and intra-group receivables of the Issuer and the Parent Company; and (iii) all material assets of each English Guarantor under an English law debenture (collectively, the "Issue Date Collateral"). In addition, within 120 days of the Issue Date the Notes and the Notes Guarantees will be secured by first priority (to the extent possible) security interests over bank accounts (except for the dividend payment accounts of Guarantors in Sweden), material contracts and intra-group receivables of the Guarantors to the extent not part of the Issue Date Collateral (the "Post-Closing Collateral" and, together with the Issue Date Collateral, the "Collateral"). See "Description of the Notes—Security". The Notes Guarantees and the Collateral are subject to legal and contractual limitations, and may be released under certain circumstances.

This offering memorandum includes information on the terms of the Notes and Notes Guarantees, including redemption and repurchase prices, covenants and transfer restrictions.

There is currently no public market for the Notes. Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and admit the Notes to trading on the Euro MTF. The Euro MTF of the Luxembourg Stock Exchange is not a regulated market within the meaning of the provisions of Directive 2004/39/EC on markets in financial instruments, as amended. There is no assurance that listing of the Notes on the Official List of the Luxembourg Stock Exchange and trading of the Notes on the Euro MTF will be maintained.

These listing particulars constitute a prospectus for purposes of Part IV of the Luxembourg law on prospectus securities dated July 10, 2005, as amended.

See "Risk Factors" beginning on page 30 for a discussion of certain risks that you should consider in connection with an investment in the Notes.

Price: % plus accrued interest from the Issue Date.

The Notes will be issued in registered form in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. The Notes will be represented on issue by one or more global notes, and the Initial Purchaser (as defined herein) expect to deliver the Notes in book-entry form through Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream") on or about the Issue Date.

The Notes and the Notes Guarantees have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") or the securities laws of any state of the United States or any other jurisdiction and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the U.S. Securities Act ("Regulation S")). The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S and within the United States to "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act ("Rule 144A")) in reliance on Rule 144A. Prospective purchasers of the Notes that are qualified institutional buyers are hereby notified that the seller may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. Outside the United States, sellers may be relying on Regulation S under the U.S. Securities Act. For a description of these and certain other restrictions on offers, sales and transfers of the Notes and the distribution of this offering memorandum, see "Important information about this offering memorandum" and "Transfer restrictions".

Sole Bookrunner

J.P. Morgan

The date of this offering memorandum is June , 2018

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Important information about this offering memorandum

You should base your decision to invest in the Notes solely on the information contained in this offering memorandum. We have not, and J.P. Morgan Securities plc (the "Initial Purchaser") has not, authorized anyone to provide prospective investors with any information that is different from the information contained herein and you should not rely on any such information. You should not assume that the information contained in this offering memorandum is accurate as of any date other than the date on the front of this offering memorandum.

None of the Issuer, the Guarantors or the Initial Purchaser is making an offer of the Notes in any jurisdiction where such offer would not be permitted.

Radisson Hotel Holdings AB (publ) is incorporated as a public limited company (*Sw. publikt aktiebolag*) under the laws of the Kingdom of Sweden and is registered with the Swedish Companies Registration Office (*Sw. Bolagsverket*) under registration number 556674-0972, having its registered address at P.O. Box 248, 101 24 Stockholm, Sweden, and its telephone number at that address is +46 (0)8 506 88 613. Its website is located at <http://www.radissonhospitalityab.com>. Its website and the information contained on it are not part of this offering memorandum.

As used in this offering memorandum, unless the context otherwise requires, references to the "Issuer" are to Radisson Hotel Holdings AB (publ) and references to "Parent Company", "we", "us", "our", "Group" and "ours" refer to Radisson Hospitality AB (publ), a public limited liability company existing under the laws of Sweden (*Sw. publikt aktiebolag*) and its consolidated subsidiaries, including the Issuer and the Guarantors, unless context otherwise requires.

This document does not constitute a prospectus for the purposes of Section 12(a)(2) of or any other provision of or rule under the U.S. Securities Act.

We are not, and the Initial Purchaser is not, making an offer of these securities in any jurisdiction where such offer is not permitted. This offering memorandum is based upon information provided by us and other sources believed by us to be reliable. We accept responsibility for the information contained in this offering memorandum and, to the best of our knowledge (having taken reasonable care to ensure that such is the case), the information is true and accurate in all material respects and contains no omission likely to affect the import of such information.

The Initial Purchaser is not responsible for, and is not making any representation or warranty to you concerning, our future performance or the accuracy or completeness of this offering memorandum.

This offering memorandum does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. No action has been, or will be, taken to permit a public offering in any jurisdiction where action would be required for that purpose. Accordingly, the Notes may not be offered or sold, directly or indirectly, and this offering memorandum may not be distributed, in any jurisdiction except in accordance with the legal requirements applicable in such jurisdiction. You must comply with all laws applicable in any jurisdiction in which you buy, offer or sell the Notes or possess or distribute this offering memorandum and you must obtain all applicable consents and approvals, neither we nor the Initial Purchaser shall have any responsibility for any of the foregoing legal requirements. See "*Transfer restrictions*".

In making an investment decision regarding the Notes offered hereby, you must rely on your own examination of the Issuer and the Guarantors and the terms of this Offering, including the merits and risks involved. You should rely only on the information contained in this offering memorandum. We have not, and the Initial Purchaser has not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. You should assume that the information appearing in this

offering memorandum is accurate as of the date on the front cover of this offering memorandum only. Our business, financial condition, results of operations and the information set forth in this offering memorandum may have changed since that date.

You should not consider any information in this offering memorandum to be investment, legal or tax advice. You should consult your own counsel, accountant and other advisors for legal, tax, business, financial and related advice regarding purchasing the Notes. We are not, and the Initial Purchaser is not, making any representation to any offeree or purchaser of the Notes regarding the legality of an investment in the Notes by such offeree or purchaser under appropriate investment or similar laws. This offering memorandum is to be used only for the purposes for which it has been published.

By accepting delivery of this offering memorandum, you agree to the foregoing restrictions, to make no photocopies of this offering memorandum or any documents referred to herein and not to use any information herein for any purpose other than considering an investment in the Notes.

We obtained the market data used in this offering memorandum from internal surveys, industry sources and currently available information. Although we believe that our sources are reliable, you should keep in mind that we have not independently verified information we have obtained from industry and governmental sources and that information from our internal surveys has not been verified by any independent sources. See *“—Market and industry data”*.

The contents of our website do not form any part of this offering memorandum.

We may withdraw the Offering at any time, and we and the Initial Purchaser reserve the right to reject any offer to purchase the Notes in whole or in part and to sell to any prospective investor less than the full amount of the Notes sought by such investor. The Initial Purchaser and certain related entities may acquire a portion of the Notes for their own accounts.

Application will be made to admit the Notes on the Official List of the Luxembourg Stock Exchange and to admit them for trading on its Euro MTF Market, and we intend to submit this offering memorandum to the competent authority in connection with the listing application. In the course of any review by the competent authority, we may be requested to make changes to the financial and other information included in this offering memorandum in producing listing particulars for such listing. Comments by the competent authority may require significant modification or reformulation of information contained in this offering memorandum or may require the inclusion of additional information. We may also be required to update the information in this offering memorandum to reflect changes in the business, financial condition or results of operations and prospects of the Issuer, the Guarantors and their respective subsidiaries. There is no assurance that the Notes will be listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market thereof, and settlement of the Notes is not conditioned on obtaining this listing. Any investor or potential investor in the European Economic Area (the **“EEA”**) should not base any investment decision relating to the Notes on the information contained in this offering memorandum after publication of the listing particulars and should refer instead to those listing particulars.

The Notes and the Notes Guarantees have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the U.S. Securities Act (**“Regulation S”**)), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act.

The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S and within the United States to *“qualified institutional buyers”* (**“QIBs”**) (as defined in Rule 144A under the U.S. Securities Act (**“Rule 144A”**)) in reliance on Rule 144A. Prospective purchasers are hereby notified that the sellers of the Notes may be relying on the exemption

from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. Outside the United States, sellers may be relying on Regulation S under the U.S. Securities Act. For a description of these and certain other restrictions on offers, sales and transfers of the Notes and the distribution of this offering memorandum, see *"Transfer restrictions"*.

The Notes and the Notes Guarantees have not been approved or disapproved by the U.S. Securities and Exchange Commission (the "SEC"), any state securities commission in the United States or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the Offering of the Notes or the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense in the United States.

The Notes and the related Notes Guarantees are subject to restrictions on transferability and resale and may not be transferred or resold, except as permitted under the U.S. Securities Act and applicable state securities laws pursuant to registration thereunder or exemption therefrom. You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time.

The information set out in relation to sections of this offering memorandum describing clearing and settlement arrangements, including *"Description of the Notes"* and *"Book-entry, delivery and form"*, is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream currently in effect. While we accept responsibility for accurately summarizing the information concerning Euroclear and Clearstream, we accept no further responsibility in respect of such information.

The distribution of this offering memorandum and the offer and sale of the Notes may be restricted by law in certain jurisdictions. You must inform yourself about, and observe, any such restrictions. See *"—Notice to certain European investors"*, *"—Notice to Canadian investors"*, *"Plan of distribution"* and *"Transfer restrictions"* elsewhere in this offering memorandum. You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the Notes or possess or distribute this offering memorandum and must obtain any consent, approval or permission required for your purchase, offer or sale of the Notes under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales. We are not, and the Initial Purchaser is not, making an offer to sell the Notes or a solicitation of an offer to buy any of the Notes to any person in any jurisdiction except where such an offer or solicitation is permitted.

Stabilization

IN CONNECTION WITH THIS OFFERING, J.P. MORGAN SECURITIES PLC (THE "STABILIZING MANAGER") (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER) WILL UNDERTAKE STABILIZING ACTION. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME AND MUST BE BROUGHT TO AN END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 CALENDAR DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES.

Notice to European Economic Area Investors

European Economic Area

Sweden

This offering memorandum is not a prospectus and has not been prepared in accordance with the prospectus requirements provided for in the Swedish Financial Instruments Trading Act (Sw.

lag (1991:980) om handel med finansiella instrument), the European Prospectus Regulation ((EU) 2017/1129) or any other Swedish enactment. Neither the Swedish Financial Supervisory Authority (*Finansinspektionen*) nor any other Swedish public body has examined, approved or registered this offering memorandum or will examine, approve or register this offering memorandum. Accordingly, this offering memorandum may not be made available, nor may the Notes otherwise be marketed and offered for sale, in Sweden other than in circumstances that constitute an exemption from the requirement to prepare a prospectus under the Swedish Financial Instruments Trading Act.

Denmark

This offering memorandum does not constitute a prospectus under Danish law and has not been filed with or approved by the Danish Financial Supervisory Authority (*Finanstilsynet*) as this offering memorandum has not been prepared in the context of a public offering of securities in Denmark within the meaning of the Danish Capital Markets Act (*Kapitalmarkedsloven*) or any executive orders issued pursuant thereto. Accordingly, this offering memorandum may not be made available to any other person in Denmark nor may the Notes otherwise be marketed and offered for sale in Denmark other than in circumstances which are exempt from the requirement to prepare and publish a prospectus in Denmark.

Norway

This offering memorandum has not been and will not be filed with or approved by the Norwegian Financial Supervisory Authority, the Oslo Stock Exchange or any other regulatory authority in Norway. The Notes have not been offered or sold and may not be offered, sold or delivered, directly or indirectly, in Norway, unless in compliance with Chapter 7 of the Norwegian Securities Trading Act 2007 and secondary regulations issued pursuant thereto, as amended from time to time (the “**Securities Trading Act**”). Accordingly, this offering memorandum may not be made available nor may the Notes otherwise be marketed and offered for sale in Norway other than in circumstances that are deemed not to be a marketing of an offer to the public in Norway in accordance with the Securities Trading Act.

United Kingdom

The applicable provisions of the UK Financial Services and Markets Act 2000 (the “**FSMA**”) must be complied with in respect of anything done in relation to the Notes in, from or otherwise involving the United Kingdom. This offering memorandum is for distribution only to, and is only directed at, persons who: (i) have professional experience in matters relating to investments falling within Article 19(5) of the FSMA (Financial Promotion) Order 2005, as amended (the “**Financial Promotion Order**”), (ii) are persons falling within Article 49(2)(a) to (d) (high net-worth companies, unincorporated associations, etc.) of the Financial Promotion Order or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) in connection with the issue or sale of any Notes may otherwise lawfully be communicated (all such persons together being referred to as “relevant persons”). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons. The Notes are being offered solely to “qualified investors” as defined in the Prospectus Directive.

Germany

This offering memorandum has not been approved under the German Securities Prospectus Act (*Wertpapierprospektgesetz*) (the “**German Securities Prospectus Act**”), as amended, or the Prospectus Directive and, accordingly, the Notes may not be offered publicly in the Federal Republic of Germany. The Notes may be offered and sold in the Federal Republic of Germany only in compliance with the German Securities Prospectus Act, the Commission Regulation No

(EC) 809/2004 of April 29, 2004, as amended, or any other laws applicable in Germany governing the issue, offering and sale of securities. The Notes will be offered in the Federal Republic of Germany in reliance on an exemption from the requirement to publish an approved securities prospectus under the German Securities Prospectus Act. Consequently, in Germany the Notes will only be available to, and this offering memorandum and any other offering material in relation to the Notes is directed only at, persons who are qualified investors (*qualifizierte Anleger*) within the meaning of Section 2 No. 6 of the German Securities Prospectus Act. Any resale of the Notes in Germany may only be made in accordance with the German Securities Prospectus Act and other applicable laws. The Issuer has not filed and does not intend to file a securities prospectus with the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) ("**BaFin**") or obtain a notification to BaFin from another competent authority of a member state of the European Economic Area, with which a securities prospectus may have been filed, pursuant to Section 17 (3) of the German Securities Prospectus Act.

The Netherlands

In the Netherlands, the Notes may only be offered to qualified investors (*gekwalficeerde beleggers*) (as defined in Article 1:1 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*)). This offering memorandum has not been approved by or registered or filed with the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*).

Belgium

No action has been taken or will be taken in Belgium to permit a public offer of the Notes in accordance with the Belgian Act of 16 June 2006 on the public offer of securities and admission of securities to trading on a regulated market (i.e., the "Belgian Prospectus Act") and no Notes may be offered or sold to persons in Belgium unless either such persons are qualified investors within the meaning of Article 10 of the Belgian Prospectus Act or one or more other exemptions available under Article 3 of the Belgian Prospectus Act apply.

The Offering has not been and will not be notified to, and neither this offering memorandum have been or will be approved by, the Belgian Financial Services and Markets Authority (*Autorité des Services et Marchés Financiers/Autoriteit voor Financiële Diensten en Markten*) pursuant to the Belgian laws and regulations applicable to the public offering of securities.

The Offering, and any materials relating to the Offering, may not be advertised, the Notes may not be offered or sold, and none of this offering memorandum or any other information circular, brochure or similar document may be distributed, directly or indirectly, to any person qualifying as a consumer for the purpose of Book VI of the Belgian Code of economic law (the "Belgian Economic Law Code") on market practices and consumer protection, unless such sale is made in compliance with the Belgian Economic Law Code and its implementing regulation.

Spain

Neither the Notes, the Offering nor this offering memorandum and its contents have been approved or registered with the Spanish Securities and Exchange Commission (*Comisión Nacional del Mercado de Valores*) and therefore the Notes may not be offered or sold or distributed to persons in Spain except in circumstances which do not qualify as a public offer of securities in Spain in accordance with article 35 of the Spanish Securities Market Law (*Real Decreto Legislativo 4/2015, de 23 de octubre, por el que se aprueba el texto refundido de la Ley del Mercado de Valores*), as amended and restated, or pursuant to an exemption from registration in accordance with Royal Decree 1310/2005, as amended (*Real Decreto 1310/2005, de 4 de noviembre, por el que se desarrolla parcialmente la Ley 24/1988, de 28 de julio, del Mercado de Valores, en materia de admisión a negociación de valores en mercados secundarios oficiales, de ofertas publicas de venta o suscripción y del folleto exigible a tales efectos*), and any regulations developing it which may be in force from time to time. The Initial Purchaser has represented and agreed that it will not initially offer or sell the Notes in Spain, but the Initial Purchaser has made no representations as to subsequent resales of the Notes.

France

This offering memorandum has not been prepared and is not being distributed in the context of an offer to the public of financial securities in France within the meaning of Article L.411-1 of the French Code monétaire et financier and Title 1 of Book II of the *Règlement Général de l'Autorité des Marchés Financiers*, and has not been approved by, registered or filed with the Autorité des marchés financiers (the "AMF"). Therefore, the Notes may not be, directly or indirectly, offered or sold to the public in France and this offering memorandum has not been and will not be released, issued or distributed or caused to be released, issued or distributed to the public in France or used in connection with any offer for subscription or sales of the Notes to the public in France. Offers, sales and distributions have only been and shall only be made in France to: (i) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour le compte de tiers*), (ii) qualified investors (*investisseurs qualifiés*) acting for their own account and/or (iii) a limited group of investors (*cercle restreint d'investisseurs*) acting solely for their own account, all as defined in and in accordance with Articles L.411-2, D.411-1 to D.411-4, D.744-1, D.754-1 and D.764-1 of the French Code monétaire et financier. Prospective investors are informed that: (a) this offering memorandum has not been and will not be submitted for clearance to the AMF, (b) in compliance with Articles L.411-2 and D.411-1 through D.411-4 of the French Code *monétaire et financier*, any investors subscribing for the Notes should be acting for their own account and (c) the direct and indirect distribution or sale to the public of the Notes acquired by them may only be made in compliance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 through L.621-8-3 of the French Code *monétaire et financier*.

Italy

The Offering has not been registered with the Commissione Nazionale per le Società e la Borsa ("**CONSOB**") pursuant to Italian securities legislation and, accordingly, no offered Notes may be offered, sold or delivered, nor may copies of this offering memorandum or of any other document relating to the offered Notes be distributed in the Republic of Italy, except: (i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Italian Legislative Decree No. 58 of February 24, 1998, as amended (the "**Italian Financial Services Act**") and Article 34-ter, first paragraph, letter (b) of Regulation No. 11971 of May 14, 1999, as amended from time to time ("**Regulation No. 11971**"), or (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Italian Financial Services Act and Regulation No. 11971. Any offer, sale or delivery of the Notes, or distribution of copies of this offering memorandum or any other document relating to the offered Notes in the Republic of Italy under (i) or (ii) above must be: (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Italian Financial Services Act, CONSOB Regulation No. 16190 of October 23, 2007 and Italian Legislative Decree No. 385 of September 1, 1993 (the "**Italian Banking Act**") (in each case, as amended from time to time), (b) in compliance with Article 129 of the Italian Banking Act, as amended from time to time, and the implementing guidelines of the Bank of Italy, as amended from time to time, and (c) in compliance with any other applicable laws and regulations, including any limitation or requirement which may be imposed by CONSOB or the Bank of Italy or any other Italian authority.

Investors should note that, in accordance with Article 100-bis of the Italian Financial Services Act, where no exemption from the rules on public offerings applies under paragraphs (i) and (ii) above, the subsequent distribution of the offered Notes on the secondary market in Italy must be made in compliance with the public offer and the prospectus requirement rules provided under the Italian Financial Services Act and the Regulation No. 11971. Furthermore, where no exemption from the rules on public offerings applies, the offered Notes which are initially offered and placed in Italy or abroad to professional investors only but in the following year are "systematically" distributed on the secondary market in Italy become subject to the public offer and the prospectus requirement rules provided under the Italian Financial Services Act and the Regulation No. 11971. Failure to comply with such rules may result in the sale of such offered

Notes being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the purchasers of offered Notes who are acting outside of the course of their business or profession.

Grand Duchy of Luxembourg

This offering memorandum has not been approved by and will not be submitted for approval to the *Commission de Surveillance du Secteur Financier* (the “**Luxembourg competent authority**”) for purposes of public offering or sale of the Notes in the Grand Duchy of Luxembourg. Accordingly, the Notes may not be offered or sold to the public in Grand Duchy of Luxembourg, directly or indirectly, and neither this offering memorandum nor any other circular, prospectus, form of application, advertisement or other material may be distributed, or otherwise made available in or from, or published in, Grand Duchy of Luxembourg except for the sole purpose of the admission to trading of the Notes on the Euro MTF and to listing of the Notes on the Official List of the Luxembourg Stock Exchange or where the offer benefits from an exemption to or constitutes a transaction otherwise not subject to the requirement to publish a prospectus pursuant to the Luxembourg law of July 10, 2005 on prospectuses for securities, as amended, and implementing the Prospectus Directive.

Denmark

This offering memorandum does not constitute a prospectus under Danish law and has not been filed with or approved by the Danish Financial Supervisory Authority (*Finanstilsynet*) as this offering memorandum has not been prepared in the context of a public offering of securities in Denmark within the meaning of the Danish Capital Markets Act (*Kapitalmarkedsløven*) or any executive orders issued pursuant thereto. Accordingly, this offering memorandum may not be made available to any other person in Denmark nor may the Notes otherwise be marketed and offered for sale in Denmark other than in circumstances which are exempt from the requirement to prepare and publish a prospectus in Denmark.

Prohibition of sales to European Economic Area Retail Investors

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”) or (ii) a customer within the meaning of Directive 2002/92/EC (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive (as defined above). Consequently no key information document required by Regulation (EU) No 1286/2014 (the “**PRIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIPs Regulation.

MiFID II Product Governance/Professional Investors and ECPs Only Target Market

Solely for the purposes of each manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturers’ target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers’ target market assessment) and determining appropriate distribution channels.

THIS OFFERING MEMORANDUM CONTAINS IMPORTANT INFORMATION WHICH YOU SHOULD READ BEFORE YOU MAKE ANY DECISION WITH RESPECT TO AN INVESTMENT IN THE NOTES.

Notice to Canadian investors

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts ("**NI 33-105**"), the Initial Purchaser is not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this Offering.

Certain definitions

Unless otherwise specified or the context requires otherwise, in this offering memorandum:

“Average Daily Rate” or **“ADR”** refers to the quotient of total room revenues for a specified period divided by the total number of room nights sold during that period. This is also referred to as ARR (Average Room Rate), ADR (Average Daily Rate) or AHR (Average House Rate) in the hotel industry;

“Audited Consolidated Financial Statements” refers to the audited consolidated financial statements of the Group as of and for the Fiscal Year 2017, Fiscal Year 2016 and Fiscal Year 2015;

“Clearstream” refers to Clearstream Banking S.A.;

“Collateral” refers to the Issue Date Collateral and the Post-Closing Collateral;

“EU” refers to the European Union;

“EU Member State” refers to a member state of the EU;

“Euroclear” refers to Euroclear Bank SA/NV;

“Fiscal Year 2015” refers to year ended December 31, 2015;

“Fiscal Year 2016” refers to year ended December 31, 2016;

“Fiscal Year 2017” refers to year ended December 31, 2017;

“FSMA” refers to the UK Financial Services and Markets Act 2000;

“Group”, “we”, “us”, “our” refer to the Parent Company and its consolidated subsidiaries, including the Issuer and the Guarantors, unless the context otherwise requires;

“Guarantors” refers to each of the Guarantors described under *“Summary—The Offering— Notes Guarantees”*, which currently guarantee or will guarantee the Notes;

“IAS 34” refers to International Accounting Standard 34 (Interim Financial Reporting);

“IFRS” refers to International Financial Reporting Standards as adopted by the European Union;

“Indenture” refers to the indenture governing the Notes to be dated the Issue Date by and among, *inter alios*, the Issuer, the Guarantors, the Trustee and the Security Agents;

“Initial Purchaser” refers to J.P. Morgan Securities plc;

“Intercreditor Agreement” refers to the intercreditor agreement which we may enter into on or about the Issue Date by and among, *inter alios*, the Issuer, the Security Agents and the Trustee;

“Interim Consolidated Financial Statements” refers to unaudited interim condensed consolidated financial statements of the Group as of and for Q1 2018 and Q1 2017;

“Issue Date” refers to the date of original issuance of the Notes;

“Issue Date Collateral” refers to the Issue Date Collateral as defined under *“Description of the Notes”*;

“Issuer” refers to Radisson Hotel Holdings AB (publ), a Swedish registered public limited liability company (*Sw. publikt aktiebolag*) with registration number 556674-0972;

“Noteholder” refers to a holder of the Notes;

“Notes” refers to the €250 million aggregate principal amount of % senior secured notes due 2023 offered hereby;

"Notes Guarantees" refers to the guarantees of the Notes to be issued by each of the Guarantors;

"Occupancy" refers to the quotient of the total number of room nights sold during a specified period divided by the total number of rooms available for each day during that period;

"Offering" refers to the offering of the Notes hereby;

"Parent Company" refers to Radisson Hospitality AB (publ), is a public limited liability company incorporated under the laws of Sweden (*Sw. publikt aktiebolag*) with registration number 556674-0964 and listed on NASDAQ OMX Stockholm under the ticker REZT;

"Paying Agent" refers to The Bank of New York Mellon, London Branch as the Paying Agent under the Indenture;

"Post-Closing Collateral" refers to the Post-Closing Collateral as defined under *"Description of the Notes"*;

"Q1 2017" refers to three months ended March 31, 2017;

"Q1 2018" refers to three months ended March 31, 2018;

"Radisson Hospitality, Inc. Group" refers to Radisson Hospitality, Inc. and its consolidated subsidiaries;

"Refinancing" refers to the Offering and the application of the proceeds therefrom as described under *"Use of proceeds"*;

"Revenue per Available Room" or "RevPAR" refers to the product of the Average Daily Rate for a specified period multiplied by the Occupancy for that period;

"Revolving Credit Facility" refers to the revolving credit facility provided pursuant to the Revolving Credit Facility Agreement;

"Revolving Credit Facility Agreement" refers to the agreement to be entered into by and among, *inter alios*, the Issuer, the Guarantors and a facility agent providing for a revolving credit facility to the Group;

"Security Agents" refers to The Bank of New York Mellon, London Branch as security agent in respect of the Collateral in the United Kingdom, Germany, Norway and the Netherlands and The Law Debenture Trust Corporation p.l.c. as security agent in respect of the Collateral in Sweden, Denmark and Belgium;

"Security Documents" refers to the Security Documents as defined in *"Description of the Notes—Certain definitions"*;

"Subsidiary Guarantors" refers to certain subsidiaries of the Parent Company giving the Notes Guarantees;

"Trustee" refers to BNY Mellon Corporate Trustee Services Limited as the trustee under the Indenture;

"U.S. Exchange Act" refers to the U.S. Exchange Act of 1934, as amended;

"U.S. Securities Act" refers to the U.S. Securities Act of 1933, as amended; and

"United States" and **"U.S."** refer to the United States of America.

Forward-looking statements

Certain statements in this offering memorandum are not historical facts and are “forward-looking” within the meaning of Section 27A of the U.S. Securities Act and Section 21E of the U.S. Securities Exchange Act of 1934, as amended (the “**U.S. Exchange Act**”). This document contains certain forward-looking statements in various sections, including, without limitation, under the headings “*Summary*”, “*Risk factors*”, “*Management’s discussion and analysis of financial condition and results of operations*” and “*Business*”, and in other sections where this offering memorandum includes statements about our intentions, beliefs or current expectations regarding our future financial results, plans, liquidity, prospects, growth, strategy and profitability, as well as the general economic conditions of the industry and countries in which we operate. We may from time to time make written or oral forward-looking statements in other communications. Forward-looking statements include statements concerning our plans, objectives, goals, strategies, future events, future sales or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions and dispositions, our competitive strengths and weaknesses, our business strategy and the trends we anticipate in the industries and the economic, political and legal environment in which we operate and other information that is not historical information.

Words or phrases such as “anticipate”, “believe”, “continue”, “could”, “estimate”, “expect”, “intend”, “may”, “ongoing”, “plan”, “potential”, “predict”, “project”, “target”, “seek”, “will” or similar words or phrases, or the negatives of those words or phrases, may identify forward-looking statements, but the absence of these words does not necessarily mean that a statement is not forward-looking.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. These risks, uncertainties and other factors include, among other things, those listed under “*Risk factors*”, as well as those included elsewhere in this offering memorandum. You should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include:

- levels of spending in the business, travel and leisure industries, as well as consumer confidence;
- competitive forces in the markets where we operate;
- our ability to enter into new management and franchise agreements;
- the risk that our management agreements and franchise agreements will not generate positive financial results;
- the risk associated with potential acquisitions and dispositions;
- our ability to exit underperforming leases;
- risks associated with third-party valuations;
- risks associated with our relationship with some of our current significant shareholders;
- liabilities or capital requirements associated with acquiring interests in hotel joint ventures with third parties;
- risks related to the development, redevelopment or renovation of properties that we own or lease;
- the development of new hotels and the expansion of existing hotels;
- the ability or willingness of third-party hotel proprietors to make investments necessary to maintain or improve properties we manage;

- early termination of our management and franchise contracts;
- our relationships with third-party hotel proprietors;
- contractual or other disagreements with third-party hotel proprietors;
- our ability and the ability of third-party hotel proprietors to repay or refinance mortgages secured by hotels that we operate;
- general volatility of the capital markets and our ability to access the capital markets;
- our ability to meet certain financial ratios;
- our ability to operate in emerging markets;
- relatively fixed costs associated with hotel operations;
- the seasonal and cyclical nature of the hospitality business;
- hostilities, including terrorist attacks, or fear of hostilities that affect travel and other catastrophic events;
- our ability to establish and maintain distribution arrangements;
- a shift in hotel bookings from traditional to online channels;
- the introduction of new brand concepts and our ability to develop new brands, generate customer demand and incorporate innovation;
- our ability to successfully implement new initiatives and our business plan;
- our ability to attract, retain, train, manage and engage our employees;
- relationships with our employees and labor unions and changes in labor law;
- our dependence on key personnel;
- our dependence on third parties;
- fluctuations in currency exchange rates;
- extensive regulatory, including licensing, land use and environmental, requirements;
- insufficient insurance;
- failure to meet targets in our master franchise agreements;
- changes in tax laws;
- failure to protect our trademarks and intellectual property;
- third-party claims of intellectual property infringement;
- unfavourable outcomes of legal proceedings, including those relating to our shareholders;
- interruptions or failures of our information technology systems resulting from unanticipated problems or natural disasters, such as power loss, telecommunication failures, computer viruses, hurricanes or floods;
- failure to maintain the integrity of internal or customer data;
- failure to incorporate new developments in technology; and
- risks relating to the Notes and our structure.

This list of important factors is not exhaustive. You should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which we operate. Such forward-looking statements speak only as of the date on which they are made. Accordingly, we do not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. We do not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.

Presentation of financial and other information

Financial statements and other financial information

The Issuer and certain Guarantors, including the Parent Company, are holding companies with no independent business operations or significant assets other than investments in the respective subsidiaries. The Issuer is a direct, wholly-owned subsidiary of the Parent Company and the results of operations and financial condition of the Issuer are consolidated into the Parent Company's consolidated financial statements.

Unless otherwise indicated, all historical financial information included in this offering memorandum is that of the Parent Company and its consolidated subsidiaries (the "**Group**").

This offering memorandum includes:

- the audited consolidated financial statements of the Group as of and for the Fiscal Year 2017, Fiscal Year 2016 and Fiscal Year 2015 (the "**Audited Consolidated Financial Statements**"), including the notes thereto, prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**"), except that the consolidated statement of cash flows for the Fiscal Year 2016 is extracted from the comparative information included in the audited consolidated financial statements of the Group for the Fiscal Year 2017 (see "**Restatements**" below); and
- the unaudited interim condensed consolidated financial statements of the Group as of and for Q1 2018, including comparative data as of and for Q1 2017 (the "**Interim Consolidated Financial Statements**" and, together with the "**Audited Consolidated Financial Statements**", the "**Consolidated Financial Statements**"), including the notes thereto, prepared in accordance with International Accounting Standards 34, Interim Financial Reporting ("**IAS 34**").

The consolidated financial statements of the Group as of and for the Fiscal Year 2017, included in this offering memorandum, have been audited by PricewaterhouseCoopers AB ("**PwC**"), independent auditors, as stated in their audit report appearing herein. The consolidated financial statements of Group as of and for the Fiscal Year 2016 and Fiscal Year 2015, included in this offering memorandum, have been audited by Deloitte AB ("**Deloitte**"), independent auditors, as stated in their audit reports appearing herein. The Interim Consolidated Financial Statements have been reviewed by PwC in accordance with ISRE 2410, as stated in their audit report appearing herein.

In addition, this offering memorandum includes certain financial information for the twelve months ended March 31, 2018. This information was calculated by subtracting from the Audited Consolidated Financial Statements of the Group as of and for the Fiscal Year 2017 the comparative information from unaudited interim condensed consolidated financial statements of the Group as of and for Q1 2017 and adding the information from the unaudited interim condensed consolidated financial statements of the Group for Q1 2018 as well as from the Parent Company's internal accounting system where relevant. The consolidated financial information for the twelve months ended March 31, 2018 has been prepared solely for the purposes of this offering memorandum and is for illustrative purposes only and is not necessarily representative of our results of operations for any future period or our financial condition at any future date and is not prepared in the ordinary course of our financial reporting.

Restatements

In order to present financial information on a consistent basis with the presentation adopted in the audited consolidated financial statements of the Group for the Fiscal Year 2017, certain information in the consolidated statement of cash flows have been restated in the audited consolidated financial statements of the Group for the Fiscal Year 2017. As such, the consolidated statement of cash flows for the Fiscal Year 2016 has been derived from the comparative information included in the audited consolidated financial statements of the Group for the Fiscal Year 2017.

Therefore, the information of consolidated statement of cash flows for the year ended December 31, 2016 presented in this offering memorandum differs from the respective information of the Audited Consolidated Financial Statement for the Fiscal Year 2016 included herein.

In addition, we have included certain non-IFRS financial measures in this offering memorandum. See “— *Use of non-IFRS financial measures*”.

The Consolidated Financial Statements contained in this offering memorandum starting on page F-1 should be read in conjunction with the notes thereto. The Consolidated Financial Statements have been prepared in accordance with IFRS. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. The financial information included in this offering memorandum was not prepared in accordance with generally accepted principles in the United States (“**U.S. GAAP**”). There could be significant differences between IFRS, as applied by us, and U.S. GAAP. Accordingly, such information is not available to investors and investors should consider this in making their investment decision. In making an investment decision, you must rely upon your own examination of the terms of the Offering of the Notes and the financial information contained in this offering memorandum. You should consult your own professional advisors for an understanding of the differences between IFRS and U.S. GAAP and how those differences could affect the financial information contained in this offering memorandum. These standards also require management to exercise its judgment in the process of applying accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements are disclosed in the financial statements. The accounting policies for the Group are set out in the Consolidated Financial Statements contained in this offering memorandum starting on page F-1.

Financial information marked as “unaudited” in tables in this offering memorandum is not extracted from the Audited Consolidated Financial Statements and was either extracted from the Interim Consolidated Financial Statements, the Parent Company’s internal accounting system or are calculations based on unaudited amounts from the abovementioned sources. Certain numerical figures set out in this offering memorandum, including financial data presented in millions or thousands and percentages, have been subject to rounding adjustments and, as a result, the totals of the data in this offering memorandum may vary slightly from the actual arithmetic totals of such information. Percentages and amounts reflecting changes over time periods relating to financial and other data set forth in “*Management’s discussion and analysis of financial condition and results of operations*” are calculated using the numerical data in the Audited Consolidated Financial Statements of the Group or the tabular presentation of other data (subject to rounding) contained in this offering memorandum, as applicable, and not using the numerical data in the narrative description thereof.

The financial information included in this offering memorandum is not intended to comply with the applicable accounting requirements of the U.S. Securities Act and the related rules and regulations of the SEC which would apply if this offering memorandum, the Notes and the Notes Guarantees were being registered with the SEC.

Unaudited *Pro Forma* Financial Information

This offering memorandum also includes certain *pro forma* financial information for the Group, as adjusted to give effect to the Refinancing, including this Offering and the application of the proceeds therefrom as described under “*Use of proceeds*”, as if the Refinancing had occurred on March 31, 2018 (in the case of balance sheet data) or April 1, 2017 (in the case of income statement data). The *pro forma* financial information presented in this offering memorandum has not been prepared in accordance with the requirements of Regulation S-X under the U.S. Securities Act, other SEC requirements or the Prospectus Directive and has not been prepared on the basis of IFRS or any other generally accepted accounting principles. The unaudited consolidated *pro forma* financial information contained in this offering memorandum has been

derived by applying *pro forma* adjustments to the Group's historical consolidated financial information included elsewhere in this offering memorandum. The unaudited consolidated *pro forma* adjustments and the unaudited *pro forma* financial information set out in this offering memorandum are based on available information and certain assumptions and estimates that we believe are reasonable but may differ materially from the actual amounts. The *pro forma* financial information is for informational purposes only and does not purport to present what our results would actually have been had the Refinancing occurred on the dates presented; nor does it purport to project the Group's indebtedness or interest expense at any future date.

Segmentation

To monitor our financial and operating performance, we use geographic segments and segments based on our operating structures.

Geographic Segments

Our operations are organized into the following four geographic segments, which are based on the principal geographic markets, or regions, in which we operate our business:

- Nordics, which consists of Denmark, Finland, Iceland, Norway and Sweden;
- Rest of Western Europe, which consists of: Austria, Belgium, France, Germany, Greece, Ireland, Italy, Luxemburg, Malta, the Netherlands, Portugal, Spain, Switzerland and the United Kingdom;
- Eastern Europe, which consists of: Armenia, Azerbaijan, Belarus, Croatia, Cyprus, the Czech Republic, Estonia, Georgia, Hungary, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Moldova, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Turkey, Ukraine and Uzbekistan; and
- Middle East, Africa and Others, which consists of: Algeria, Angola, Bahrain, Cameroon, Cape Verde, Chad, China, Congo, Egypt, Ethiopia, Gabon, Ghana, Iraq, Ivory Coast, Kenya, Kuwait, Lebanon, Libya, Mali, Mauritius, Morocco, Mozambique, Nigeria, Oman, Qatar, Rwanda, Saudi Arabia, Senegal, Sierra Leone, South Africa, South Sudan, Tunisia, Uganda, the United Arab Emirates, Zambia and Zimbabwe.

Operating Structure Segments

We also use the following four operating structure segments, which are based on the types of contractual arrangements (or operating structures) under which our hotels are operated:

- Leased contractual agreements—under lease agreements, we lease hotel buildings from property owners and are entitled to the benefits and carry the risks associated with operating of the hotel. We derive revenue primarily from room sales and food and drinks sales in restaurants, bars and banquet halls. The main costs arising under a lease agreement are costs related to rent paid to the lessor, personnel costs and other operating expenses. Under our lease agreements, we are responsible for maintaining, repairing and replacing the hotels furniture, fixtures and equipment and operating equipment in good repair and condition over the term of the lease agreement as well as general maintenance and repair of technical installations, while replacement of such technical installations is the responsibility of the property owner as is also the case with roof and structures;
- Managed contractual agreements—under management agreements, we provide management services for third-party hotel proprietors. Revenue is primarily derived from base fees determined as a percentage of total hotel revenue and incentive management fees defined as a percentage of the gross operating profit or adjusted gross operating profit of the hotel operations. In addition, we collect marketing fees based on total rooms revenue or on total revenue, and reservation fees are based on the number of reservations made. Under some management agreements, we may offer the hotel proprietor a minimum guaranteed result. Under a management agreement, the hotel proprietor is responsible for investments in and

costs of the hotel, including the funding of periodic maintenance and repair, as well as for insurance of the hotel property. The employees that operate the hotels are, in general, employees of the hotel proprietor;

- Franchised contractual arrangements—under franchise agreements, we authorize a third-party hotel operator or property owner to operate the hotel under one of the brands in our portfolio. Accordingly, under such agreements, we neither own, lease nor manage the hotel. We derive revenue from brand royalties or from licensing fees which, under most of the franchise agreements, are based on a percentage of total room revenue generated by a hotel. In addition, we collect marketing fees based on total room revenue and reservation fees based on the number of reservations made. In order to gain access to different concepts and programmes associated with the brand, the hotel owners normally have to pay additional fees; and
- Other—represents complementary revenue from administrative activities, but also includes the share of income from associates and joint ventures (with respect to Radisson EBITDA and Radisson EBIT data).

Use of non-IFRS financial measures

Certain parts of this offering memorandum contain non-IFRS measures and ratios, including Radisson EBITDA, Radisson EBITDA margin, Adjusted Radisson EBITDA, Adjusted Radisson EBITDA margin, Radisson EBITDAR, Radisson EBITDAR margin, *Pro forma* Adjusted EBITDA, like-for-like Revenue (“**LfL Revenue**”) and Recurring Adjusted Free Cash Flow (“**Non-IFRS Measures**”).

- We define Radisson EBITDA as profit for the period before depreciation and amortization, write-downs and reversal of write-downs, costs due to termination and restructuring of contracts, gain/loss on sale of shares, intangible and tangible assets, financial income, financial expense and income tax.
- We define Radisson EBITDA margin as Radisson EBITDA as a percentage of our revenue.
- We define Adjusted Radisson EBITDA as Radisson EBITDA adjusted for the effect of certain special items, including restructurings costs, costs incurred in connection with the resignation of the former CEO, financial advisor fees incurred in connection with the public offer on the shares of the company and retention bonuses and revaluation of investment.
- We define Adjusted Radisson EBITDA margin as Adjusted Radisson EBITDA as percentage of our revenue.
- We define Radisson EBITDAR as profit for the period before depreciation and amortisation, write-downs and reversal of write downs, costs due to termination and restructuring of contracts, gain/loss on sale of shares, intangible and tangible assets, financial income, financial expense, income tax, rental expense and share of income in associates and joint ventures.
- We define Radisson EBITDAR margin as Radisson EBITDAR as percentage of our revenue.
- We define *Pro forma* Adjusted EBITDA as Adjusted Radisson EBITDA further adjusted to reflect (a) the negative effect on EBITDA during Easter; (b) adjustments for the hotels closed during 2017 due to refurbishment; (c) full year impact of rent reduction at Radisson Blu Milano effective from October 1, 2017; (d) positive Radisson EBITDA effect as a result of the exit of eight loss-making Park Inn leases at the end of 2017, as if such leases had been exited as of March 31, 2017; (e) full year impact of other savings for personnel costs during 2017; and (f) impact of the cap being reached in three contracts in the first quarter of 2018, resulting in lower rental costs for the remaining term of such contracts. These leases are subject to a cap on total amounts payable during the terms of such contracts. Subsequent to such cap being reached, reduced rent payment is made. In Q1 2018, the caps under these three contracts were

reached and accordingly the cost of such contracts will be reduced for the remainder of the term of these contracts.

- We define LfL Revenue as revenue for the period in the same hotels in operation during the comparative period calculated at constant exchange rates. For Fiscal Years 2015, 2016 and 2017 and Q1 2017, LfL Revenue calculation includes hotels under renovation that were not closed during the applicable period and the comparative period but excludes the sales of a hotel for a period only if such hotel was not open for any of such period and also was not open for the comparative prior period. From and including Q1 2018, LfL Revenue calculation will exclude the sales of a hotel for a period if the hotel was either not open or under renovation for any of such period and also was not open for the comparative prior period.
- We define Recurring Adjusted Free Cash Flow as Adjusted Radisson EBITDA for the period adjusted to reflect changes in adjusted working capital, maintenance and other recurring capital expenditures and certain adjustments for non-cash items.

We use these Non-IFRS Measures as internal measures of performance to benchmark and compare performance, both between our own operations and as against other companies. We use these Non-IFRS Measures, together with measures of performance under IFRS, to compare the relative performance of operations in planning, budgeting and reviewing the performance of various businesses. We believe these Non-IFRS Measures are useful and commonly used measures of financial performance in addition to operating profit and other profitability measures, cash flow provided by operating activities and other cash flow measures and other measures of financial position under IFRS because they facilitate operating performance, cash flow and financial position comparisons from period to period, time to time and company to company. By eliminating potential differences between periods or companies caused by factors such as depreciation and amortization methods, financing and capital structures and taxation positions or regimes, we believe these Non-IFRS Measures can provide a useful additional basis for comparing the current performance of the underlying operations being evaluated. For these reasons, we believe these Non-IFRS Measures and similar measures are regularly used by the investment community as a means of comparing companies in our industry. Different companies and analysts may calculate Non-IFRS Measures differently, so making comparisons among companies on this basis should be done very carefully. Non-IFRS Measures are not measures of performance under IFRS and should not be considered in isolation or construed as a substitute for net operating profit or as an indicator of our cash flow from operations, investing activities or financing activities or as an indicator of financial position in accordance with IFRS. For the calculation of Non-IFRS Measures, see *"Summary consolidated financial and other information"*.

Other operating measures

In addition to Non-IFRS measures and ratios, this offering memorandum includes certain operative measures, which are referred to as "key performance indicators", including Reported RevPAR ("**RevPAR**"), like-for-like RevPAR ("**LfL RevPAR**"), Occupancy, like-for-like Occupancy ("**LfL Occupancy**"), Average Daily Rate and like-for-like Average Daily Rate ("**LfL Average Daily Rate**"). We note that the operational measure comprises leased and managed hotels only and excludes franchised hotels.

- We define RevPAR as the product of the Average Daily Rate for a specified period multiplied by the Occupancy for that period.
- We define LfL RevPAR as the product of the LfL Average Daily Rate for a specified period multiplied by the LfL Occupancy for that period at constant exchange rates.
- LfL RevPAR data for Q1 2018 is presented as "RevPAR LfL&R" data in the Interim Consolidated Financial Statements and includes into calculation of the LfL RevPAR hotels under renovation during the current period and the comparative period of the previous financial year.

- We define Occupancy as the quotient of the total number of room nights sold during a specified period divided by the total number of rooms available for each day during that period.
- We define LfL Occupancy as the quotient of the total number of room nights sold during a specified period divided by the total number of rooms available for each day during that period in same hotels in operation during the comparative period. In Fiscal Years 2015, 2016 and 2017, LfL Occupancy calculation excludes the sales of a hotel for a period if the hotel was not open for the full period and the entire corresponding period in the prior year; however, it includes hotels under renovation during the applicable period and the comparative period, except for hotels closed for renovation. Starting from (but not including) Q1 2018, LfL Occupancy calculation will exclude the sales of a hotel for a period if the hotel was not open or under renovation for the full period and the entire corresponding period in the prior year. The hotels included in the LfL Occupancy calculations are redefined every year.
- LfL Occupancy data for Q1 2018 is presented as “Occupancy LfL&R” data in the Interim Consolidated Financial Statements and includes into calculation of the LfL Occupancy hotels under renovation during the current period and the comparative period of the previous financial year.
- We define Average Daily Rate as the quotient of total room revenues for a specified period divided by the total number of room nights sold during that period.
- We define LfL Average Daily Rate as the quotient of total room revenues for a specified period divided by the total number of room nights sold during that period in same hotels in operation during the previous period compared. In Fiscal Years 2015, 2016 and 2017, LfL Average Daily Rate calculation excludes the sales of a hotel for a period if the hotel was not open for the full period and the entire corresponding period in the prior year; however, it includes hotels under renovation during the applicable period and the comparative period. Starting from Q1 2018, LfL Average Daily Rate calculation will exclude the sales of a hotel for a period if the hotel was not open or under renovation for the full period and the entire corresponding period in the prior year. The hotels included in the LfL Average Daily Rate calculations are redefined every year.
- LfL Average Daily Rate data for Q1 2018 is presented as “Av. Daily Rates LfL&R” data in the Interim Consolidated Financial Statements and includes into calculation of the LfL Average Daily Rate hotels under renovation during the current and/or previous financial year compared.

We believe that it is useful to include this operating information as we use it for internal performance analysis, and the presentation by our business divisions of these measures facilitates comparability with other companies in our industry, although our measures may not be comparable with similar measurements presented by other companies. Such operating information should not be considered in isolation or construed as a substitute for measures in accordance with IFRS. For a description of certain of our key performance indicators, see *“Management’s discussion and analysis of financial condition and results of operations—Key Factors affecting our financial condition and results of operations—Occupancy, Average Daily Rate (ADR) and Revenue per Available Room (RevPAR)”*.

Constant Currency Information

This offering memorandum includes information on a constant currency basis. We use this information to assess how the underlying business has performed independent of fluctuations in foreign currency exchange rates. We calculate constant currency by applying the prior-period average foreign currency exchange rates from the prior period to the current period financial data expressed in the original currency, in order to eliminate the effect of foreign currency exchange rate fluctuations. Although these measures are not substitutes for IFRS measures, we believe that such results excluding the effect of foreign currency fluctuations provide additional useful information to investors regarding the operating performance on a local currency basis.

Rounding

Certain numerical figures set out in this offering memorandum, including financial data presented in millions or thousands have been subject to rounding adjustments, and as a result, the totals of the data in this offering memorandum may vary slightly from the actual arithmetic totals of such information.

Market and industry data

This offering memorandum includes market segment share and industry information that was obtained by us from industry publications and surveys, industry reports prepared on our behalf by consultants, internal and external and customer feedback. We have also used data derived and extrapolated from national statistical resources in various countries. Because we do not have access to the facts and assumptions underlying the market data used by third-party sources, we are unable to verify such information and cannot guarantee its accuracy or completeness. We also do not have access to the facts and assumptions underlying the projections made in these reports and various economic and other factors may cause actual results to differ from these projections.

Industry publications, surveys and forecasts often state that the information contained therein has been obtained from sources believed to be reliable but there can be no assurance as to the accuracy or completeness of such information. We believe these industry publications, surveys and forecasts to be reliable but we have not independently verified any of the data from third party sources. Forecasts and other forward-looking information obtained from these sources are subject to the same qualifications and uncertainties as the other forward-looking statement in this offering memorandum.

In addition, certain information in this offering memorandum is not based on published data obtained from independent third parties, or extrapolations thereof, but are information and statements reflecting our best estimates based upon information obtained from trade and business organizations and associations, consultants and other contacts within the industries in which we compete, as well as information published by our competitors. Such information is based on the following: (i) in respect of our market segment position, information obtained from trade and business organizations and associations and other contacts within the industries in which we compete, (ii) in respect of industry trends, our senior management team's business experience and experience in the industry and the different regions in which we operate, and (iii) in respect of the performance of our operations, our internal analysis of our own audited and unaudited information. We cannot assure you that any of the assumptions that we have made in compiling this data are accurate or correctly reflect our position in our markets segments.

Tax considerations

Prospective purchasers of the Notes are advised to consult their own tax advisors as to the consequences of purchasing, holding and disposing of the Notes, including the application of U.S. federal tax laws to their particular situations, as well as any consequences to them under the laws of any other relevant taxing jurisdiction, and the consequences of purchasing the Notes at a price other than the initial issue price in the Offering. See "*Certain tax considerations*".

Trademarks and trade names

We own or have rights to certain trademarks or trade names that we use in conjunction with the operation of our businesses. Each trademark, trade name or service mark of any other company appearing in this offering memorandum belongs to its holder.

Currency presentation and exchange rate information

In this offering memorandum:

- “\$”, “dollar” or “U.S. dollar” refers to the lawful currency of the United States; and
- “€”, “EUR” or “euro” refers to the single currency of the participating member states of the European and Monetary Union of the Treaty Establishing the European Community, as amended from time to time.

The following tables set forth, for the periods indicated, the period end, period average, high and low Bloomberg Composite Rates expressed in U.S. dollars per €1.00. The Bloomberg Composite Rate is a “best market” calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate. Neither we nor the Initial Purchaser represent that the U.S. dollar amounts referenced to below could be or could have been converted into euros at any particular rate indicated or any other rate, if at all.

Fiscal Year	Period end	U.S. dollar per €1.00		
		Average ⁽¹⁾	High	Low
2013	1.3743	1.3300	1.3804	1.2780
2014	1.2098	1.3207	1.3932	1.2098
2015	1.0856	1.1031	1.2103	1.0497
2016	1.0520	1.1035	1.1532	1.0389
2017	1.2005	1.1393	1.2036	1.0406
2018 (through June 21, 2018)	1.1603	1.2140	1.2509	1.1540

Month	Period end	U.S. dollar per €1.00		
		Average ⁽²⁾	High	Low
December 2017	1.2005	1.1838	1.2005	1.1742
January 2018	1.2414	1.2193	1.2427	1.1937
February 2018	1.2194	1.2344	1.2509	1.2194
March 2018	1.2324	1.2336	1.2444	1.2241
April 2018	1.2077	1.2273	1.2379	1.2077
May 2018	1.1693	1.1813	1.1993	1.1540
June 2018 (through June 21, 2018)	1.1603	1.1687	1.1799	1.1568

⁽¹⁾ The average rate for a year means the average of the Bloomberg Composite Rates on the last day of each month during such year.

⁽²⁾ The average rate for a month means the average of the Bloomberg Composite Rates on each business day during such month.

The Bloomberg Composite Rate of the euro on June 21, 2018 was \$1.1603 per €1.00.

The above rates differ from the actual rates used in the preparation of the consolidated financial statements and other financial information appearing in this offering memorandum. Our inclusion of the exchange rates is not meant to suggest that the euro amounts actually represent U.S. dollar amounts or that these amounts could have been converted into U.S. dollars at any particular rate, if at all.

Summary

This summary highlights certain information about us and the Offering. This summary should be read as an introduction to this offering memorandum. It does not contain all the information that may be important to you or that you should consider before investing in the Notes, and it is qualified in its entirety by the remainder of this offering memorandum. You should read this entire offering memorandum, including the financial statements and related notes, before making an investment decision. You should also carefully consider the information set out in this offering memorandum under the heading “Risk factors” for factors that you should consider before investing in the Notes and “Forward-looking statements” for information relating to the statements contained in this offering memorandum that are not historical facts before making any decision as to whether to invest in the Notes.

Overview

We are a leading international hotel management company operating a portfolio of 374 hotels with more than 82,400 rooms in operation, and 104 hotels with more than 23,700 rooms under development, in 78 countries as of March 31, 2018. As a member of the Radisson Hotel Group™, we operate and develop Radisson Collection™, Radisson Blu®, Radisson®, Radisson RED®, and Park Inn by Radisson® properties in Europe, the Middle East and Africa through the Master Franchise Agreements with the Radisson Hospitality, Inc. Group. We also hold a 49% stake in prize Holding GmbH, which operates prizeotel. Through our “Responsible Business Program”, we strive to operate with high standards of performance and advocate socially and environmentally sustainable business practices, and we have been named one of the “World’s Most Ethical Companies” by the U.S. think-tank, Ethisphere, for nine consecutive years.

We have a distinctive brand strategy for each of our core hotel brands targeting the needs of defined customer groups.

- Radisson Collection is a premium lifestyle collection of exceptional hotels offering the ultimate template for contemporary living united by modern design and exceptional experiences across dining, fitness, wellness and sustainability. Radisson Collection hotels are primarily located in prestigious locations, close to prime leisure attractions.
- Radisson Blu is our first-class, full-service hotel brand targeting the upper upscale segment, which differentiates itself through innovative design and technology and by providing superior service. Radisson Blu hotels are primarily located in major cities, key airport gateways and leisure destinations.
- Radisson is an upscale hotel brand that seeks to deliver Scandinavian inspired hospitality and enable guests to focus on work/life balance and find more harmony in their travel experience. Radisson hotels are primarily located in suburban and city settings, near airports and leisure destinations.
- Radisson RED is an upscale “lifestyle select” brand inspired by the millennial lifestyle. Radisson RED hotels are primarily located in vibrant, urban locations.
- Park Inn by Radisson is an upper midscale brand that seeks to deliver stress-free experiences, good food and upbeat environments. Park Inn by Radisson hotels are primarily located in capital cities, around economic and transit hubs and conveniently situated near airports and railway stations.
- Prizeotel is a modern economy brand with a high design hotel concept that aims to be affordable to all. Prizeotel hotels are primarily located in city centers near public transportation, dining and local sites.

Except for prizeotel, all brands are developed and licensed by us in Europe, the Middle East and Africa under the Master Franchise Agreements with the Radisson Hospitality, Inc. Group, a

leading international travel and hospitality enterprise with which we have had a strong relationship for over 20 years. Together, the Radisson Hospitality, Inc. Group and we form the Radisson Hotel Group. Currently, according to Worldwide Hospitality Ranking 2018, the Radisson Hotel Group is the twelfth largest hotel group in the world as measured by number of rooms, and is made up of eight hotel brands with more than 1,400 hotels and 230,000 rooms in operation. We benefit from the Radisson Hotel Group's global brand infrastructure, loyalty program, reservation system, training and other business initiatives, as well as the ability to draw upon the Radisson Hotel Group's extensive industry knowledge and operating experience in the travel and hospitality industry.

We are primarily a hotel management company and do not own any hotel properties, except for a limited number of properties where we have an ownership interest either through a joint venture or through a minority interest in the share capital. The hotels in our portfolio are operated by us under either a lease agreement or a management agreement or by a separate operator using one of our brands under a franchise agreement. Management and franchise agreements have the potential to offer a higher profit margin and more stable revenue streams, whereas lease contracts tend to offer higher but more volatile Radisson EBITDA due to the committed business model with significant investment obligations. Our strategy is to grow with an asset-right approach, balancing management and franchise contracts with selected lease contracts. Of the approximately 82,000 rooms in operation as of March 31, 2018, 18.7% were leased, 54.7% were operated under management agreements and 26.6% were under franchise agreements.

In line with our growth strategy, our pipeline of rooms under development as of March 31, 2018 features over 23,700 rooms, representing 28.8% of the rooms in operation. With the exception of one hotel in Switzerland, our pipeline as of March 31, 2018 is comprised entirely of fee-based management and franchise contracts, enabling us to continue to grow our business with limited financial commitments. In addition, 90% of the rooms in our pipeline are located in markets outside of Western Europe. We seek to expand through organic growth by converting existing hotels to one of our brands and opening newly built hotels. During 2017, we signed agreements for 24 hotels with approximately 7,500 rooms. In addition, through a focused approach to asset management, we seek to optimize our hotel portfolio by continuously monitoring the performance of the individual hotels and the expiry of lease, management and franchise agreements, looking for opportunities to renegotiate more favorable terms, terminating unprofitable lease contracts and improving capital expenditure management.

In January 2018, we announced our Five-Year Operating Plan to the market, with a vision to be one of the top three hotel companies in the world and the company of choice for guests, owners and talent. Aimed at sustainably increasing our Radisson EBITDA performance in line with that of our competitors and peers in the hotel industry, our Five-Year Operating Plan is comprised of 25 key performance improvement initiatives across our operations. In total we expect to invest around €330 million to €370 million in our business over this five-year period. The Five-Year Operating Plan is split into two phases. Phase I, from announcement in January 2018 to year end 2020, will concentrate on setting the basics for our growth through defining, managing and implementing our initiatives. During Phase II, from January 2021 until year end 2022, we plan to achieve progressively improved growth as a result of the implementation of initiatives that were established in Phase I.

In Fiscal Year 2017, our revenue was €967.3 million, our Radisson EBITDA was €82.1 million and our operating profit was €14.7 million. In Q1 2018, our revenue was €206.2 million, our Radisson EBITDA was €6.1 million and our operating profit was negative €4.8 million. For the twelve-month period ended Q1 2018, our *Pro forma* Adjusted EBITDA was €116.2 million. For further information on these performance measures, see *"Management's discussion and analysis of financial condition and results of operations."*

Our Parent Company is a public limited liability company incorporated under the laws of Sweden, and its shares are listed on NASDAQ OMX Stockholm. Our market capitalization as of June 13, 2018 was €467 million. Headquartered in Brussels, Belgium, we have a team of approximately 44,000 colleagues across all of our hotels as of March 31, 2018.

Our strengths

Management believes that we benefit from the following key strengths:

Large and diverse hotel group in attractive markets

We are a leading international hotel player with 374 hotels and more than 82,400 rooms in operation in 66 countries across Europe, the Middle East and Africa as of March 31, 2018. We are the fifth largest hotel chain in Europe as measured by number of hotels according to MKG (includes all hotels in Europe under the umbrella of Radisson Hotel Group including certain hotels in the United Kingdom and certain brands that operate independently from us). We are mainly present in well-developed and low risk markets across the Nordics and Western Europe and in attractive locations in Tier 1 cities, at airports and at prominent locations within city centers. Our large portfolio is balanced across three types of business models: leased, managed and franchised. Moreover, our revenues are derived largely from low-risk economies, with approximately 90% of our revenue in Fiscal Year 2017 generated in countries with a sovereign credit rating of AA- or higher.

Our large portfolio is balanced in terms of hotel segment, geography and business model to create a diverse mix that makes our overall portfolio more resilient to industry and economic cycles affecting local and national markets. Our six core brands cover the full spectrum of the hotel industry, from accessible luxury to modern economy. Moreover, our hotels are selectively dispersed across 66 countries in our focus regions, with no more than 10% of our portfolio by room count in any given country as of March 31, 2018. We excel at each of our three business models (leased, managed and franchised) and have built our hotel portfolio around an asset-right strategy that factors in the specific circumstances of each hotel's operating environment with the aim of achieving an appropriate balance of management and franchise contracts with selected lease contracts. We believe that all these factors contribute to our increased resilience.

Our leading position in the hospitality industry makes us well suited to benefit from favorable market fundamentals. Global hotel revenues between 2018 and 2021 expected to outpace the growth of the overall global economy according to MarketLine. In our focus regions of the Middle East, Europe and Africa, the hospitality sector is expected to grow at a compound annual growth rate ("CAGR") of 5.1% (weighted average based on our Radisson EBITDA in the Fiscal Year 2017) over the next five years. Increased demand from domestic and international travelers has helped to drive nominal RevPAR growth, particularly in Europe where, according to PwC and STR Global 2017, RevPAR across the hotel industry has steadily increased since 2009 but is not yet at the levels seen before the global recession. Moreover, according to STR and Morgan Stanley research, the penetration rate in Europe of hotels operating under a global hotel brand is almost half of the corresponding penetration rate in the United States, providing yet another opportunity for growth of the industry in our largest market. Our management believes that we are well positioned to capture the benefits from a growing travel and tourism industry.

High quality portfolio with strong brands and owners

Our prominence in our markets is supported by our strong portfolio of well-recognized global brands spanning the entire hotel spectrum, from accessible luxury to modern economy, and across multiple price segments. We operate six core hotel brands: Radisson Collection, Radisson Blu, Radisson, Radisson RED, Park Inn by Radisson and prizeotel. As of March 2018, approximately 50% of the hotels in our portfolio were ranked among the top ten hotels within their local category on TripAdvisor. Our most well-known brands are Radisson Blu, a first-class, full-service hotel brand targeting the upper upscale segment, and Park Inn by Radisson, a modern midscale

brand. Complementing these brands are Radisson RED, an upscale “lifestyle select” brand, and Radisson Collection, a traditional luxury brand. Finally, our 49% stake in prizeotel enables us to capture a part of the economy segment. Each of our brands assumes a distinct positioning within its segment, allowing us to tailor our product offering and offer hotel guests with the right brand in the right market. The distinctness of our brands also helps us to attract and retain the best hotel owners and franchisees in each market as our brand offering is less prone to cannibalistic competition that is common within some other large international hotel groups.

In the upper upscale segment, Radisson Blu is the largest hotel brand in Europe according to MKG, with 186 hotels and over 44,800 rooms in operation as of March 31, 2018. For the year ended December 31, 2017, approximately 81% of our revenue came from Radisson Blu. In the midscale segment, Park Inn by Radisson is the seventh largest brand in Europe according to MKG, with 92 hotels and over 18,600 rooms as of March 31, 2018. Management believes that our leading presence in our markets, combined with our focused marketing and brand building initiatives, improves the recognition and perception of our brands and assists us in achieving economies of scale that translate into advantages in terms of revenue generation, purchasing goods and services and leveraging central operating costs efficiently.

The diversity and quality of our portfolio of operating hotels is echoed by the diversity and quality of our pipeline of hotels that are under development. Our presence in top locations across Europe, the Middle East and Africa continues to grow. As of March 31, 2018, our pipeline is comprised of over 100 hotels and over 23,700 rooms, all of which, with the exception of one leased hotel in Switzerland, are on fee-based management or franchise contracts with limited financial commitments by us. Moreover, 90% of the rooms in our pipeline as of March 31, 2018 were located in markets outside of Western Europe. Management believes that our current contracted development pipeline of new-build hotels, together with continued conversions of existing hotel properties to our brand portfolio and a re-defined development process from hotel signing to opening, facilitates the implementation of our asset-right growth strategy. Management believes that our brand positioning across a variety of hotel segments, the geographic distribution of our hotel portfolio and the different business models under which we operate allow us to diversify risks related to specific hotels in our portfolio and to continue to sustainably grow our business.

Our local presence in a number of regions has afforded us with knowledge of local practices and preferences of hotel owners. Our range of brands and hospitality products, together with our business model, allow us to appeal to a variety of hotel segments and enables us to provide hotel owners with the flexibility of various types of operating contracts. We believe that we have good relationships with our third-party owners and franchisees and are committed to the continued growth and development of these relationships, a commitment which is reflected in our high retention rates and the long duration of our contracts. As of March 31, 2018, the average remaining term of our existing lease agreements (excluding extension options) was 13.4 years. Our relationships with our counterparties in fee-based contracts is likewise strong, with an average remaining term of our management agreements and our franchise agreements of 12 years and 9 years, respectively, as of March 31, 2018. These relationships exist with a diverse group of owners, franchisees and developers and are not heavily concentrated with any particular third party, with the single largest owner, with whom we have had a relationship for over 20 years, owning only 19 of the hotels in our portfolio.

Our relationship with the Radisson Hospitality, Inc. Group, a leading international hospitality and travel enterprise, has been developed over the past 20 years. The Radisson Hospitality, Inc. Group is the owner of the Radisson brands and is also the Parent Company’s majority shareholder. Our Master Franchise Agreements do not ultimately expire until 2052 (after taking into account extension options in our favor), allowing for usage of brand names, reservation system, and transfer of best practices across the Radisson Hotel Group. The Master Franchise Agreements grant us an exclusive right to operate and develop Radisson Collection, Radisson Blu, Radisson,

Radisson RED, and Park Inn by Radisson properties in Europe, the Middle East and Africa, with the exception of certain hotels in the United Kingdom. We also have the right to sub-license the brand to our franchisees. Through our strong relationship with the Radisson Hospitality, Inc., we benefit from the Radisson Hotel Group's global brand infrastructure, loyalty program, reservation system, training and other business initiatives, as well as the ability to draw upon the Radisson Hotel Group's extensive industry knowledge and operating experience in the travel and hospitality industry.

Low-leverage, asset-light business model

Management considers our business model to be asset light, as we do not own any hotel properties (except for a limited number of properties which we own through a joint venture or through a minority interest in the share capital), and the majority of our revenue is linked to the performance of the underlying hotels. The hotels in our portfolio are either operated by us under a lease or management agreement or by a separate operator using one of our brands under a franchise agreement. This provides us with the flexibility to choose from a range of operating contracts while allowing us to focus on managing hotels and brands without the capital requirements attached to property ownership.

The balance between leases, management contracts and franchise contracts strengthens the diversity of our revenue stream and reduces our fixed costs that could otherwise be burdensome in the event of an economic downturn. Compared to a lease arrangement, our fee-based management and franchise businesses shift the risks of a potential earnings downside, as well as the responsibility of most investment expenses, towards the hotel owner. Our operating platform is asset-light in nature, with our growing fee business representing more than 80% of our operating portfolio by room number and 77.8% of our Radisson EBITDA as of March 31, 2018 (before "Other" and "Central Activities").

The operating leverage and high degree of variability in our lease structure provides significant upside from an improving market and new hotel openings while providing flexibility and resilience in potential downside scenarios. Nearly all our leases include a variable component or are capped, providing us with added protection in the event of an economic downturn. In the Fiscal Year 2017, 73% of our leased hotels paid the variable component of the lease contract. Of the six hotels without a cap or variable leases, five of those hotels are located in top locations (primarily in city centers and near airports) in Tier 1 cities. Moreover, 51% of revenue from leases in the Fiscal Year 2017 was derived from hotels in prime locations in top cities in the Nordic Region, the United Kingdom and Germany, which are less susceptible to economic volatility than certain developing markets. Although the responsibility to maintain each hotel property typically falls on us under our lease agreements, our management believes that our capital expenditure requirements are relatively flexible, as 80% of investments require a decision with only six months' notice and can usually be reduced or rescheduled subject to certain conditions.

Management believes we are well protected against a potential downturn compared to our position at the time of the last global recession in 2009. For example, our fee business represented 13.8% of our revenue from hotel operations before other central activities in Fiscal Year 2017, up from to approximately 11% in Fiscal Year 2009. In the last twelve months ended March 31, 2018 only six of the hotels in our lease portfolio were loss making with a combined *Pro forma* EBITDA of negative €3.2 million, compared to 36 loss-making hotels with a combined *Pro forma* Adjusted EBITDA of approximately negative €29 million in 2009. With the goal of improving the quality of our portfolio, we have exited 26 leased hotels since 2009 at an aggregate cost of approximately €45 million. Our revenue management capabilities, which were non-existent in 2009, have now been built up to fully cover our business requirements. Our lease coverage ratio, measured as *Pro forma* Adjusted EBITDAR as a proportion of *Pro forma* adjusted total rent, has increased from approximately 1.1 times in Fiscal Year 2009 to 1.4 times for the last twelve months ended March 31, 2018. By the end of 2019, we expect the quality of our portfolio to have improved considerably, whereas in 2009 our capital expenditures in refurbishment

investments were lagging behind by approximately €100 million to €110 million. Our positioning in our local markets has also improved since 2009, with a revenue generation index of 111 in the last twelve months ended March 31, 2018, compared to only 95 in Fiscal Year 2009. Our pipeline of hotels under development was comprised of 23,718 rooms as of March 31, 2018, compared to approximately 22,500 rooms at the end of 2009.

Our asset-light business model is supported by our low leverage, marked by a net leverage ratio, measured as total financial liabilities less cash and cash expenses as a proportion of Radisson EBITDA, of 0.4 times as of March 31, 2018, after giving pro forma effect to this Offering. Management believes that the relatively low investment required to grow our business and our disciplined approach to capital allocation positions us to maximize opportunities for profitability and growth.

Robust cash flow generation and flexible cost base

Our asset-light business model, with a flexible cost base and performance-linked revenue streams, generates attractive cash flow from operating activities. Over the past three years ended December 31, 2017, our operating activities have generated cash flow of €85.8 million for 2015, €33.9 million for 2016 and €72.4 million for 2017, for a total cash flow over this period of €192.0 million. In addition, we have a flexible cost base, with 58% of our costs linked to revenues. Through a number of concrete cost-saving and revenue-improving initiatives being implemented as part of our Five-Year Operating Plan, we expect our cash flow generation to significantly improve over the intermediate to long-term. We expect our Recurring Adjusted Free Cash Flow over the next five years to be approximately €90 million annually, assuming recurring capital expenditures at the average of amounts incurred in Fiscal Years 2016-2017 (approximately €27 million), no change in working capital to reflect the mid-point of guidance (+/-€5 million) and no future growth in Adjusted Radisson EBITDA. In addition, changes to our working capital have a low impact on cash flow and we have a maintenance capital expenditure which is expected to remain flat at around €20 million for the period between 2018 and 2022.

As our portfolio matures, management aims to extract more value from our existing hotels by renewing profitable lease and management agreements on more favorable terms and exiting hotel properties that fail to meet criteria set by management. In addition, as we seek to grow our portfolio, management believes that the range of brands and contract types that we offer makes us an attractive partner for adding both individual hotels and hotel portfolios to our hotel portfolio. Our refined focus on asset-light, fee-based growth by gradually increasing the number of managed and franchised hotels in proportion to leased hotels, combined with the implementation of cost-savings initiatives, has enabled us to establish an operational platform that is more resilient to market volatility and well-suited to capture future growth opportunities with sustained profitability.

Proven success in driving operational transformation

The implementation of our Five-Year Operating Plan, though still in its early stages, is on track and has already begun to bear fruit. We successfully exited eight leases in 2017 and restructured our existing contracts in two hotels. We have reduced the number of loss-making leased hotels from 22 in 2017 to 6, of which eight were exited at the end of the year. Our eight lease exits in Fiscal Year 2017 resulted in an increase of our Radisson EBITDA of €1.3 million in Q1 2018. We expect that we will have six loss-making leased hotels in 2018. It is also noteworthy that our business plan is flexible and the performance of our projects are regularly monitored. To the extent that we need to halt or amend one of our projects for a reason which is financial or otherwise, this is generally possible with a 6 months' notice. Out of 18 renovations planned for 2018, we have already completed three renovations in line with the expected capital expenditures and four renovations are currently in progress below the expected capital expenditure.

Our continued focus on overall costs has driven a 1.9% increase in Radisson EBITDA margin in Q1 2018 compared to the corresponding period in 2017. In addition, we have identified further concrete cost-saving opportunities that are currently being implemented, which management estimates could result in savings of around €28 million over 2018-2022. Through the systematic pursuit of the achievable step changes laid out in our Five-Year Operating Plan, management expects our financial and operational metrics to continue to improve as we complete the planned transformation of our business.

Management team with proven track record

We have an experienced management team with a clearly defined, long-term focus on developing our operations. Our management team has a long history in the hospitality industry and come with a proven track-record in the management of sustainable, value-adding and profitable growth. Our President & CEO, Federico J. González, joined us in May 2017 after previously serving as CEO of Carlson Hotels Inc. (now Radisson Hospitality, Inc.) and CEO of NH Hotel Group, where he oversaw the successful implementation of their strategic plan. Three out of the seven members of our management team held senior positions at NH Hotel Group during their transformation. Our CFO, Knut Kleiven, has more than 30 years of experience with our business, having joined us in 1986. In addition, our management has joined up with the management of Radisson Hospitality, Inc. to form a global steering committee with the aim of providing an overall strategic direction for the Radisson Hotel Group and in order to foster greater collaboration and maximize value across both companies.

Our strategy

Our long-term vision is to become one of the top three hotel companies in the world and the company of choice for guests, owners and talent. To guide us in achieving this vision, we have a clear strategy for the future supported by our Five-Year Operating Plan that was announced to the market in January 2018. Our Five-Year Operating Plan sets out a road map of incremental changes with the goal of delivering higher revenue growth and Radisson EBITDA margin in the long run. We will know we have achieved success when, one day, whenever a guest plans a trip, or whenever an investor or owner thinks of a partner, or whenever a person wants to work in hospitality, they will always think of the Radisson Hotel Group first.

To achieve this vision, we are pursuing the following key strategies:

Add new value through the strengthening of the Radisson brand and product offering globally

Following the launch of the Radisson Hotel Group in March 2018, the Radisson Hospitality, Inc. Group and we now operate under a united identity that leverages the powerful, international brand equity of the Radisson name to drive awareness in the marketplace and increase marketing efficiency across the global portfolio of both companies. We plan to invest between €10 million and €15 million over the next five years. We seek to capitalize on this strong partnership to further strengthen our powerful brands through the introduction of an updated global brand architecture across all hotel segments. Our strategy focuses on investing in the urban and business segments under the brands Radisson Collection, Radisson Blu, Radisson and Radisson RED. In addition, we plan to redefine the Park Inn by Radisson brand to more directly target the midscale segment while converting some higher quality hotels within this brand to the Radisson brand with the aim of maximizing our portfolio value.

In coordination with the rebranding of the Radisson Hotel Group, we also launched our newly refreshed loyalty program, Radisson Rewards, in March 2018, which entails a unified and easy-to-use rewards program for all our members worldwide. Through Radisson Rewards we hope to boost the global brand awareness of our loyalty program and increase the amount of revenue generated from repeat customers.

Our Five-Year Operating Plan also introduced a new room and rate type strategy that is aligned across the global Radisson Hotel Group. As part of this strategy, we intend to roll out new room

types by brand, incorporating key attributes, such as room size, view and balcony, better enabling us to upsell our existing products while at the same time offering a more individualized experience to our customers.

Optimize our portfolio by repositioning and rebranding properties

As part of our new global brand architecture defined in our Five-Year Operating Plan, we intend to invest between €140 million and €150 million over the next three years to reposition approximately 30 to 35 hotels in our existing portfolio. On top of this planned capital expenditure, we also intend to invest between €75 million and €80 million over the same period to purchase new fixtures, furniture and equipment across our portfolio of hotels. Our repositioning strategy includes the expansion of the Radisson Collection, our newest brand of hotels in the luxury segment, by rebranding former Quorvus Collection hotels and certain Radisson Blu hotels in key locations.

We also intend to further develop our position in the lifestyle segment through our Radisson RED hotels, which management believes offers an appealing value proposition for owners looking for modern and design hotels. In the upscale segment, we have recently launched our newly branded Radisson hotels to cover a perceived gap in this segment of the market and aim to capitalize on the expected growth of this segment by continuing to expand this brand through new openings and re-brandings of existing hotels over the next five years.

Deliver additional efficiencies through cost-saving initiatives

Our repositioning plan is complemented by performance improvement efforts across our portfolio with the goal of improving GOP margin and Radisson EBITDA margin. Our Five-Year Operating Plan identifies specific areas where revenue can be optimized as well as concrete cost-saving initiatives, many of which we are already in the process of implementing. We plan to invest between €14 million and €18 million in cost saving initiatives over the next five years. For example, our Five-Year Operating Plan envisions the introduction of a new standardized operational model, the outsourcing of housekeeping functions, the implementation of a new Food & Drinks model and the implementation of a uniform maintenance model. We are also working with our managed and franchised hotels to create concrete action plans with the potential to increase the profitability of owners and franchisees, which would have a positive impact on the revenue and fees we generate from these contracts.

Additionally, one of the main initiatives of the cost advantage component of our Five-Year Operating Plan is the redefinition of a clear sales strategy and the optimization of reservation costs. This new strategy seeks to define an optimal mix of channels through which reservations are booked with the goal of maximizing our profit. Underpinned by a new consolidated, multi-brand website and app platform that is expected to be rolled out in the first quarter of 2019, our Five-Year Operating Plan envisions a modest increase in the amount of sales booked directly through our branded websites. To support our cost advantage strategy, we are expecting to develop a new account management system with improved KPI tracking and new business intelligence. Through optimization of our reservation costs, we hope to not only add value to our proposition to existing and potential hotel owners and franchisees, but also positively impact the profit earned from our leased hotels.

Adopt an industry-leading IT platform and organizational system

Over the next three years we plan to invest between €40 million and €45 million to develop our global IT infrastructure with the goal of creating a competitive and industry-leading IT platform. Our IT transformation program was launched in the first quarter of 2018 and targets a first wave of hotel implementation beginning in the second quarter of 2019. The key elements of our plan involve every aspect of our business, from our core hospitality functions, such as our central reservations system and property management system, to our customer-facing platforms, such as Radisson Rewards and our marketing and customer relationship management tools, and also

extend to our back-office functions, such as our human resources information system, business intelligence and an integrated software for real-time management of our enterprise resource planning.

Our efforts to achieve competitive systems extend beyond our IT platform and also encompass human resources and our responsible business program. We aim to be a trusted industry leader for responsible business in our interactions with all of our stakeholders including: owners, developers, partners, guests, employees and the local communities in which we operate. We strive to maintain our reputation as a responsible, safe and secure business. In this way, we are continuing in our efforts to drive our global culture and talent management strategy. Through the implementation of these system improvements, we believe we are building a strong foundation to enable the next stage of our growth.

Scale our business in established markets

Management believes we can increase our global footprint by scaling our business across our established markets. The disciplined criteria of our Five-Year Operating Plan focus on key Tier 1 cities, particularly in the United Kingdom, Germany, Poland, Italy, Russia, the United Arab Emirates, the Kingdom of Saudi Arabia and South Africa. Our Five-Year Operating Plan incorporates an appropriate degree of flexibility while also setting clear goals as to year-to-year commitments for signings, openings and exits.

Moreover, we seek to adapt our growth strategy to each market through an asset-right business model. In our Nordic, Western Europe and, to a lesser extent, Eastern Europe and the Middle East in Africa regions, for example, we have identified 60 target cities and have allocated approximately €83 million to €87 million over the next five years towards investing in strategic projects to fuel further growth in these cities. In Eastern Europe, our strategy is primarily focused on an asset-light approach that prioritizes management contracts and franchises with select partners, while in the Middle East and Africa we are focusing mainly on management contracts with selected industrial investments and commitments. As we scale our business globally, we plan to exploit our new brand architecture to refine our brand offering based on the needs of the particular market.

We are currently in discussions with Radisson Hospitality, Inc. in connection with entering into a licensing agreement, which would strengthen our franchising capabilities in one of our key markets.

We are also in negotiations to obtain a significant shareholding in a hotel brand with operations in Germany which would add four new hotels to our existing portfolio, and seven new hotels to our pipeline.

We maintain a prudent financial policy as part of our prudent risk management strategy. Our financial policy prioritizes a conservative leverage profile of 2.3x gross profit and 0.4x net profit. Our financial policy also emphasizes strong liquidity through cash overfunding and financing arrangements. Our commitment to conservative leverage ratios and strong liquidity enables us to focus on continued improvement in cash generation, as we seek to realize the progressively improved growth through Phase II of our Five-Year Operating Plan.

Recent developments

The Group has opened two new hotels since March 2018. These include one Park Inn by Radisson, located in Istanbul Odayeri, Turkey and the first Radisson RED hotel in the U.K., in Glasgow, Scotland.

There were ten new signings by the Group in the same period. Five Park Inn by Radisson have been added to our pipeline in Denmark, Zambia, Oman, Tunisia and Nigeria; three Radisson Blu in Saudi Arabia, the Czech Republic and Russia; two Radisson Collection in Spain and Georgia; and one Radisson in Nigeria.

Current trading

Based on preliminary internal management estimates, for the four-months period ended April 30, 2018, we estimate our revenue was €283.1 million, EBITDAR was €89.2 million, EBITDA was €15.2 million and EBIT was €0.1 million, compared to €296.3 million, €84.9 million, €7.5 million and (€6.9 million), respectively, for the comparable period in 2017. The changes were mainly driven by effects due to (i) exchange rate effects (impact of (€9.8 million) to revenue, (€3.3 million) to EBITDAR, (€0.8 million) to EBITDA and (€0.4 million) to EBIT); (ii) exits of non-strategic hotels (impact of (€11 million) to revenue, (€2.6 million) to EBITDAR, nil to EBITDA and nil to EBIT); (iii) entries of new hotels in the portfolio (impact of €1.5 million to revenue, €1.1 million to EBITDAR, €1.1 million to EBITDA and €1.1 million to EBIT); and (iv) one-off costs (impact of nil to revenue, €2.9 million to EBITDAR, €2.9 million to EBITDA and €3.1 million to EBIT). For the four-months period ended April 30, 2018, like-for-like revenue including hotels under renovation increased by €6.1 million (2.2%), like-for-like EBITDAR including hotels under renovation increased by €6.2 million (7.4%), like-for-like EBITDA including hotels under renovation increased by €4.6 million (51.8%) and like-for-like EBIT including hotels under renovation increased by €3.2 million (62.1%), in each case, compared to the previous four-months period.

The above information is based on our management's review of our preliminary results and estimates, which have not been audited or reviewed by any audit firm, and is not intended to be a comprehensive statement of our financial or operational results for the four-month period ended April 30, 2018. Our preliminary results are based on a number of assumptions and judgements, and as a result, reflect a certain level of uncertainty and remain subject to change. Our preliminary results for the four-month period ended April 30, 2018 may not be indicative of our results for the three months ended June 30, 2018 or any other period. As such, you should not place undue reliance on them. See *"Forward-Looking Statements"* and *"Risk Factors"* for a more complete discussion of certain of the factors that could affect our future performance and results of operations.

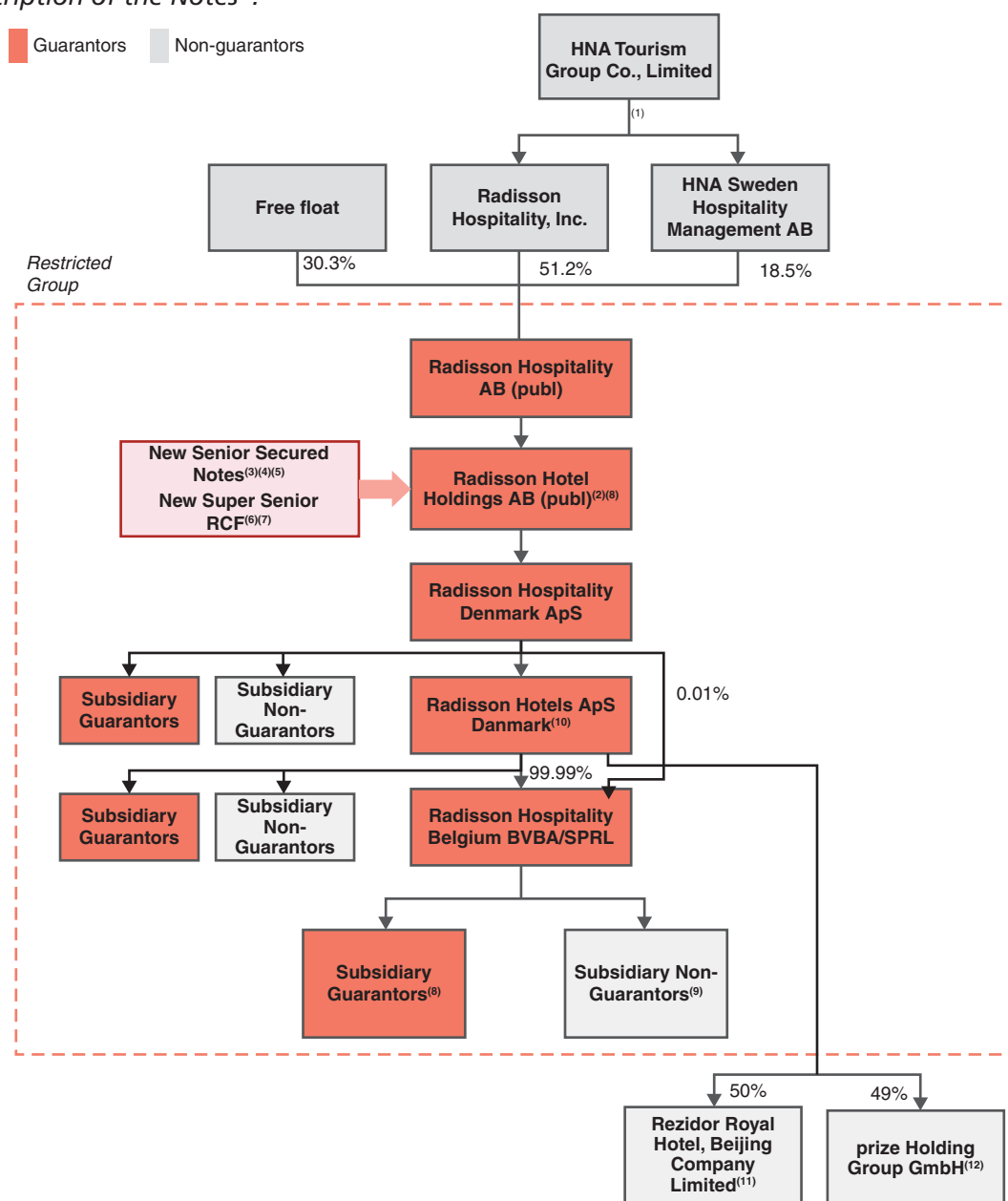
The Refinancing

Following completion of the Offering, we intend to use approximately €33 million of the net proceeds from the Offering to repay outstanding borrowings, of which approximately €20 million is intended to be used to fully repay under the 2014 Revolving Credit Facility and approximately €13 million is intended to be used to fully repay under the Overdraft Facility. For further information, see *"Use of proceeds"* and *"Management's discussion and analysis of financial condition and results of operations—Capital resources"*.

In connection with the Offering and the Refinancing, the Issuer will enter into a Revolving Credit Facility for an aggregate principal amount of up to €20 million under the Revolving Credit Facility Agreement. We expect that the Revolving Credit Facility will remain undrawn on the Issue Date. For further information, see *"Use of proceeds"* and *"Description of certain financing arrangements"*.

Summary corporate and financing structure

The following diagram summarizes our corporate structure, as well as the principal financing arrangements of the Group, after giving effect to the Refinancing. For a summary of the debt obligations referenced in this diagram, see “Description of certain financing arrangements” and “Description of the Notes”.



(1) Unless indicated otherwise, the lines in the chart represent 100% ownership of the relevant subsidiary.

(2) The Issuer is a direct, wholly owned subsidiary of the Parent Company, of which HNA Tourism Group Co., Limited indirectly owns a majority of shares. The Issuer is a holding company with no independent business operations or significant assets other than investments in its subsidiaries.

(3) The Notes will be senior obligations of the Issuer. On the Issue Date, the Guarantors will guarantee the notes on a senior secured basis. The Notes Guarantees will be subject to certain limitations under applicable law, as described under “Risk Factors—Risk Relating to the Notes and our structure—The Notes Guarantees and the Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability.”

(4) The proceeds of the Notes will be used (i) to repay outstanding borrowings of approximately €33 million under the 2014 Revolving Credit Facility and the Overdraft Facility; (ii) for general corporate purposes, including to fund the Group’s Five-Year Operating Plan, further investments and provide for liquidity buffer; and (iii) to pay the costs, fees and expenses in connection with the Refinancing, including the fees and expenses to be incurred in connection with the Offering and the break costs and any accrued and unpaid interest due under the Indebtedness to be repaid with the proceeds of the Offering. See “Use of Proceeds.”

- (5) Subject to certain agreed security principles, the Notes will be secured by the Collateral, which will consist of first priority (to the extent possible) security interests over (i) the issued share capital of the Issuer and the Subsidiary Guarantors; (ii) the bank accounts, material contracts and intra-group receivables of the Issuer and the Parent Company; and (iii) all material assets of each English Guarantor under an English law debenture. In addition, within 120 days of the Issue Date, the Notes and the Notes Guarantees will be secured by first priority (to the extent possible) security interests over the bank accounts, material contracts and intra-group receivables of the Guarantors to the extent not part of the Issue Date Collateral. See *"Description of the Notes—Security"*.
- (6) In connection with the Refinancing, the Issuer will enter into a Revolving Credit Facility for an aggregate principal amount of up to €20 million under the Revolving Credit Facility Agreement. The Revolving Credit Facility will be guaranteed by the Issuer and the Guarantors on a senior secured basis. See *"Use of Proceeds"* and *"Description of certain financing arrangements—Revolving Credit Facility"* for further information.
- (7) Subject to certain agreed security principles, the Revolving Credit Facility will be secured by first-priority security interests in the Collateral, which also secure our obligations under the Notes and the Notes Guarantees. Pursuant to the terms of the Intercreditor Agreement to be entered into in connection with the Revolving Credit Facility, any liabilities in respect of indebtedness incurred under the Revolving Credit Facility and certain hedging obligations will receive priority with respect of any proceeds received upon any enforcement action over any collateral before the Issuer's or the Guarantors' obligations under the Notes or the Notes Guarantees, as applicable.
- (8) The Issuer and the Guarantors together comprised 83.34% of our total assets as of December 31, 2017 and represented 87.74% of our Radisson EBITDA respectively for the twelve months ended December 31, 2017, and the Issuer and the Guarantors together comprised 92.11% of our total assets as of March 31, 2018 and represented 70.81% and 88.54% of our revenue and Radisson EBITDA, respectively, for the twelve months ended March 31, 2018.
- (9) For the twelve months ended December 31, 2017, the non-Guarantor subsidiaries represented 12.26% of the Group's Radisson EBITDA, and, as of December 31, 2017, the non-Guarantor subsidiaries represented 16.66% of the Group's total assets (excluding goodwill).
- (10) The JVs shown in the chart which are not Restricted Subsidiaries are either directly owned by Radisson Hotels ApS Danmark or are owned by fully owned subsidiaries of Radisson Hotels ApS Danmark.
- (11) As of the date of this offering memorandum, the Issuer, through wholly-owned subsidiaries, owns 50% of Rezidor Royal Hotel Beijing Company Ltd. (the **"Beijing JV"**), an organization existing under the laws of the People's Republic of China, in partnership with China International Exhibition Center. The Beijing JV will not be a Guarantor of the Notes and is not a Subsidiary of the Parent Company under the Indenture. For the twelve-month period ended March 31, 2018, the Beijing JV represented 0% of the Issuer's consolidated revenue and 0.2% of the Parent Company's Radisson EBITDA. As at March 31, 2018, the Beijing JV represented 2% of total assets of the Parent Company.
- (12) As of the date of this offering memorandum, the Parent Company, through wholly-owned subsidiaries, owns 49% of prize Holding Group GmbH (**"prizeotel"**), an organization existing under the laws of the Federal Republic of Germany. prizeotel will not be a Guarantor of the Notes and is not a Subsidiary of the Parent Company under the Indenture. For the twelve-month period ended March 31, 2018, prizeotel represented 0% of the Issuer's consolidated revenue and -0.7% of the Parent Company's Radisson EBITDA. As at March 31, 2018, prizeotel represented 3% of total assets of the Parent Company.

The Offering

The summary below describes the principal terms of the Notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The “Description of the Notes” section of this offering memorandum contains a more detailed description of the terms and conditions of the Notes, including the definitions of certain terms used in this summary.

Issuer	Radisson Hotel Holdings AB (publ).
Notes offered	€250,000,000 aggregate principal amount of % Senior Secured Notes due 2023.
Issue Date	, 2018.
Issue price	100% plus accrued interest, if any, from the Issue Date.
Maturity date	, 2023.
Interest payment dates	Semi-annually in arrears on and of each year, commencing on , .
Denomination	The Notes will have a minimum denomination of €100,000 and integral multiples of €1,000 in excess thereof. Notes in denominations of less than €100,000 will not be available.
Ranking of the Notes	The Notes will: • be general senior obligations of the Issuer, secured as set forth under; • be secured as described under “—Security”; • rank <i>pari passu</i> in right of payment with existing and future indebtedness of the Issuer that is not subordinated in right of payment to the Notes, including obligations of the Issuer under the Revolving Credit Facility and certain hedging obligations; • rank senior in right of payment to existing and future indebtedness of the Issuer that are expressly subordinated in right of payment to the Notes; • be structurally subordinated to any existing and future indebtedness of the Issuer’s subsidiaries that are not Guarantors, including obligations to trade creditors; • be effectively subordinated to any existing and future indebtedness of the Issuer and its subsidiaries that are secured by property and assets that do not secure the Notes, to the extent of the value of the property and assets securing such indebtedness; and • be fully and unconditionally guaranteed on a senior basis on the Issue Date by the Guarantors, as described under “—Notes Guarantees”, subject to certain limitations described herein and in “Risk factors—Risks relating to the Notes and our structure—The Notes Guarantees and the Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may

limit their validity and enforceability" and "Limitations on validity and enforceability of the Notes Guarantees and the security interests and certain insolvency law considerations" and "Description of the Notes—The Notes Guarantees".

Notes Guarantees On the Issue Date, the Issuer's obligations under the Notes and the Indenture will be guaranteed (the "**Notes Guarantees**") jointly and severally on a senior basis by:

<u>Guarantor</u>	<u>Jurisdiction</u>
Radisson Hospitality Belgium BVBA/SPRL	Belgium
Radisson Hotel Management & Development A/S	Denmark
Radisson Hotels ApS Danmark	Denmark
Radisson Hospitality Denmark ApS	Denmark
Radisson Scandinavia Hotel Copenhagen ApS	Denmark
Radisson Hotel Hannover GmbH	Germany
Radisson Hotel Hamburg Airport GmbH	Germany
Radisson Hotel Köln GmbH	Germany
Radisson Hotels Deutschland GmbH	Germany
Radisson Hotels Norway AS	Norway
Radisson Hospitality Norway AS	Norway
Radisson Arlandia Hotel AB	Sweden
Radisson Hotel & Congress AB	Sweden
Radisson Hospitality Sweden AB	Sweden
Royal Viking Hotel Aktiebolag	Sweden
Radisson SkyCity Hotel AB	Sweden
Radisson Hospitality AB (publ)	Sweden
Radisson Hotel Amsterdam B.V.	The Netherlands
Park Inn by Radisson Hotel Heathrow Ltd	United Kingdom
Park Inn by Radisson Hotels Management Ltd	United Kingdom
Radisson Hotel Edinburgh Ltd	United Kingdom
Radisson Hotel Manchester Ltd	United Kingdom
Radisson Hotels UK Ltd	United Kingdom
Park Inn by Radisson UK Ltd	United Kingdom

The Issuer and the Guarantors together comprised 83.34% of our total assets as of December 31, 2017 and represented 87.74% of our Radisson EBITDA respectively for the twelve months ended December 31, 2017, and the Issuer and the Guarantors together comprised 92.11% of

our total assets as of March 31, 2018 and represented 70.81% and 88.54% of our revenue and Radisson EBITDA, respectively, for the twelve months ended March 31, 2018. See *"Risk factors—Risks relating to the Notes and our structure—The Notes Guarantees and the Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability"* and *"Limitations on validity and enforceability of the Notes Guarantees and the security interests and certain insolvency law considerations"*.

The Notes will be subject to the terms of the Intercreditor Agreement, including, subject to certain exceptions, payment blockage upon a senior default and certain limitations on enforcement actions with respect to the Issuer and the Guarantors. See *"Description of the Notes—Notes Guarantees (Release)"* and *"Risk factors—Risks relating to the Notes and our structure—The Notes Guarantees and the Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability"*.

Ranking of the Notes Guarantees . . . The Notes Guarantees of each Guarantor will:

- be a general senior obligation of the relevant Guarantor secured as described under *"—Security"*;
- rank *pari passu* in right of payment with any existing and future indebtedness of that Guarantor that is not subordinated in right of payment to such Notes Guarantee (including obligations under the Revolving Credit Facility Agreement and certain hedging obligations);
- rank senior in right of payment to any existing and future indebtedness of that Guarantor that is expressly subordinated in right of payment to such Notes Guarantee;
- be effectively subordinated to any existing and future indebtedness or obligations of such Guarantor that is secured by property and assets that do not secure such Notes Guarantees, to the extent of the value of the property and assets securing such indebtedness; and
- be structurally subordinated to any existing or future indebtedness, including obligations to trade creditors, of the Subsidiaries of such Guarantor that are not Guarantors.

The Notes Guarantees may be released in certain circumstances. See *"Description of the Notes—Notes Guarantees (Release)"* and *"Risk factors—Risks relating to the Notes and our structure—The Notes Guarantees and the Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability"*.

Security On the Issue Date, the Notes and the Notes Guarantees will be secured by first priority (to the extent possible) security interests over (i) the issued share capital of the Issuer and the Subsidiary Guarantors; (ii) the bank accounts, material contracts and intra-group receivables of the Issuer and the Parent Company; and (iii) all material assets of each English Guarantor under an English law debenture (collectively, the *"Issue Date Collateral"*). In addition, within 120 days of the Issue Date, the Notes and the Notes Guarantees will be secured by first priority (to the extent possible) security interests over the bank accounts, material contracts and intra-group receivables of the Guarantors to the extent not part of the Issue Date Collateral (the *"Post-Closing Collateral"* and, together with the Issue Date Collateral, the *"Collateral"*). See *"Description of the Notes—Security"*.

Any security granted by the Parent Company, the Issuer and the Guarantors will be limited as described under *"Risk factors—Risks relating to the Notes and our structure—The Notes Guarantees and the Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability"* and *"Limitations on validity and enforceability of the Notes Guarantees and the security interest and certain insolvency law considerations"*.

The assets securing the Notes will also secure the Revolving Credit Facility on an equal and ratable basis and may be released under certain circumstances. See *"Risk factors—Risks relating to the Notes and our structure—There are circumstances other than repayment or discharge of the Notes under which the collateral will be released automatically, without your consent or the consent of the Trustee"* and *"Description of the Notes—Notes Guarantees—Notes Guarantees Release"* and *"—Security—Release of Liens"*.

For a more detailed description of the Collateral, see *"Description of the Notes—Security"*.

The Indenture provides that the Collateral secures the Notes and the Notes Guarantees. Security over the Collateral may be released under certain circumstances. See *"Description of the Notes—Security—Release of Security Interests"*.

The security interests in the Collateral may be limited by applicable law or subject to certain defences that may limit their validity and enforceability. See *"Description of the Notes— Security"* and *"Limitations on Validity and Enforceability of the Notes Guarantees and the Security Interests and certain Insolvency Law Considerations"* and *"Risk Factors—Risks Relating to the Notes and our structure"*.

The Collateral also secures on a first-ranking basis the Revolving Credit Facility and may also secure certain future indebtedness. Pursuant to the terms of the Intercreditor Agreement, the lender under the Revolving Credit Facility will receive proceeds from enforcement of security over the Collateral before the holders of the Notes.

Use of proceeds We intend to use the gross proceeds from the Offering:

- to repay outstanding borrowings of approximately €33 million under the 2014 Revolving Credit Facility and the Overdraft Facility;
- for general corporate purposes, including to fund the Group's Five-Year Operating Plan, further investments and to provide a liquidity buffer; and
- to pay the costs, fees and expenses in connection with the Refinancing, including the fees and expenses to be incurred in connection with the Offering and the break costs and any accrued and unpaid interest due under the indebtedness to be repaid with the proceeds of the Offering.

Optional redemption Prior to 2020, the Issuer will be entitled at its option to redeem all or a portion of the Notes at a redemption price equal to 100% of the principal amount of the Notes plus the applicable "make-whole" premium described in this offering memorandum and accrued and unpaid interest and additional amounts, if any, to the redemption date. See *"Description of the Notes—Optional Redemption"*.

At any time prior to , 2020, the Issuer may on one or more occasions redeem up to 40% of the aggregate principal amount of the Notes, using the net proceeds from certain equity offerings at a redemption price equal to % of the principal amount of the Notes, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption, provided that at least 60% of the original aggregate principal amount of the Notes remains outstanding after the redemption. See *"Description of the Notes—Optional Redemption"*.

The Issuer may redeem all or part of the Notes at any time on or after , 2020, at the redemption prices described under *"Description of the Notes—Optional Redemption"*, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption.

Additional amounts; tax redemption Any payments made by any of the Issuer or the Guarantors with respect to the Notes or any Notes Guarantee will be made without withholding or deduction for taxes in any relevant taxing jurisdiction unless required by law. If the Issuer or any of the

Guarantors is required by law to withhold or deduct for such taxes with respect to a payment to the holders of Notes or any Notes Guarantee (as applicable), the Issuer or Guarantor, respectively, will pay the additional amounts necessary so that the net amount received by the holders of Notes or any Notes Guarantee (as applicable) after the withholding is not less than the amount that they would have received in the absence of the withholding, subject to certain exceptions. See *"Description of the Notes—Withholding Taxes"*.

In the event of certain developments affecting taxation or certain other circumstances, the Issuer may redeem the Notes in whole, but not in part, at any time, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest, if any, and additional amounts, if any, to the date of redemption. See *"Description of the Notes—Redemption for Taxation Reasons"*.

Change of control If the Issuer experiences a change of control, the holders of the Notes will have the right to require the Issuer to offer to repurchase the Notes at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest and additional amounts, if any, to the date of purchase. However, a change of control will not be deemed to have occurred if certain consolidated net leverage ratios are not exceeded in connection with such an event. See *"Description of the Notes—Change of Control"*.

Certain covenants The Indenture governing the Notes limits, among other things, our ability to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- pay dividends, redeem capital stock and make certain investments;
- make certain other restricted payments;
- create or permit to exit certain liens;
- impose restrictions on the ability of the restricted subsidiaries to pay dividends;
- transfer or sell certain assets;
- merge or consolidate with other entities;
- enter into certain transactions with affiliates; and
- impair the security interests for the benefit of the holders of the Notes.

Each of the covenants is subject to a number of significant exceptions and qualifications. For a more detailed description of these covenants, see *"Description of the Notes—Certain Covenants"*.

Transfer restrictions	The Notes and the Notes Guarantees have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any other jurisdiction. The Notes are subject to restrictions on transfer and may only be offered or sold in transactions that are exempt from or not subject to the registration requirements of the U.S. Securities Act. See " <i>Transfer restrictions</i> " and " <i>Plan of distribution</i> ".
Absence of a public market for the Notes	The Notes are new securities for which there is currently no market. Although the Initial Purchaser has informed us that it intends to make a market in the Notes, it is not obligated to do so and it may discontinue market-making at any time without notice. Accordingly, we cannot assure you that a liquid market for the Notes will develop or be maintained.
Listing	Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and admit the Notes to trading on the Euro MTF.
Trustee	BNY Mellon Corporate Trustee Services Limited.
Security Agents	The Bank of New York Mellon, London Branch as security agent in respect of the Collateral in Germany, the Netherlands, Norway and the United Kingdom and The Law Debenture Trust Corporation p.l.c. as security agent in respect of the Collateral in Belgium, Denmark and Sweden (together, the " Security Agents "). References to the Security Agents in "Limitations on validity and enforceability of the Notes Guarantees and the security interests and certain insolvency law considerations" and "Service of process and enforcement of judgments" shall refer to the Security Agent holding the security interests over the collateral on behalf of the secured parties in the relevant jurisdiction.
Paying Agent	The Bank of New York Mellon, London Branch.
Registrar and Transfer Agent	The Bank of New York Mellon SA/NV, Luxembourg Branch.
Governing law for the Notes, Notes Guarantees and the Indenture	The Notes, the Notes Guarantees and the Indenture are governed by the laws of the State of New York.
Governing law for the Intercreditor Agreement	The Intercreditor Agreement is governed by the laws of England and Wales.
Governing law for the Security Documents	The Security Documents are governed by the laws of Belgium, Denmark, Germany, the Netherlands, Norway, Sweden and the United Kingdom.
ISINs	Reg S: ; Rule 144A: .
Common Codes	Reg S: ; Rule 144A: .

Risk factors Investing in the Notes involves substantial risks. Investors should carefully consider all the information in this offering memorandum. In particular, investors should consider the factors set forth under "*Risk factors*" before making a decision to invest in the Notes.

Summary consolidated financial and other information

The following summarizes certain consolidated financial and other data of Radisson Hospitality AB (publ), the Parent Company. This financial information differs from the financial information of the Issuer. The Issuer is a holding company with no independent business operations or significant assets other than investments in its subsidiaries. No financial statements have been prepared for the Issuer and the only financial statements included in this offering memorandum are the historical consolidated financial statements of the Group. See *"Presentation of financial and other information"*.

The historical financial statement data as of and for Fiscal Year 2017, Fiscal Year 2016 and Fiscal Year 2015 has been extracted from the Audited Consolidated Financial Statements for each of the respective period included elsewhere in this offering memorandum, except that the financial information for consolidated statement of cash flows for the year ended December 2016 is extracted from the comparative information included in the audited consolidated financial statements of the Group for the Fiscal Year 2017, See *"Presentation of financial information—Restatements"*. The historical unaudited financial statement data as of March 31, 2018 and for Q1 2018 and Q1 2017 has been extracted from the Interim Consolidated Financial Statements included elsewhere in this offering memorandum. This summary consolidated financial information is not necessarily representative of our results of operations for any future period or our financial condition at any future date.

This *"Summary consolidated financial and other information"* contains certain non-IFRS financial measures including Adjusted Radisson EBITDA, Adjusted Radisson EBITDA margin, Radisson EBITDA, Radisson EBITDA margin, Radisson EBITDAR, Radisson EBITDAR margin and *Pro forma* Adjusted EBITDA. These Non-IFRS Measures are not measurements of performance or liquidity under IFRS. Investors should not place any undue reliance on these Non-IFRS Measures and should not consider these measures as alternatives to operating profit as an indicator of our performance or as an alternative to operating cash flows as a measure of our liquidity. These measures are not indicative of our historical operating results, nor are they meant to be predictive of future results. These measures are used by our management to monitor the underlying performance of the business and the operations. Since all companies do not calculate these measures in an identical manner, our presentation may not be consistent with similar measures used by other companies. Therefore, investors should not place undue reliance on this data.

In addition, this *"Summary consolidated financial and other information"* includes certain financial information for the twelve months ended March 31, 2018. This information was calculated by subtracting the comparative information from unaudited interim condensed consolidated financial statements of the Group as of and for Q1 2017 from the Audited Consolidated Financial Statements of the Group as of and for the Fiscal Year 2017 and adding the information from the unaudited interim condensed consolidated financial statements of the Group for Q1 2018. The consolidated financial information for the twelve months ended March 31, 2018 has been prepared solely for the purposes of this offering memorandum and is for illustrative purposes only and is not necessarily representative of our results of operations for any future period or our financial condition at any future date and is not prepared in the ordinary course of our financial reporting.

This *"Summary consolidated financial and other information"* contains certain unaudited consolidated *pro forma* financial information. The unaudited consolidated *pro forma* financial information has been derived by applying *pro forma* adjustments to our historical financial statement data included elsewhere in this offering memorandum and gives effect to the Refinancing. The unaudited consolidated *pro forma* financial information has not been prepared on the basis of IFRS or any other generally accepted accounting principles and is based on available information and certain assumptions and estimates that we believe are reasonable but

may differ from actual amounts. The unaudited consolidated *pro forma* financial information is for informational purposes only and does not purport to present what our results would actually have been had these transactions occurred on the dates presented or to project our results of operations or financial position for any future period or our financial condition at any future date.

This “*Summary consolidated financial and other information*” should be read in conjunction with, and is qualified in its entirety by reference to, our financial statements and the accompanying notes included elsewhere in this offering memorandum, and should also be read together with the information set forth in “*Summary*”, “*Presentation of financial and other information*”, “*Business*”, “*Use of Proceeds*”, “*Capitalization*”, “*Selected historical consolidated financial information*” and “*Management’s discussion and analysis of financial condition and results of operations*”.

For more information on the basis of preparation of this financial information, see “—*Presentation of financial and other information*” and the notes to the financial statements included elsewhere in this offering memorandum.

Selected Consolidated Statement of Operations

	Fiscal Year			Q1	
	2015	2016	2017	2017	2018
(€ in millions)				(unaudited)	
Revenue	997.0	961.2	967.3	222.5	206.2
Costs of goods sold for Food & Drinks and other related expenses ⁽¹⁾	(57.9)	(53.9)	(51.0)	(12.4)	(11.3)
Personnel cost and contract labor	(343.0)	(337.8)	(347.8)	(83.7)	(76.6)
Other operating expenses ⁽²⁾	(239.4)	(240.9)	(239.4)	(61.0)	(52.1)
Insurance of properties and property tax	(15.8)	(14.1)	(14.5)	(3.7)	(3.5)
Operating profit before rental expense, share of income in associates and joint ventures, depreciation and amortization, costs due to termination of contracts, gain/loss on sale of fixed assets, net financial items and income tax⁽³⁾	341.0	314.6	314.6	61.7	62.7
Rental expense	(243.1)	(235.8)	(231.7)	(58.9)	(56.0)
Share of income in associates and joint ventures	3.2	(0.6)	(0.8)	(0.3)	(0.6)
Operating profit before depreciation and amortization, costs due to termination of contracts, gain/loss on sale of fixed assets, net financial items and income tax⁽⁴⁾	101.1	79.3	82.1	2.5	6.1
Depreciation and amortization	(37.2)	(41.8)	(42.1)	(10.5)	(10.8)
Write-downs and reversal of write-downs ⁽⁵⁾	(5.8)	(7.5)	(20.9)	(0.2)	(0.1)
Costs due to termination and restructuring of contracts ⁽⁶⁾	(1.1)	(28.9)	(4.2)	—	—
Gain/loss on sale of shares, intangible and tangible assets ⁽⁷⁾	0.4	1.8	(0.2)	—	—
Operating profit	57.3	3.0	14.7	(8.2)	(4.8)
Financial income	1.9	2.5	1.2	0.2	0.6
Financial expense	(2.6)	(2.7)	(3.2)	(0.8)	(0.7)
Profit before tax	56.6	2.7	12.7	(8.8)	(4.9)
Income tax ⁽⁸⁾	(22.4)	23.7	(8.3)	1.2	(0.1)
Profit for the period	34.2	26.4	4.4	(7.6)	(5.0)

(1) Costs of goods sold for Food & Drinks and other related expenses include cost of food, drinks and various costs directly related to “Other hotel revenue” and “Other revenue”.

- (2) Other operating expenses include: fees for royalty, marketing, reservations, rentals and licences to Radisson Hospitality Inc.; energy costs; supplies; marketing expenses; external fees (including consultancy, audit and legal assistance fees); laundry and dry cleaning; administration costs; communication, travel and transport; operating equipment; rentals and licences; and property operating expenses.
- (3) Presented as "Operating profit before rental expense and share of income in associates and before depreciation and amortization, costs due to termination/restructuring of contracts and gain on sale of shares, intangible assets (EBITDAR)" in the Audited Consolidated Financial Statements of the Group as of and for the Fiscal Years 2016 and 2015.
- (4) Presented as "Operating profit before depreciation and amortisation, costs due to termination/restructuring of contracts and gain on sale of shares, intangible and tangible assets (EBITDA)" in the Audited Consolidated Financial Statements of the Group as of and for the Fiscal Years 2016 and 2015.
- (5) Write-downs and reversal of write-downs of include, mainly, tangible assets in lease hotels and intangible assets related to managed and franchised agreements.
- (6) Presented as "Costs due to termination/restructuring of contracts" in the Audited Consolidated Financial Statements of the Group as of and for the Fiscal Years 2016 and 2015. Costs due to termination/restructuring of contracts include costs occurred in connection with exit of leases.
- (7) Presented as "Gain/loss on sale of shares, intangible and tangible fixed assets" in the Audited Consolidated Financial Statements of the Group as of and for the Fiscal Years 2016 and 2015.
- (8) Presented as "Income tax expense" in the Audited Consolidated Financial Statements of the Group as of and for the Fiscal Years 2016 and 2015.

Selected Consolidated Balance Sheet Statement

	As of December 31,			As of March 31,
	2015	2016	2017	2018 (unaudited)
(€ in millions)				
Assets				
Intangible assets	64.6	61.0	61.5	60.7
Tangible assets	170.5	189.0	193.0	194.0
Financial assets	21.8	39.8	36.1	35.0
Deferred tax assets	21.7	57.8	60.5	63.3
Total non-current assets	278.6	347.7	351.1	353.0
Inventories	5.0	4.6	4.3	4.4
Accounts receivables	40.7	44.7	47.0	—
Current tax assets	11.6	21.3	24.8	—
Other current interest-bearing receivables ⁽¹⁾	2.5	2.8	3.6	—
Other current non-interest-bearing receivables ⁽¹⁾	63.8	56.6	61.7	—
Other current receivables ⁽²⁾	—	—	—	142.0
Derivative financial instruments	0.3	—	0.2	0.2
Other short term investments	2.0	—	—	—
Cash and cash equivalents	37.7	8.0	7.4	10.2
Assets classified as held for sale	22.1	16.8	13.4	13.3
Total current assets	185.7	154.8	162.3	170.1
Total assets	464.3	502.5	513.4	523.1
Equity and liabilities				
Total equity	246.7	265.7	253.7	250.9
Total non-current liabilities	38.6	47.9	42.8	41.7
Total current liabilities	174.4	186.1	217.0	230.5
Liabilities directly related to assets classified as held for sale	4.6	2.8	—	—
Total liabilities	217.6	236.8	259.8	272.2
Total equity and liabilities	464.3	502.5	513.4	523.1

(1) Comprise "Other current receivables" in the Audited Consolidated Financial Statements for Fiscal Year 2015 and the Interim Consolidated Financial Statements.

(2) Comprise "Other current interest-bearing receivables" and "Other current non-interest-bearing receivables" in the Audited Consolidated Financial Statements for Fiscal Year 2017.

Selected Consolidated Statement of Cash Flows

	Fiscal Year			Q1	
	2015	2016 ⁽¹⁾	2017	2017	2018
(€ in millions)				(unaudited)	
Cash flows from operations before change in working capital . . .	80.8	37.9	54.1	(2.2)	1.9
Change in working capital	5.0	(3.9)	18.3	4.7	(3.5)
Cash flow from operating activities	85.8	33.9	72.4	2.5	(1.6)
Cash flow from investing activities	(74.6)	(83.1)	(73.7)	(8.9)	(9.7)
Cash flow from financing activities	(5.7)	16.1	0.8	7.6	14.1
Cash flow for the period	5.5	(33.0)	(0.5)	1.2	2.8
Cash or equivalent assets at beginning of the period	35.5	41.1	8.1	8.0	7.4
Cash or equivalent assets at the end of the period	41.1	8.1	7.4	9.3	10.2

(1) Selected consolidated statement of cash flows for Fiscal Year 2016 is extracted from the comparative information included in the audited consolidated financial statements of the Group for the Fiscal Year 2017. See *"Presentation of Financial and Other Information—Restatements"*. Consolidated statement of cash flows for Fiscal Year 2016 has been restated in the audited consolidated financial statements of the Group for the Fiscal Year 2017 to reflect *de minimis* adjustments made: (i) in respect of management's decision to gross-up certain financing line-items (including new borrowings); and (ii) to reflect a change in the accounting treatment of accrued interest. In order to present our results of operations and cash flows on a consistent basis, the comparisons of cash flows for Fiscal Year 2017 and Fiscal Year 2016 are based on information included in the Audited Consolidated Financial Statements for the Fiscal Year 2017, while the cash flow comparisons for Fiscal Year 2016 and Fiscal Year 2015 are based on information included in the Audited Consolidated Financial Statements for the Fiscal Year 2016 and Fiscal Year 2015. For a comparison of our consolidated statement of cash flows for Fiscal Year 2016 and our restated consolidated statement of cash flows for Fiscal Year 2016 as presented in the Audited Consolidated Financial Statements for Fiscal Year 2017, see the table below. See also *"Presentation of Financial and Other Information—Restatements"*. For comparison between our consolidated statement of cash flows for Fiscal Year 2016 and our restated consolidated statement of cash flows for Fiscal Year 2016 as presented in the audited consolidated financial statements of the Group for the Fiscal Year 2017, see *"Management's Discussion and Analysis of Operations—Cash Flows"*.

Non-IFRS Measures

	Fiscal Year			Q1		Twelve months ended March 31,
	2015	2016	2017	2017	2018	2018
(€ in millions unless otherwise indicated)						
Radisson EBIT ⁽¹⁾	57.3	3.0	14.7	(8.2)	(4.8)	
Radisson EBIT margin (in %) ⁽²⁾	5.7	0.3	1.5	(3.7)	(2.3)	
Radisson EBITDA ⁽³⁾	101.1	79.3	82.1	2.5	6.1	
Radisson EBITDA margin (in %) ⁽⁴⁾	10.1	8.3	8.5	1.1	3.0	
Radisson EBITDAR ⁽⁵⁾	341.0	314.6	314.6	61.7	62.7	
Radisson EBITDAR margin (in %) ⁽⁶⁾	34.2	32.7	32.5	27.7	30.4	
Adjusted Radisson EBITDA ⁽⁷⁾	98.3	87.6	98.2	5.3	6.1	
Adjusted Radisson EBITDA margin ⁽⁸⁾	9.9	9.1	10.2	2.4	3.0	
Pro forma Adjusted EBITDA⁽⁹⁾						116.2
Pro forma cash and cash equivalents⁽¹⁰⁾						219.2
Pro forma total net debt⁽¹¹⁾						46.4
Pro forma interest expense⁽¹²⁾						
Ratio of <i>pro forma</i> total net debt to <i>pro forma</i> Adjusted EBITDA						0.4x
Ratio of <i>pro forma</i> Adjusted EBITDA to <i>pro forma</i> interest expense						

(1) Radisson EBIT is defined as operating profit before net financial items and tax.

(2) Radisson EBIT margin is defined as EBIT as percentage of our revenue.

(3) Radisson EBITDA is defined as profit for the year before depreciation and amortization, write-downs and reversal of write downs, costs due to termination and restructuring of contracts, gain/loss on sale of shares, intangible and tangible assets, financial income, financial expense and income tax. Radisson EBITDA is not a measure computed in accordance with IFRS and, accordingly, should not be considered as an alternative to operating profit or net profit as indicators of our performance or as an alternative to cash flows from operations as a measure of our liquidity.

- (4) Radisson EBITDA margin is defined as Radisson EBITDA as percentage of our revenue.
- (5) Radisson EBITDAR is defined as profit for the year before depreciation and amortisation, write-downs and reversal of write downs, costs due to termination and restructuring of contracts, gain/loss on sale of shares, intangible and tangible assets, financial income, financial expense, income tax, rental expense and share of income in associates and joint ventures. Radisson EBITDAR is not a measure computed in accordance with IFRS and, accordingly, should not be considered as an alternative to operating profit or net profit as indicators of our performance or as an alternative to cash flows from operations as a measure of our liquidity.
- (6) Radisson EBITDAR margin is defined as Radisson EBITDAR as percentage of our revenue.

Radisson EBITDA, Radisson EBITDA margin, Radisson EBITDAR and Radisson EBITDAR margin are calculated as follows:

	Fiscal Year			Q1	
	2015	2016	2017	2017	2018
(€ in millions)					
Profit for the period	34.2	26.4	4.4	(7.6)	(5.0)
Depreciation and amortization	37.2	41.8	42.1	10.5	10.8
Write-downs and reversal of write downs	5.8	7.5	20.9	0.2	0.1
Costs due to termination and restructuring of contracts ^(a)	1.1	28.9	4.2	—	—
Gain/loss on sale of shares, intangible and tangible assets ^(b)	(0.4)	(1.8)	0.2	—	—
Financial income	(1.9)	(2.5)	(1.2)	(0.2)	(0.6)
Financial expense	2.6	2.7	3.2	0.8	0.7
Income tax	22.4	(23.7)	8.3	1.2	0.1
Radisson EBITDA^(c)	101.1	79.3	82.1	2.5	6.1
Rental expense	243.1	235.8	231.7	58.9	56.0
Share of income in associates and joint ventures	-3.2	-0.6	0.8	0.3	0.6
Radisson EBITDAR^(d)	341.0	314.6	314.6	61.7	62.7
Revenue	997.0	961.2	967.3	222.5	206.2
Radisson EBITDA margin (%)	10.1	8.3	8.5	1.1	3.0
Radisson EBITDAR margin (%)	34.2	32.7	32.5	27.7	30.4

- (a) Presented as "Costs due to termination/restructuring of contracts" in the Audited Consolidated Financial Statements of the Group as of and for the Fiscal Years 2016 and 2015.
- (b) Presented as "Gain/loss on sale of shares, intangible and tangible fixed assets" in the Audited Consolidated Financial Statements of the Group as of and for the Fiscal Years 2016 and 2015.
- (c) Presented as "Operating profit before depreciation and amortization, costs due to termination/restructuring of contracts and gain on sale of shares, intangible and tangible assets (EBITDA)" in the Audited Consolidated Financial Statements of the Group as of and for the Fiscal Years 2016 and 2015.
- (d) Presented as "Operating profit before rental expense and share of income in associates and before depreciation and amortization, costs due to termination/restructuring of contracts and gain on sale of shares, intangible assets (EBITDAR)" in the Audited Consolidated Financial Statements of the Group as of and for the fiscal years 2016 and 2015.
- (7) Adjusted Radisson EBITDA is defined as Radisson EBITDA adjusted for the effect of certain special items, including restructurings costs, costs incurred in connection with the resignation of the former CEO, financial advisor fees incurred in connection with the public offer on the shares of the company and retention bonuses and revaluation of investment. Adjusted Radisson EBITDA is not a measure computed in accordance with IFRS and, accordingly, should not be considered as an alternative to operating profit or net profit as indicators of our performance or as an alternative to cash flows from operations as a measure of our liquidity. For a description of the limitations, see "Presentation of Financial and Other Information—Use of non-IFRS financial measures".
- (8) Adjusted Radisson EBITDA margin is defined as Adjusted Radisson EBITDA as percentage of our revenue.

Adjusted Radisson EBITDA and Adjusted Radisson EBITDA margin are calculated as follows:

	Fiscal Year			Q1	
	2015	2016	2017	2017	2018
(€ in millions)					
Radisson EBITDA	101.1	79.3	82.1	2.5	6.1
Restructuring costs ^(a)	—	5.4	10.5	—	—
CEO resignation ^(b)	—	—	2.0	—	—
Financial advisors & retention bonuses ^(c)	—	2.9	3.6	2.8	—
Revaluation investment ^(d)	(2.8)	—	—	—	—
Adjusted Radisson EBITDA	98.3	87.6	98.2	5.3	6.1
Revenue	997.0	961.2	967.3	222.5	206.2
Adjusted Radisson EBITDA margin (%)	9.9	9.1	10.2	2.4	3.0

- (a) Restructuring costs include costs related to redundancies at corporate level (2016 and 2017) and on hotel level (2017).
- (b) One-off severance costs incurred in relation to the departure of our former CEO.
- (c) Financial advisor fees incurred in connection with the public offer on the shares of the Parent Company (€2.2 million in the Fiscal Year 2017) and retention bonuses (€1.4 million in Fiscal Year 2017 and €2.9 million in the Fiscal Year 2016 respectively).
- (d) One-off revaluation of the Beijing investment resulting in positive impact on Radisson EBITDA for 2015.

- (9) *Pro forma* Adjusted EBITDA is defined as Adjusted Radisson EBITDA further adjusted to reflect the factors listed below at (a)-(f). We believe that this measure provides management and investors additional information related to the ongoing results of operations. *Pro forma* Adjusted EBITDA is not a measure computed in accordance with IFRS and, accordingly, should not be considered as an alternative to operating profit or net profit as indicators of our performance or as an alternative to cash flows from operations as a measure of our liquidity.

Pro forma Adjusted EBITDA is calculated as follows:

	Twelve months ended March 31, 2018 (unaudited)
(€ in millions)	
Adjusted Radisson EBITDA	99.0
Easter impact ^(a)	2.7
Hotels under refurbishment ^(b)	6.6
Full-year impact of rent reduction ^(c)	0.2
2017 exits ^(d)	1.6
Full-year savings ^(e)	3.0
Cap reached ^(f)	3.1
<i>Pro forma</i> Adjusted EBITDA	116.2

- (a) Adjusted for the negative effect on EBITDA during Easter, which may be attributable to reduced revenue from business customers during holiday periods, as the twelve-month period ended March 31, 2018 would have accounted for two Easter holidays.
- (b) *Pro forma* adjustments for the hotels closed during 2017 due to refurbishment, with the amount of such adjustments based on the management's estimate of the EBITDA that could be generated by such hotels during the comparable period in 2018.
- (c) Full year impact of rent reduction Radisson Blu Milano effective from October 1, 2017.
- (d) Positive Radisson EBITDA effect as a result of the exit of eight loss-making Park Inn leases at the end of 2017, as if such leases had been exited as of March 31, 2017.
- (e) Full year impact of costs savings for personnel cuts during 2017.
- (f) Impact of cap being reached in three contracts in the first quarter of 2018, resulting in lower rental costs for the remaining term of such contracts. These leases are subject to cap on total amounts payable during the terms of such contracts. Subsequent to such cap being reached, reduced rent payment is made. In Q1 2018, the caps under these three contracts were reached and accordingly the cost of such contracts will be reduced.

- (10) *Pro forma* cash and cash equivalents are defined as cash and cash equivalents as adjusted for the Refinancing and the application of the proceeds therefrom as described in "Use of Proceeds" and "Capitalization". Cash and cash equivalents in the table above is based on historical cash balances as of March 31, 2018 and does not reflect any cash generated or used after March 31, 2018.
- (11) *Pro forma* total net debt is defined as total debt minus cash and cash equivalents, as adjusted to give effect to the Refinancing and the application of the proceeds therefrom, as described in the "Use of Proceeds".
- (12) *Pro forma* interest expense is defined as the interest expense on total borrowings calculated as if the Offering of the Notes, the Refinancing and application of proceeds therefrom, as described under "Use of Proceeds", had taken place on April 1, 2017. This is being presented for illustrative purposes only. Cash interest expense does not purport to represent what our interest expense would actually have been had the Offering and the use of proceeds therefrom occurred at the beginning of such period nor does it purport to project our cash interest expense for any future period. Cash interest expense excludes interest payable in connection with finance leases as well as any interest income from our cash balances.

Recurring Adjusted Free Cash Flow

	Fiscal Year		
	2015	2016	2017
(€ in millions)			
Adjusted Radisson EBITDA	98.3	87.6	98.2
Change in adjusted working capital ⁽¹⁾	0.2	(6.4)	16.0
Maintenance and other recurring capital expenditures ⁽²⁾	(26.8)	(23.1)	(29.8)
Adjustments for non-cash items ⁽³⁾	(3.0)	1.9	1.2
Recurring Adjusted Free Cash Flow	68.7	60.0	85.6

- (1) Adjustments to reflect impact from repositioning capital expenditures.
- (2) Represents approximately €20 million of maintenance capital expenditure and other recurring capital expenditure (excluding repositioning capital expenditure and investment in prizeotel in 2016 of €14.7 million).

- (3) Adjustments for change in pension assets and liabilities, share of income in associated companies and other adjustments for non-cash items.

Unaudited Operating Information

We have included certain operating information in this offering memorandum, which are referred to as “key performance indicators”, including RevPAR, Occupancy and ADR. We believe that it is useful to include this operating information as we use it for internal performance analysis, and the presentation by our business divisions of these measures facilitates comparability with other companies in our industry, although our measures may not be comparable with similar measurements presented by other companies. Such operating information should not be considered in isolation or construed as a substitute for measures in accordance with IFRS. For a description of certain of our key performance indicators, see “*Management’s discussion and analysis of financial condition and results of operations—Key factors affecting our financial condition and results of operations—Occupancy, Average Daily Rate (ADR) and Revenue per Available Room (RevPAR)*”.

Revenue per Available Room (RevPAR)

RevPAR is the product of the Average Daily Rate for a specified period multiplied by the Occupancy for that period.

The following table sets forth a geographic breakdown of our RevPAR for the periods indicated:

	Fiscal Year						Q1	
	2015		2016		2017	2017		2018
	(€)	% change ⁽¹⁾	(€)	% change ⁽¹⁾	(€)	(€)	% change ⁽¹⁾	(€)
Nordics	88.1	1.3	89.2	5.6	94.2	83.4	(4.8)	79.3
Rest of Western Europe	89.7	(1.8)	88.1	0.7	88.8	77.1	(0.0)	77.1
Eastern Europe	44.3	3.8	46.0	11.8	51.4	38.9	6.3	41.3
Middle East, Africa & Others	72.4	(14.4)	62.0	(8.5)	56.7	69.6	(14.4)	59.6
Group	71.5	(3.7)	68.8	1.3	69.7	64.0	(3.6)	61.7

(1) Represents the percentage change in RevPAR between 2017 and 2016, between 2016 and 2015 or between Q1 2018 and Q1 2017, as applicable.

Like-for-like RevPAR data includes like-for-like hotels plus hotels under renovation for the entire period during the applicable period as well as the comparable prior period. This is presented for Q1 2017 and 2018 in the Interim Consolidated Financial Statements as “RevPAR LfL&R”.

The following table sets forth a geographic breakdown of our LfL RevPAR for the periods indicated:

	Fiscal Year			Q1	
	2015	2016	2017	2017	2018
(in €)					
LfL RevPAR	73.5	75.8	74.7	66.8	67.2
Of which:					
Nordics	94.0	96.4	99.9	85.9	83.8
Rest of Western Europe	86.4	92.8	92.6	80.4	80.1
Eastern Europe	53.7	51.8	52.3	37.5	45.0
Middle East, Africa & Others	64.1	70.8	65.8	77.7	71.0

Occupancy

Occupancy is the quotient of the total number of room nights sold during a specified period divided by the total number of rooms available for each day during that period.

The following table sets forth our Occupancy for the periods indicated:

	Fiscal Year			Q1	
	2015	2016	2017	2017	2018
(in %)					
Occupancy	66.6	65.1	65.6	59.9	60.2

Like-for-like Occupancy data includes like-for-like hotels plus hotels under renovation for the entire period during the applicable period as well as the comparable prior period. This is presented for Q1 2017 and Q1 2018 in the Interim Consolidated Financial Statements as "Occupancy LfL&R".

The following table sets forth a geographic breakdown of our LfL Occupancy for the periods indicated:

	Fiscal Year			Q1	
	2015	2016	2017	2017	2018
(in %)					
LfL Occupancy	68.2	68.0	68.7	62.7	61.5
Of which:					
Nordics	72.0	74.7	75.7	71.4	65.6
Rest of Western Europe	75.3	75.9	76.0	69.4	68.5
Eastern Europe	61.4	60.6	63.6	51.2	53.1
Middle East, Africa & Others	63.2	61.4	61.4	64.2	61.6

Average Daily Rate (ADR)

Average Daily Rate is the quotient of total room revenues for a specified period divided by the total number of room nights sold during that period. This is also referred to as ARR (Average Room Rate) or AHR (Average House Rate) in the hotel industry.

The following table sets forth our ADR for the periods indicated:

	Fiscal Year			Q1	
	2015	2016	2017	2017	2018
(in €)					
ADR	107.2	105.7	106.2	106.9	102.6

Like-for-like ADR data includes like-for-like hotels plus hotels under renovation for the entire period during the applicable period as well as the comparable prior period. This is presented for Q1 2017 and Q1 2018 in the Interim Consolidated Financial Statements as "Av. Room Rates LfL&R".

The following table sets forth a geographic breakdown of our LfL ADR for the periods indicated:

	Fiscal Year			Q1	
	2015	2016	2017	2017	2018
(in €)					
LfL ADR	107.7	111.6	108.8	106.6	109.3
Of which:					
Nordics	130.6	129.0	131.9	120.3	127.6
Rest of Western Europe	114.7	122.2	121.9	115.8	116.9
Eastern Europe	87.4	85.4	82.2	73.3	84.8
Middle East, Africa & Others	101.3	115.3	107.1	121.0	115.2

LfL Revenue

LfL Revenue is Revenue for the period in the same hotels in operation during the comparative period calculated at constant exchange rates. For Fiscal Years 2015, 2016 and 2017 and Q1 2017, LfL Revenue calculation includes hotels under renovation that were not closed during the applicable period and the comparative prior period but excludes the sales of a hotel for a period if such hotel was not open for the full period and the entire corresponding period in the prior year. During and after Q1 2018, LfL Revenue calculation will exclude the sales of a hotel for a period if the hotel was not open for the full period and the entire corresponding period in the prior year.

The following table sets forth our LfL Revenue growth for the periods indicated:

	Fiscal Year			Q1	
	2015	2016	2017	2017	2018
LfL Revenue growth	5.3%	3.8%	4.0%	9.6%	(0.8)%

Risk factors

An investment in the Notes involves risk. You should carefully consider the following risks, together with other information provided to you in this offering memorandum, in deciding whether to invest in the Notes. The occurrence of any of the events discussed below could be detrimental to our financial performance. If these events occur, the trading price of the Notes could decline, we may not be able to pay all or part of the interest or principal on the Notes, and you may lose all or part of your investment. Additional risks not currently known to us or that are presently deemed immaterial may also harm us and affect your investment.

Risks relating to our business and industry

The hotel industry may be materially affected by general economic conditions and other factors outside our control, and declines or disruptions in the hotel industry, especially in Europe, could adversely affect our business, results of operations, financial condition or prospects.

Consumer demand for our services is closely linked to the development of the general economy and is sensitive to business and personal discretionary spending levels. For example, following the growth years of 2006 and 2007, the global hotel industry was adversely affected by declining occupancy and rate levels as a result of decreased international travel and reduced consumer spending on travelling, creating an imbalance between supply and demand.

Decreased global or regional demand for hospitality products and services can be especially pronounced during periods of economic recession or low levels of economic growth, and the recovery period in the industry in which we operate may lag overall economic improvement. Declines in demand for our services due to general economic conditions could negatively impact our business by limiting the amount of revenues that we are able to generate from leased, managed and franchised hotels. In addition, a share of the expenses associated with our business, including personnel costs, interest, rent, property taxes, insurance and utilities, are relatively fixed. During a period of overall economic weakness and decreased demand for our service, we may not be able to meaningfully decrease these fixed costs, which could adversely affect our business operations and financial performance.

Our operations are principally located in Europe, and in particular in Norway, the United Kingdom, Germany, Sweden and Denmark, which for the year ended December 31, 2017 collectively accounted for 72% of our revenue. Accordingly, our financial performance is particularly affected by economic and financial conditions in Europe, and our results of operations may be further adversely affected if the macroeconomic circumstances in Germany, Sweden, Denmark, Norway and the United Kingdom or other European countries in which we operate cause a sustained or significant fall in the demand for hotels. In these circumstances, many of the risks faced by the hotel industry and our business could intensify, which could negatively affect our business and net turnover and our access to, and cost of, capital.

The effects of a prolonged economic downturn or period of weaker trading could be impaired by our predominantly leasehold revenue structure.

The majority of our revenue is derived from hotels which we operate on a leasehold basis. For example, for the year ended December 31, 2017, 84% of our revenue was derived from hotels which we operate on a leasehold basis. Our lease agreements typically provide for an annual indexation mechanism of the fixed rent component. The rent payable by us can only be increased, either in accordance with the retail price index or other indexation mechanisms, but usually not decreased. In the event of unfavorable trading conditions, our revenues may fall while the costs relating to our leases are likely to continue to rise, particularly if there is a period of inflation affecting our leasehold rent reviews. This could have a material adverse effect on our costs and thereby decrease our profitability and cash flows.

However, many of our leases have cap structures under which if the rent payable by us has reached a cap, such rent is then adjusted in proportion to the revenue. Although this cap structure may mitigate the impact of revenue declines in the event of unfavorable trading

conditions, no assurance can be given as to whether that will actually be the case or the extent of such potential or actual mitigation if any. In a number of lease agreements, reaching the cap may trigger an early termination right of the property owner.

Our operations are exposed to the risk of events that adversely affect domestic or international travel and lodging industry.

Our results have been and will continue to be significantly affected by events outside our control that affect the level of global travel and business activity, including unforeseen public health crises, such as pandemics and epidemics; political crises, such as terrorist attacks, war, and other political instability; and other catastrophic events, whether occurring in Europe or internationally. Some of our hotels are situated near or within airports and in the event of closures of the airports due to safety reasons which affects the access to the hotels, we may not be entitled to compensation under the relevant lease agreements due to such closures. Some governments in the countries in which we operate have a significant influence on their respective economies. Disruptions to our business operations during peak periods, as a result of political or economic instability or other adverse conditions, such as terrorist attacks in our core markets, could negatively affect our profitability.

For example, the performance of our hotels in Brussels, Nice and Paris have been significantly impacted by the terrorist attacks that took place in these cities in 2015 and 2016, respectively. For the year ended December 31, 2016, the eight hotels at which we have operations in these three cities contributed €6.3 million less in terms of Radisson EBITDA than they did for the year ended December 31, 2015. Additionally, the average RevPAR of all hotels in Paris and Brussels is still below 100% recovery more than two years after the attacks. There was also a terrorist attack at one of our managed hotels in November 2015 in Bamako, Mali, during which 22 individuals died, including 14 guests and three employees. The occurrence and consequences of such events are unpredictable, and further attacks, political or economic instability, disease outbreaks or military action could have an adverse effect on the travel, hospitality and leisure industries in general, affecting the locations in which we operate and our business and results of operations.

Our results are also affected by periods of abnormal, severe or unseasonal weather conditions, including natural disasters, such as hurricanes, floods, earthquakes and other adverse weather and climate conditions. We generally are insured against most losses resulting from these events, but the limits on our claims and the deductibles may vary depending upon the location of the hotel.

We operate in a highly competitive industry, and our business, results of operations, financial condition, prospects and market share could be adversely affected if we are unable to compete effectively.

The hotel industry is highly competitive. We face a variety of competitive challenges in attracting new guests and maintaining customer loyalty among our existing customer base, including:

- identifying and contracting for new hotels at suitable locations, under the terms of our financing arrangements, in line with planning and other local regulations;
- anticipating and responding to the needs of our customers;
- differentiating the quality of our hotel services and products with respect to our competitors;
- developing and maintaining a strong brand image and a reputation for consistent quality and service across our hotels;
- competitively and consistently pricing our rooms at appropriate levels and achieving customer perception of value;
- undertaking effective and appropriate promotional activities and effectively responding to promotional activities of our competitors;

- maintaining and developing effective website designs, mobile applications and online presence; and
- attracting and retaining talented employees and management teams.

We compete with hotel operators of varying sizes, including major international chains with well-established and recognized brands offering a broad range of products, as well as specialist or independent hotel operators. Some of our competitors have greater market presence and name recognition and stronger brands than we do. Certain competitors have greater financial resources, greater purchasing economies of scale and lower cost bases than we have. Consequently, they may be able to spend more on marketing and advertising campaigns than we are, thereby increasing market share. Our competitors may be able to react more swiftly to changes in market conditions or trends or to offer lower prices or incur higher costs for longer than we can. The adoption by competitors of aggressive pricing, intensive promotional activities and discount strategies or other actions that attract customers away from us, as well as our actions to maintain our competitiveness and reputation, could have an adverse effect on our market share and position, in turn affecting our net turnover and Radisson EBITDA.

If we are unable to successfully compete with our competitors, it could have a material adverse effect on our business, financial condition and results of operations.

Our business and future growth depend in part on our ability to expand our hotel portfolio by identifying suitable locations for new properties.

Our business and future growth are affected by the availability of suitable locations for new properties. Our ability to find new properties is affected, and may potentially be limited, by factors influencing real estate development generally, including site availability or affordability, financing, planning, zoning and other local approvals. In addition, demographic, geographic or other changes in one or more of our markets could impact the convenience or desirability of the sites of certain hotels. To the extent that we are unsuccessful in identifying or securing suitable locations for new properties, our business, financial condition and results of operations may be adversely affected.

Sharing economy platforms, such as Airbnb, could begin to capture a larger share of business across our market segments.

The use and popularity of sharing economy providers, such as Airbnb, has grown rapidly in the last few years. Sharing economy providers compete against traditional accommodation providers such as hostels and hotels and may disrupt or reduce customer demand for traditional accommodation or require traditional accommodation providers to alter their business model or pricing structures in order to be able to compete effectively. The resulting increased competition for guests combined with our inability to adapt and successfully compete with these platforms could have a material adverse effect on our business, financial condition and results of operations.

We may be unsuccessful in implementing our growth strategy as outlined in the Five-Year Operating Plan and our planned growth strategy may not be achieved.

Our future growth and ability to achieve the efficiency benefits anticipated will depend on the successful execution of the company's five-year operating plan (the "Five-Year Operating Plan"). The Five-Year Operating Plan was borne out of the detailed diagnostic of our key strategic areas, which highlighted the need for a step change in our performance. The Five-Year Operating Plan includes the implementation of asset management initiatives aimed at optimizing the hotel portfolio and other measures to improve operational efficiency and profitability. See "Management's discussion and analysis of financial condition and results of operations—Five-Year Operating Plan". The Five-Year Operating Plan is based on a number of assumptions, including with respect to (i) macroeconomic considerations (e.g. inflation levels in key markets in which we operate and foreign exchange considerations), (ii) our ability to increase revenue generating capacity by achieving significant room growth and (iii) our ability to generate return

on planned investments relating to IT capabilities and the repositioning of our property portfolio. The Five-Year Operating Plan is also based on assumptions about the timing, execution and costs associated with the initiatives. The measures anticipated by the Five-Year Operating Plan are wide-ranging and ambitious. The Five-Year Operating Plan was approved by our board in October 2017. We are currently unable to properly assess whether it has achieved the anticipated levels of growth and may be unable to properly assess the impact of the Five-Year Operating Plan for a number of years.

We aim to successfully execute the Five-Year Operating Plan through the implementation of certain growth strategies. Our ability to expand our business through each of these growth strategies is subject to a variety of factors, some of which are beyond our control, including, but not limited to, our ability to:

- terminate lease contracts or otherwise renegotiate more favorable terms, as well as extend profitable contracts;
- achieve asset-light growth in Eastern Europe, the Middle East, Africa and other identified key focus countries;
- achieve asset-right growth through a mix of leased, managed and franchised hotels in Western Europe;
- maintain and strengthen our position as a provider of high-quality service and hospitality products;
- realize estimated cost savings in the manner anticipated; and
- enhance operational efficiencies and improve overall profitability.

Our ability to successfully implement the Five-Year Operating Plan is also subject to numerous other uncertainties and business, economic and competitive developments.

If we fail to successfully implement the Five-Year Operating Plan, the positive impact we expect to achieve on our business, financial condition and results of operations may be reduced or not materialize at all. Even if we do implement all the growth strategies set out in the Five-Year Operating Plan, it is not guaranteed that the anticipated benefits will materialize.

The development of new hotels and the expansion of existing hotels are subject to a number of risks beyond our control, including insufficient growth in demand for hotel rooms.

In order to achieve our planned growth strategy, we must increase our scale globally and the number of hotels and rooms in our portfolio. It typically takes several months or years from the commencement of a project to completion of a new hotel, and demand for hotel rooms in particular locations may change significantly between the time we make the decision to enter a particular market or region and the time at which a hotel commences operations. If future demand for our hotels does not match the growth in our hotel room portfolio, we may experience lower occupancy rates than expected or be required to lower our room rates in a particular hotel to attract customers, which could have an adverse effect on the profitability of our investments and our results of operations.

We may not be able to exit or renegotiate underperforming leases.

Portfolio optimization is an essential part of improving our overall hotel performance and increasing revenues and profitability and is one of the key areas of focus in the Five-Year Operating Plan. Amongst other things, portfolio optimization involves asset management, such as renegotiating the terms of selected leases on a more favorable basis, exiting underperforming leases and extending profitable leases in order to help achieve our planned savings targets. For example, between 2015 and 2017 we negotiated the early termination of 13 leases. The costs associated with exiting such lease agreements amounted to €34.2 million between 2015 and 2017. However, our lease agreements do not provide for early termination at our option without cause, and we may not be able to agree terms for the early termination of our leases with the

owners of those properties on financially favorable terms, if at all. If we are not able to exit our underperforming leases, or we are unable to renegotiate or extend our existing leases on favorable terms, this could have a material adverse effect on our business, financial condition and results of operations.

A portion of our expenses is fixed, which may impede us from quickly adapting our operations to changes in our revenue.

Part of our expenses is in the form of rental payments. For example, for the three months ended March 31, 2018, rental expenses were €53.5 million, excluding costs for shortfall guarantees of €2.5 million. Our rental expense is primarily determined by our ability to negotiate favorable terms under lease agreements. In cases where we pay a variable rent, or the higher of a fixed rent and a variable rent, the rental expense is also affected by the revenue level of hotels operated under such rental provision. During periods of strong economic growth, the proportion of profits derived from leased hotels compared to managed and franchised hotels increases significantly. However, margins from leased hotels typically decrease during economic slow-down as the cost base is largely fixed (excluding the variable portion in some of the lease agreements, which decreases during a slow-down as a result of lower level of revenue).

In addition, a large component of our operating expenses is represented by salaries and other personnel related expenses. Expenses related to personnel costs and contract labor were €76.6 million for the first quarter of 2018. A significant portion of our personnel costs are fixed, and certain other operating expenses, including insurance, information technology and telecommunications and similar expenses, are also to a large extent fixed. As such, our operating results are susceptible to short-term changes in revenues. Our inability to react quickly to changes in revenue by reducing operating expenses could have a material adverse effect on our business, financial condition and results of operations.

Most of our lease agreements include minimum lease payment clauses and certain of our management agreements include guarantee clauses, which are in each case independent of the revenue generated by the property.

As part of our operations, we manage hotels of third-party property owners and other partners under lease and management agreements. As of March 31, 2018, we managed 206 hotels owned or leased by third parties, consisting of 45,139 rooms and representing 54.7% of our total number of rooms in operation. The majority of our lease agreements include a minimum rent payment obligation, which is independent of the revenue generated by the hotel. We typically limit the “shortfall” amount by which the fixed rent exceeds the variable rent to an amount corresponding to two to three years’ aggregate fixed rent payment obligations. Similarly, some of the management agreements provide our contract partners with guarantees for a minimum operating result. Our obligation to compensate for any such “shortfall amount”, by which the actual result of a hotel is less than the guaranteed amount during a specified period, is typically limited to two to three times the annual guarantee specified in the management agreement. As of March 31, 2018, almost all of our lease agreements included a minimum lease payment obligation and approximately 11% of the management agreements included a minimum guarantee payment of approximately €0.4 million per year. Failure to generate sufficient results to meet such minimum rent payment obligations or minimum operating results could have a material adverse effect on our business, financial condition and results of operations.

We may be required to make additional payments or otherwise compensate lessors for any renovation work that has not been made pursuant to the terms of the lease agreements.

Under our lease agreements, we are responsible for maintaining the hotel furniture, technical installations and building in good repair and condition over the term of the lease agreement. Under certain lease agreements, we are required to invest an agreed percentage of the hotel revenue in maintenance and replacement of the hotel asset. In circumstances where our investments in maintenance and renovation do not meet the agreed level required by the contract and the term of the lease is ending, we typically seek to negotiate with lessors in order to reflect this shortfall in a renovation commitment in a new lease agreement. However, in

circumstances where the lessor requires agreed investments to be made prior to the termination, the lease agreement is not extended or the parties do not reach an agreement on how to reflect the shortfall in the new agreement, we may be required to make the agreed investments or otherwise compensate the lessor for any such shortfall.

Timing, budgeting and other risks could delay our efforts to renovate and reposition our properties, or could make these activities more expensive, and we may not realize the anticipated benefits of renovation and repositioning, which could reduce our profits or impair our ability to compete effectively.

We must maintain and renovate our properties to remain competitive, maintain our value and brand proposition, and comply with applicable laws and regulations and certain contractual obligations under our leases. We have a regular maintenance and room update cycle according to which we refurbish our leased properties around every 7 to 10 years. Additionally, portfolio optimization is a key focus of our Five-Year Operating Plan, as we aim to reposition between 30-35 of our leased properties, with an estimated capital expenditure of €140 to €150 million over the period 2018 to 2020, through a process of selective refurbishment in an attempt to increase Radisson EBITDA. However, such efforts are subject to a number of risks, including:

- construction delays or cost overruns, including labor and materials, that may increase project costs;
- obtaining planning and other required permits or authorizations;
- governmental restrictions on the size or kind of renovation;
- agreeing with the owner and to when joint renovation is required;
- force majeure events, including storms and floods; and
- design defects that could cause delays or increase costs.

The timing of capital improvements at existing hotels can affect occupancy rates and room prices, particularly if we need to close a significant number of rooms or other facilities, such as meeting spaces or bars and cafés. Moreover, the investments that we make may fail to attract customers to our properties in the manner that we expect. If such investments adversely affect or fail to improve performance, our ability to compete effectively may be diminished and our revenue could be reduced. Furthermore, ongoing maintenance or repair work may lead to increased noise levels, which could negatively affect our customers' experience during their stay with us and lead to negative feedback or publicity, especially through social media, thus affecting our brand image.

Additionally, our ability to execute refurbishment programs and repositioning will depend on our ability to generate cash, and we cannot guarantee that we will be able to complete such refurbishment activities on time, or at all. Our inability to generate sufficient cash to carry out work necessary to maintain such properties could have a material adverse effect on our operations in these hotels and ultimately may affect the value of these assets. Our failure to complete refurbishment and repositioning programs to the extent or in the timeframe contemplated could have a material adverse effect on our business, financial condition and results of operations. Furthermore, should we not be in a position to generate sufficient cash to regularly update our hotel, our customers' satisfaction with our hotels may decline which could negatively affect our brand.

We have, and may acquire interests in, joint venture projects. Our involvement in those joint venture projects means we have a limited ability to manage third-party risks associated with these projects and may expose us to liabilities.

In some markets, we operate through co-ownership, partnerships, joint ventures or similar structures with third parties. For example, we own a 20% equity stake in Afrinord Hotel A/S to provide finance to hotels in Africa and a 50% equity stake in Rezidor Royal Hotel Beijing Company Limited to develop a hotel in China.

Although we seek to minimize risks associated with joint ventures before investing with other partners, the actions of our partners could cause additional risks, such as project delays, increased costs or operational difficulties. For example, we are owed an amount equal to €12.6 million pursuant to a loan which we made to the Beijing JV, which remains outstanding. In addition, our partners could have financial difficulties, be unable to meet their capital contribution obligations, have economic or business interests or goals that are inconsistent with our business interests or goals or take actions that are contrary to our instructions or to applicable laws and regulations. In addition, we may be unable to take action without the approval of our joint venture partners, or our joint venture partners could take actions binding on the joint venture without our consent. Consequently, actions by a partner could expose us to claims for damages, financial penalties and reputational damage, any of which could have a material adverse effect on our business and financial condition.

Negative media attention on HNA Group regarding its financial position and ownership structure, and its relation to us, could negatively impact our business and our ability to obtain financing.

Our majority shareholder, HNA Tourism Group Co., Limited (“HNA Tourism”), is ultimately beneficially owned by HNA Group Co., Ltd. (“HNA”). HNA and its group (the “HNA Group”) has been subject to certain negative media attention in recent years, focused in particular on its ownership structure, leverage and capital structure. If such media attention continues or intensifies, it could have a negative impact on our relationships with third-party suppliers and outsourcing partners, as well the hotel owners and franchisees with whom we have agreements. For example, such third parties could view our association with HNA as unfavorable and may choose to exit existing contracts before their intended maturity date or choose not to continue to the commercial relationship at the time of contract renewal.

Additionally, as a result of HNA Group’s significant interest in our share capital, obtaining financing to fund our operations may be difficult to obtain when required or may not be available on terms acceptable to us, or at all. For example, financial institutions (including certain of our principal lenders) have had in the past, and may continue to have, concerns about HNA Group’s beneficial ownership. As a result, financial institutions may not be willing to maintain accounts for us or may not be able to provide their full range of financial products to us on desired terms. In addition, our ability to maintain or improve our credit rating is partially dependent on ratings agencies’ views on the financial profile of HNA Group and on our relationship with HNA Group.

Any impact from our relationship with HNA Group on our ability to retain and renew contractual arrangement or access third-party debt financing on terms and at the times we desire could have a material adverse effect on our business, financial condition and results of operations.

Our business depends on our relationships with our third-party suppliers and outsourcing partners, and adverse changes in these relationships, our inability to enter into new relationships or performance failure by such third-party suppliers and outsourcing partners, could have a material adverse effect on our business, results or operations, financial condition or prospects.

If any third-party service provider on which we rely in conducting our business does not satisfactorily perform the services, or does not comply with local social security regulations, we in turn may not be able to provide adequate hotel facilities and services to our customers and could potentially be held responsible for compliance with local regulations. Negative publicity or reviews by customers, or potentially unethical business practices, resulting from the actions of outsourcing partners and third-party suppliers could also have an adverse effect on our reputation and brands.

In addition, adverse changes in any of our relationships with outsourcing partners and third-party suppliers or the inability to enter into new relationships with these parties, on commercially favorable terms, or at all, could adversely affect our operations or otherwise cause disruption.

Our arrangements with outsourcing partners and third-party suppliers may not remain in effect on current or similar terms, and the net impact of future pricing options may adversely affect our financial position and results of operations. In particular, we depend on a limited number of third-party maintenance service providers and IT service providers. The loss or expiration of any of our contracts with these service providers and the inability to negotiate replacement contracts with alternative service providers at comparable rates or to enter into such contracts in any of our markets would have a material adverse effect on our business, financial condition and results of operations.

We may seek to expand through acquisitions of and investments in businesses and properties or through alliances and partnerships with third parties, and we may also seek to divest some of our properties and other assets, any of which may be unsuccessful or divert our management's attention.

Our growth has been, in part, attributable to acquisitions of other businesses and operations in regions in which we already operate, such as the acquisition of a 49% stake in prizeotel in April 2016. We have a call option to acquire the remaining 51% of prizeotel. From time to time, we consider and engage in negotiations with respect to acquisitions. In many cases, we will be competing for opportunities with third parties that may have substantially greater financial resources than we do or we may enter into partnership or joint venture agreements in which we hold a minority stake and are therefore able to exercise less influence over operational decisions. Acquisitions or investments in businesses, properties or assets and entry into alliances or partnerships are subject to risks that could affect our business and the success of our acquisition strategy depends upon our ability to identify suitable acquisition targets, to assess the value, strengths, weaknesses, liabilities and potential profitability of such acquisition targets and to negotiate acceptable purchase terms.

We may not be able to identify opportunities or complete transactions on commercially reasonable terms, or at all, and our failure to do so may limit our ability to grow our business. If we are unable to continue to make suitable acquisitions, our ability to increase our revenues may be adversely affected. We may pursue acquisitions and other strategic opportunities that are different from those we have sought in the past, including those in new international markets where we have identified significant potential.

If we make acquisitions, we may not be able to generate expected margins or cash flows, or to realize the anticipated benefits of such acquisitions, including growth or expected synergies. Similarly, we may not be able to obtain financing for acquisitions or investments on attractive terms or at all, and our ability to obtain financing may be restricted by the terms of the Revolving Credit Facility, the Indenture and the terms and conditions governing the Notes or other indebtedness we may incur.

From time to time, we consider and engage in negotiations with respect to disposal of assets. For example, in April 2010, we, along with Radisson Hospitality, Inc. Group, sold our joint holding in the Regent luxury hotel business to Formosa International Hotels Corporation for a total of \$56 million. Divestment of some of our properties or assets may yield lower than expected returns or otherwise fail to achieve the benefits we expect. In some circumstances, sales of our properties may result in investment losses. Upon sales of properties or assets, we may become subject to contractual indemnity obligations, incur material tax liabilities or, as a result of required debt repayment, face a shortage of liquidity. However, if we fail to dispose of a property or asset in a timely manner or at all, we may fail to benefit from potential returns or sell at a loss, which would ultimately have a negative impact on our financial results.

Additionally, the pursuit of any acquisition, investment, disposition or strategic relationship may demand significant attention from our management that would otherwise be available for our regular business operations, which may have an adverse effect on our business.

Acquisitions may disrupt our ongoing business, increase our expenses and may adversely affect our operating results if we cannot effectively integrate these new operations.

The success of our acquisitions and investments will depend, in part, on our ability to integrate the acquisition or investment with our existing operations and to effect any required changes in operations or personnel. Such integration may require more investment than we expect, and we could incur or assume unknown or unanticipated liabilities or contingencies with respect to customers, employees, suppliers, government authorities or other parties, which may impact our operating results. Furthermore, there can be no assurance that our assessments of and assumptions regarding acquisition targets will prove correct, and actual developments may differ significantly from our expectations, which may hamper our integration efforts.

The process of integrating businesses may be disruptive to our operations and may cause an interruption of, or a loss of momentum in, such businesses or a decrease in our results of operations as a result of difficulties or risks, including:

- unforeseen legal, regulatory, contractual and other issues;
- difficulty in standardizing information and other systems;
- difficulty in realizing operating synergies;
- diversion of management's attention from our day-to-day business; and
- failure to maintain the quality of services that we have historically provided.

Any failure to properly integrate an acquired business could have a material adverse effect on our business, results of operations, financial condition or prospects.

Hotel openings in our existing development pipeline may be delayed or not result in new hotels being opened at all, which could adversely affect our growth prospects.

As of March 31, 2018, our pipeline is comprised of over 100 hotels and over 23,700 rooms, all of which, with the exception of one hotel in Switzerland, are on fee-based management or franchise contracts which have limited financial commitments from the Group. Approximately 89% of these rooms under development are located in emerging markets, which are typically associated with higher execution risks and uncertainties. The commitments of owners and developers with whom we have agreements are subject to uncertainties, and the eventual opening of the hotels in our development pipeline is subject to several risks, including, in particular with respect to projects in emerging markets, the owner's or developer's ability to obtain adequate financing or governmental or regulatory approvals. Accordingly, there can be no assurance that all hotels in our development pipeline will become operational under one of our brands, or that those hotels will open when we anticipate.

We may be unable to maintain good relationships with third-party hotel owners and franchisees and may not be able to retain, extend or renew on acceptable terms the agreements for certain of the hotels that we manage, lease or franchises.

Our business depends on our ability to establish and maintain long-term, good relationships with third-party property owners and franchisees and on our ability to retain, extend or renew lease, management and franchise agreements. As part of our Five-Year Operating Plan, it is our intention to move to an asset-right model, through a mix of leased, managed and franchised hotels. In emerging markets, we will continue with management and franchise agreements with limited financial exposure. In Western Europe we will use all our three contract types, with more focus on leases than in the past several years. It is therefore important that we maintain good relationships with third-party hotel owners and franchisees in order for us to successfully execute our growth strategy.

Our hotel lease agreements are generally executed for periods of 20 years or longer, our hotel management agreements are generally entered into for periods of 15-20 years and our franchise agreements for periods of 10 years or longer. A few of these hotel lease contracts include early

termination provisions allowing the owner to renegotiate or terminate the contract prior to the end of the contract term or at the point at which any applicable cap on rental payments has been met. Failure to maintain good relationships with third-party hotel owners and franchisees could cause such owners and franchisees to terminate the agreement with us. In view of the significant competition we face, we could lose some of our prime hotel locations, which could have a material adverse effect on our business, financial condition and results of operations. Even when we are able to renew agreements for properties in attractive locations, the terms of new agreements may not be commercially as attractive for us, which may have an adverse effect on our results of operations.

Property owners can also become financially distressed. This may result in property owners being subject to insolvency proceedings and, in connection therewith, although lease agreements would generally survive, we may lose our management contract for a property. While this has not been a significant problem for us to date, there is a risk that we may lose management agreements for some properties if the economic conditions deteriorate in the future. In addition, while in general the owners of the hotels at which we have operations own only a limited number of our hotels, there is one party who owns 19 of the managed and franchised hotels at which we have operations. If we are unable to maintain good relationships with third-party hotel owners or franchisees of a large portfolio of hotels, whether individually or cumulatively, or if we are unable to extend or renew the agreements with such owners or franchisees on acceptable terms when these agreements expire, this could have a material adverse effect on our business, financial condition and results of operations.

Our relationships with franchisees may also expose us to additional risks, including, but not limited to, the financial condition and access to capital of franchisees, or the reputational damage to our brands as a result of actual or threatened disputes or legal proceedings vis à vis our franchisees. While we ultimately can take actions to terminate agreements with our franchisees, upon the occurrence of certain standard events specified in our franchising agreements, we may not be able to take the required actions in a timely manner to protect the brands under which we operate.

Our ability to grow our business depends, in part, upon our ability to enter into new management agreements, and there is no guarantee that we will be able to enter into management agreements on terms that are favorable to us, or at all.

We compete with other hotel operators for management agreements, based primarily on the value and quality of our management services, our brand name recognition and reputation, our experience and track record of success in certain regions, our ability and willingness to invest our capital in third-party properties or hospitality venture projects, the level of our management fee revenue, the terms of our management agreements and the economic advantages to the hotel proprietor of retaining our management services and using our brand name. Other competitive factors for management agreements include relationships with third-party hotel proprietors and investors and our previous performance with such hotel proprietors or investors, including institutional owners of multiple properties, marketing support and reservation and e-commerce system capacity and efficiency. We believe that our ability to compete for management agreements primarily depends upon the success of the properties that we currently manage. The terms of any new management agreements that we obtain also depend upon the terms that our competitors offer for those agreements. In addition, if the availability of suitable locations for new properties decreases, planning or other local regulations change or the availability or affordability of financing is limited, the supply of suitable properties for our management could be diminished. We may also be required to agree to limitations on the expansion of our brand in certain geographic areas to obtain a management agreement for a property under development, which could prohibit us from managing other properties in areas where further opportunities exist. If the properties that we manage perform less successfully than those of our competitors, if we are unable to offer terms as favorable as those offered by our competitors or if the availability of suitable properties is limited, our ability to compete effectively for new management agreements could be reduced.

If third-party proprietors of the properties we manage fail to make investments necessary to maintain or improve their properties, preference for our brand and our reputation could suffer or our management agreements with those parties could terminate. Additionally, in certain circumstances third-party proprietors may terminate the management agreements.

As of March 31, 2018, 54.7% of our hotels (based on number of rooms) were owned or leased by third parties and managed by us under the terms of management agreements. Substantially all our management agreements require third-party hotel proprietors to comply with standards that are essential to maintaining our brand integrity and reputation. We depend upon third-party hotel proprietors to comply with the requirements by maintaining and improving properties through investments, including investments in furniture, fixtures, amenities and personnel.

Third-party hotel proprietors may be unable to access capital or unwilling to spend available capital when necessary, particularly during periods of economic downturn, even if required by the terms of our management agreements. Moreover, although the standards with which hotel proprietors must comply are generally consistent across our management agreements and aligned with industry standards, hotel proprietors may interpret and apply these standards differently.

If third-party hotel proprietors fail to make the investments necessary to maintain or improve the properties we manage, or to make improvements in accordance with the standard of quality we expect, or otherwise breach the terms of our agreements with them, we may be required to take remedial action, including electing to exercise our termination rights, which would eliminate our net turnover from these properties and cause us to incur expenses related to terminating these agreements, which in turn could have a material adverse effect on our business, financial condition and results of operations.

Additionally, in certain circumstances, hotel proprietors may terminate the management agreements. For example, after we manage a hotel for three financial years, proprietors typically have early termination rights subject to certain conditions based on certain defined performance metrics. Additionally, when the guarantee cap has been reached or if the hotel underperforms compared to other hotels in the same local market for two consecutive years, the hotel proprietor has the right to terminate the management agreement. If a significant number of management agreements is terminated, this would have a material adverse effect on our business and financial condition.

Our ability to grow our business depends, in part, upon our ability to enter into new franchise agreements, and there is no guarantee that we will be able to enter into franchise agreements on terms that are favorable to us, or at all.

We compete to enter into franchise agreements, based primarily on our brand name recognition and reputation, the availability of suitable properties in certain geographic areas, and the overall economic terms of our agreements and the economic advantages to the property owner of using our brands. There are also risks that significant franchisees or groups of franchisees may have interests that conflict, or are not aligned, with our own, including, for example, the unwillingness of franchisees to support brand improvement initiatives.

Under our franchise agreements, we derive revenue from brand royalties or from licensing fees, which, under most of the franchise agreements, are based on a percentage of total rooms revenue generated by a hotel. In addition, we collect marketing fees based on total rooms revenue and reservation fees based on the number of reservations made through our systems. In order to gain access to different initiatives and programs associated with the brand, the hotel owners normally have to pay additional fees. However, we may not be successful in negotiating our franchise agreements and the commercial terms which we enter into may not be favorable. Under these circumstances, our ability to generate revenue from our franchise agreements may be reduced or impaired. For example, we are currently in discussions with Radisson Hospitality, Inc. in connection with entering into a licensing agreement, which would strengthen our franchising capabilities in one of our key markets. In the event that this licensing agreement is

not entered into, this could have a material adverse effect on our business, financial condition and results of operations.

We may also be required to agree to limitations on the expansion of our brand in certain geographic areas to obtain a franchise agreement for a property under development, which could prohibit us from franchising other properties in areas where further opportunities exist. If the properties that we franchise perform less successfully than those of our competitors, if we are unable to offer terms as favorable as those offered by our competitors, or if the availability of suitable properties is limited, our ability to compete effectively for new franchise agreements could be reduced.

We are exposed to the risk of litigation from guests, customers, potential partners, suppliers, employees, regulatory authorities, franchisees and/or the owners of hotels leased or managed by us.

We have been and, from time to time, may continue to become a party to claims and lawsuits incidental to the ordinary course of business. We are exposed to the risk of litigation from guests, customers, potential partners, suppliers, employees, regulatory authorities, franchisees and/or the owners of hotels leased or managed by us for breach of legal, contractual or other duties. For example, in December 2017, the owner of one of our managed hotels in Turkey has threatened claims against us based on the uncovering of theft by hotel employees. In the current circumstances, it is difficult to assess if and in such a case to what extent we could be held liable for damages. We may also be facing a claim in Togo. In this case, the owner of a managed hotel is threatening to file a mismanagement claim and has brought criminal claims against eight employees of the hotel. The terrorist attack of our Bamako hotel is subject to governmental investigations. As of December 31, 2017, a few surviving guests have brought claims or threatened to bring claims for injuries and for emotional suffering and the families of two of the deceased guests have brought claims for the death of their family members. We are not able at this stage to understand the potential financial impact of these claims, but it is possible that these claims could have an adverse effect on our reputation and reputation of our brands.

Although we do not expect any of the current litigations we are involved in to have a material adverse effect on our reputation or the reputation of our brands, business, financial condition and results of operations, there can be no assurance that such disputes would not arise in the future.

Demand for our hotel rooms and our other products and services is subject to seasonal fluctuations in customer demand.

Our net turnover and cash flows depend upon numerous factors, such as bookings and RevPAR. In the hotel industry these factors are affected by seasonality depending upon the location and category of hotels. For example, the customer demand in Europe changes significantly depending upon the season and the majority of hotel stays in the region is concentrated in the second and third quarters of the calendar year. As a result, the level of demand for our hotel rooms and our other products and services fluctuates over the course of the calendar year and, while there are variations among our geographical segments, our Occupancy rates and revenue is generally highest from March through June and from September through November. For example, in the first quarter of 2017 our revenue was €222.5 million and increased to €254.1 million during the second quarter of 2017. However, a significant proportion of our expenses are incurred more evenly throughout the year. Therefore, our profitability fluctuates during the year and we record greater losses during the first quarter and tend to generate profits for the remainder of the year. Accordingly, our liquidity is typically at its highest during our peak seasons from March through June and from September through November, and at its lowest during the first quarter.

If the amount of sales made through third-party internet travel intermediaries increases significantly, we may experience difficulty in maintaining consumer loyalty to our brand.

We have seen a shift in hotel bookings from traditional to online channels. Accordingly, we derive a significant portion of our business from internet travel intermediaries, most of which

devote equal space and attention to all the hotel operators listed on their websites. In addition, various websites publish user reviews based upon personal testimonies, including photos that have not been vetted or verified. We have little control over the way in which our hotels and our offering of services and products are portrayed through these third-party sites. Our hotels may be categorized according to the search criteria deemed appropriate by the travel intermediaries and may be grouped together with other hotels that are made to look more desirable, for example due to proximity to tourist sites or based upon user reviews. Some internet travel intermediaries may emphasize factors such as price or general indicators of quality (for example, “four-star downtown hotel”) at the expense of brand identification. Such measures are aimed at developing customer loyalty with respect to the reservation system used rather than to our brands. If sales made through internet travel intermediaries increase significantly and consumers develop stronger loyalties to these intermediaries rather than to our brands, we may experience a decline in customer loyalty and repeat business and consequently, our business and net turnover could be harmed.

The United Kingdom's impending departure from the European Union may adversely affect economic conditions, may result in a decline in travel to the United Kingdom, may disrupt financial markets and may make it difficult for us to retain and attract employees in the United Kingdom.

Following a national referendum in June 2016, the United Kingdom formally notified the European Council on March 29, 2017 of its intention to withdraw from the European Union (“Brexit”). Negotiations have commenced to determine the future terms of the United Kingdom’s relationship with the European Union, including, among other things, the terms of trade between the United Kingdom and the European Union. However, the timing of any transition period following the United Kingdom’s exit from the European Union, the terms of any agreement governing the future relationship between the United Kingdom and the European Union, as well as the legal and economic consequences of those terms, remain unclear.

Prolonged uncertainty during Brexit negotiations may adversely affect economic or market conditions in the United Kingdom, the rest of Europe and worldwide, and could lead to instability in global financial and foreign exchange markets, including volatility in the value of the euro and pound sterling and thus restricting our ability to access the capital markets. This economic uncertainty may lead to a reduction in commercial activity and may have a negative impact on the demand for hotels within and to the United Kingdom as well as other parts of Europe.

Finally, a significant number of the staff we employ in our leased hotels in the United Kingdom are citizens of the remaining member states of the European Union. As of the date of this offering memorandum, it remains uncertain whether these staff will be able to continue working in the United Kingdom following Brexit and whether we will be able to continue recruiting European Union citizens to work in the United Kingdom. Any loss of staff or restriction on our ability to recruit staff in the United Kingdom could lead to increased labor costs and difficulties in recruitment going forward.

The United Kingdom is our second largest jurisdiction in terms of revenue, representing 17% of revenue in 2017, and in the United Kingdom, as March 31, 2018, we operate 9 leases, as well as have 19 management contracts and four franchised hotels. As a result, any event which impacts our operations in the United Kingdom could materially and adversely affect our business, cash flows, financial condition and results of operations.

Our future performance depends in part on our ability to respond to changes in consumer tastes, preferences and perceptions.

Our financial results are affected by changes in consumer preferences and perceptions. Examples of changes in consumer preference that may impact our financial performance include the use of sharing economy providers such as Airbnb. If we fail to continue to offer hotels that appeal to our customers, we may not be able to sustain or increase customer traffic. Furthermore,

consumer tastes may change and we may not be able to adapt our offerings to account for such changes, or we may not be able to do so in a timely manner, or may not have the funds necessary to carry out the implementation of the required changes. In addition, customers could perceive our rooms and furnishings to be out of date or worn, and we may not have the financial or operational capacity to maintain, refresh or refurbish our rooms so that they satisfy customer perceptions of quality and value, or we may not be able to carry out the upgrades required by our customers in a timely manner. Moreover, prevailing preferences and perceptions could cause consumers to avoid our hotels in favor of alternatives. Changes in consumer tastes, preferences and trends may continue to impact our business, financial condition and results of operations, particularly if we are unable to anticipate, identify and respond to such changes by evolving our brands in a timely fashion.

Our operating results depend on the reputation and awareness of the brands used in our operations.

Brand awareness, image and loyalty are critical not only to our ability to achieve and maintain high average Occupancy and room rates, but also in order to be able to increase the number of hotels in our portfolio. The reputation and awareness of our brands is affected by a number of factors, including factors outside of our control, such as changes in customer preferences and customer perception. Any event such as incidents involving the potential safety or security of our guests or employees, or the poor quality of products and services, whether as a result of the actions of our employees or financial limitations, that leads to customer complaints or negative publicity or reviews by customers could materially damage the reputation or awareness of one or more of our brands. The considerable expansion in the use of social media and online review sites over recent years has compounded the potential scope and speed of any negative publicity that could be generated by such incidents, whether or not the description of any events by social media is true or accurate. A material failure to sustain the appeal of our brands to our customers could also have a material adverse effect on the value of those brands and subsequent revenues to be derived from these brands.

The reputation of our brands also depends on the property owners and franchisees, and we could be adversely affected by actions taken by them, over which we have only limited control. While we ultimately can take action to terminate our agreements with property owners and franchisees, we may not be able to take action required in a timely manner to protect our brands. Our brand image and reputation may suffer as a consequence thereof.

We rely on Radisson Hospitality, Inc. Group to protect the brands we operate and we have no control over the reputation of the brands owned by Radisson Hospitality, Inc. Group outside of the EMEA area.

Except for certain food and beverage related brands, we do not own any of the trademarks used in our operations. We develop and operate the brands Radisson Collection, Radisson Blu, Radisson, Park Inn by Radisson and Radisson RED. We develop and license these brands in EMEA under master franchise agreements with certain subsidiaries of Radisson Hospitality, Inc. (the “**Master Franchise Agreements**”) which do not ultimately expire until 2052 (after taking into account extension options in our favor). We therefore rely on the owners of these trademarks, Radisson Hospitality, Inc. Group, to maintain and protect their trademarks against infringement or misappropriation and any failure by them to do so, as a result of which the reputation of the brands could suffer, could have a material adverse effect on our business, financial condition and results of operations. In addition, not all of the Radisson Hospitality, Inc. Group brands have trademark protection in each country in the EMEA area covered by the Master Franchise Agreements, and thus we may not be able to open hotels in some markets under certain of the brands. Further, as we do not have a license to use the trademarks owned by Radisson Hospitality, Inc. Group outside the EMEA area, we do not control the standard of the hotels operating under those brands in areas outside the EMEA area, which could impact the reputation of the brands in the EMEA area.

The launch of the “Radisson Hotel Group” brand may not be successful and new brands, products or services that are launched in the future may not be as successful as anticipated, which could have a material adverse effect on our business, financial condition or results of operations.

At the 2018 annual general meeting in April, our shareholders resolved to change the name of the company from Rezidor Hotel Group AB (publ) to Radisson Hospitality AB (publ). This follows the change of name by the company formerly known as Carlson Hotels, Inc. to Radisson Hospitality, Inc. in 2017. Both name changes form part of a joint effort to align the businesses and hotel portfolios of the two companies and create a new “Radisson Hotel Group” brand. As part of our Five-Year Operating Plan, we intend to leverage the newly created “Radisson Hotel Group” brand through our operations under four distinct Radisson brands, Radisson Blu, Radisson, Radisson RED and the newly created Radisson Collection brand. The Radisson Collection brand is expected to initially be made up of 18 hotels, which are being converted from the pre-existing Quorvus and Radisson Blu brands. We also intend to redefine the Park Inn brand to adjust to a midscale target.

However, there can be no assurance that the newly created “Radisson Hotel Group” brand, or any other new hotel brands, products, services launched or strategies will be accepted by hotel owners, franchisees or customers, or that we will recover the costs incurred in developing the new brands, or that the brands, products or services will be successful. For example, we have launched two luxury hotel brands in the past, which have been subsequently terminated by us. If new brands and new hotel products and services are not as successful as we anticipate, it could have a material adverse effect on our business, financial condition or results of operations.

Failure to open new hotels or hotel rooms or place new hotels or hotel rooms under construction in accordance with development schedules and targets set forth in the Master Franchise Agreements with Radisson Hospitality, Inc. Group would result in termination of our exclusivity to the trademark covered by such agreement.

The Master Franchise Agreements with Radisson Hospitality, Inc. Group require us to develop the brands consistent with the development schedule and targets set forth in the relevant agreement. Depending on the brand, these development schedules and targets are measured either by the number of hotels or hotel rooms. Our failure to open new hotels or hotel rooms or place new hotels or hotel rooms under construction in accordance with the development schedules and targets set forth in each of these agreements may result in termination of exclusivity to develop hotels under a certain brand. Accordingly, failure to meet the development schedules and targets set forth in these agreements may result in us being unable to grow by opening new hotels under the respective brands, which could have a material adverse effect on our business, financial condition and results of operations.

If we are unable to establish and maintain key distribution arrangements for our properties on terms favorable to us, the demand for our rooms and our net turnover could decrease.

An increased portion of the rooms at our hotels are booked through third-party internet travel intermediaries and online travel service providers. We also engage third-party intermediaries who collect fees by charging our hotels a commission on room revenues, including travel agencies and meeting and event management companies. For the year ended December 31, 2017, 44% of our rooms revenue and 40% of total room reservations were booked through the Radisson Hotel Group central reservation system and the websites of our branded hotels, which are operated through the Radisson Hotel Group’s online platform. For the year ended December 31, 2017, bookings made through third-party travel intermediaries and online travel service providers accounted for 31% of total room reservations. A failure by our distributors to attract or retain their customer bases would lower demand for our hotel rooms and, in turn, reduce our net turnover.

If bookings by third-party intermediaries increase, the intermediaries may be able to obtain higher commissions or other significant contract concessions from us, increasing the overall cost of the third-party distribution channels. Some of our distribution agreements are not exclusive,

have a short term, are terminable at will, or are subject to early termination provisions. The loss of distributors, increased distribution costs or the renewal of distribution agreements on significantly less favorable terms could adversely affect our results of operations.

Additionally, as part of our Five-Year Operating Plan, it is our intention to define an optimal mix of channels through which reservations are booked with the goal of maximizing our profit. If we are unable to maintain a good relationship with such third-party intermediaries, this will limit the extent to which the benefit of any such optimal mix of channels can be realized, which in turn could adversely affect our margins and results of operations.

Our existing and planned operations in emerging markets may subject us to additional risks and costs.

In recent years, we have increased our presence in Eastern Europe, the Middle East and Africa. As of December 31, 2017, 8% of our revenue derived from Eastern Europe, the Middle East and Africa. As part of our Five-Year Operating Plan we intend to continue to our growth in emerging markets. As a result, our business, financial condition and results of operations could be materially adversely affected if the selected key emerging markets that we operate in, or intend to expand our operations in as part of the Five-Year Operating Plan, are affected by changes in political, economic or other factors, most of which are beyond our control. Factors that could have a material adverse effect on our business, financial condition or results of operations include, but are not limited to, the following:

- availability of qualified contractors to finalize projects;
- failure to obtain adequate financing for new projects in emerging markets, which are perceived to have higher risk as compared to more developed markets;
- failure to obtain necessary governmental or regulatory approvals, as well as the burden and costs of compliance with a variety of local laws and regulations, whether as a result of current laws and regulations or due to changes in those laws and regulations;
- uncertainties relating to the application of legal requirements and the enforceability of laws and contractual obligations;
- difficulty in adapting to local labor laws and regulations;
- increases in the taxes we pay and other changes in applicable tax laws;
- difficulty in collecting fees and royalties and longer payment cycles; and
- expropriation of private enterprises.

There are also additional difficulties associated with growing our business in emerging markets, due to the comparably high levels of social unrest, military action and terrorism. For example, in November, 2015, our Radisson Blu hotel in Bamako, Mali, at which we have a management contract, was the target of a terrorist attack which resulted in a number of casualties, and a subsequent temporary closure of the hotel. Additionally, the Radisson Blu Al Mahary Hotel in Tripoli, Libya, at which we have a management contract, had to be evacuated at the start of 2017 due to the Libyan civil war. The management contract at the hotel is still in place despite the hotel not currently being operational.

We may also experience difficulties in emerging markets due to labor disruption, outbreak of diseases, crime and weakness of local infrastructure, as well as a general unfamiliarity with the local processes and procedures. For example, in January 2015, one of the hotels at which we had operations Nigeria was closed due to the hotel owners getting into a dispute with the hotel staff.

To the extent that any of the challenges described above limit our growth in emerging markets, then this could have a significant impact on the extent to which we are able to achieve the aims of our Five-Year Operating Plan as well as having a material adverse effect on our results of operations and financial condition.

Political tensions in Russia may impact our plan to expand our presence in Russia and the surrounding region.

As part of our Five-Year Operating Plan, we intend to expand our operations in Russia. However, political tensions between Russia and other countries have in the past created difficulties with our Russian operations and there is no guarantee that we will not experience such difficulties in the future. For example, as a result of tensions between Russia and Ukraine, in March 2015 we had to cancel a management contract we had with a hotel in Crimea due to difficulties in getting insurance. Additionally, in February 2017, we had to exit our operations at a hotel in Donetsk in order to avoid paying taxes to an organization in eastern Ukraine which was on an international sanctions list. We also exited Park Inn Nizhny Tagil in Russia in 2017 due to a change of ownership as we assumed it was majority owned by a Specially Designated National.

In recent months, there has been a heightening of political tensions between Russia and a number of western countries, including the United Kingdom and France. These tensions have led to certain members of the international community imposing a new suite of economic and other sanctions against Russia. If these tensions continue or escalate further, this could lead to the imposition of additional sanctions. Further sanctions may make it difficult for us to continue operating certain of our existing hotels in Russia as well as making it more difficult for us to achieve our expansion plans. Additionally, the continuation of such political tensions may have an impact on the Russian economy. To the extent that the Russian economy declines, this may reduce the extent of demand for hotel developments in the country and as a result create further difficulties for our planned growth in the country as part of our Five-Year Operating Plan.

Competition for labor could restrict our ability to implement our HR strategy, operate our properties or grow our business or result in increased labor costs that could impact our margins and cash flow.

Our success depends in large part upon our ability to attract, retain, train, manage and engage our employees. As part of our Five-Year Operating Plan, we are implementing a new HR strategy with a focus on improved talent attraction, recruitment and on boarding, with the aim that, whenever a person wants to work in the hospitality, they think of our Group.

However, employee turnover in the hospitality industry is relatively high and there are a number of factors which may limit our ability to attract and retain staff in line with the aims of our Five-Year Operating Plan. For example, it is becoming increasingly difficult to source key talent due to the competitive nature of the hospitality industry, the high mobility requirements of our business and the potential safety concerns in emerging markets. Additionally, there is increasing pressure for improved living wages, meaning potential employees may choose a competitor on the basis that they offer higher pay.

If we are unable to attract, retain, train and engage skilled employees, our ability to manage and staff our properties adequately could be impaired, which could reduce customer satisfaction. Staffing shortages could also hinder our ability to grow and expand our business. Additionally, because personnel expenses are a major component of the operating expenses at our properties, a shortage of skilled labor could also require higher wages, which would increase our personnel expenses, and could reduce our profits and the profits of third-party hotel proprietors. If we are unable to attract and retain staff as planned, our business operations and financial performance may be adversely affected.

A significant portion of our employees are covered by collective bargaining agreements and we may face labor disruptions that could interfere with our operations.

We are subject to the risk of labor disputes and adverse employee relations, and these disputes and adverse relations could disrupt our business operations and materially adversely affect our business, financial condition and results of operations. For example, we experienced major strikes at our leased properties in Oslo and Bergen in 2016, which had a significant impact on our operations at those hotels. There can be no assurance that there will not be labor disputes and/or adverse employee relations in the future that could have a material adverse effect on our operations in any specific hotel, country or region.

Our key senior personnel and management have been material to our growth and results of operations.

We believe that our growth and results of operations are partially attributable to the efforts and abilities of the members of our executive management team and other key employees within other areas, such as the asset management team. If one or more of the member of management or the asset management team were unable or unwilling to continue in their present position, we might not be able to replace them easily, which could have a material adverse effect on our business, financial condition and results of operations. It cannot be assured that we will be able to attract and retain the key personnel we need in order to achieve our business objectives. If we are unable to retain our management team and key personnel, or attract new qualified personnel to support the growth of our business, this could have a material adverse effect on our business, financial condition and results of operations.

Our results of operations are affected by foreign exchange fluctuations.

We have operations in a number of countries with many different currencies and, therefore, are exposed to currency exchange rate fluctuations. Our accounting currency is euro. The most important currencies (other than the euro, which is our reporting currency) are Norwegian Krone, Danish Krone, Pound Sterling, Swedish Krona, Swiss Franc and US Dollar. As of December 31, 2017, 74% of our revenue was generated in a currency other than euro. See *"Management's discussion and analysis of financial condition and results of operations — Quantitative and qualitative disclosures about market risk—Foreign currency exchange risk"*.

We incur currency transaction risk whenever one of our operating subsidiaries enters into a transaction using a different currency than its functional currency. In contrast to the leased business, where the nature of the business normally is local and the exposure consequently also limited, the fee business is generally subject to a relatively notable transaction exposure. This transaction exposure arises when fees are collected by entities located in another country than that of the hotel from which the fee originates and is mainly related to fees from managed and franchised hotels located outside the Eurozone.

In addition, our results of operations and financial position of our foreign subsidiaries and affiliates are reported in the relevant functional (often local) currencies and then translated into euros at the applicable exchange rates for inclusion in our consolidated financial statements, which are stated in euro. The exchange rates between these currencies and the euro may fluctuate significantly. Any significant fluctuations may have a material effect on our financial condition and results of operations.

We seek to reduce currency transaction risk by matching commitments, cash flows and debt in the same currency and entering into foreign exchange contracts for hedging purposes. However, we may not be able to hedge this risk completely or at an acceptable cost, which could materially adversely affect our financial condition and results of operations. Furthermore, currency fluctuations may have a negative impact on general travel if, for example, the local currency of a popular travel destination appreciates significantly.

The extensive regulatory requirements to which we are subject could increase our costs and liabilities, reduce our margins and cash flow and impact our ability to run our business.

We are subject to numerous laws and regulations in the jurisdictions in which we operate, including licensing requirements such as those relating to liquor and alcohol licenses, construction permits and authorizations, land use and zoning permits, food and beverage regulations, tax, competition and employment laws and regulations. In addition, we may be required to maintain or renew existing licenses or permits, or acquire new licenses or permits, for our business or operations. Compliance with applicable rules and regulations and related dialogue with regulatory authorities involve significant costs and resources. For more information, see *"Business—Regulation"*.

Our operations and the properties we own, lease, manage and develop are also subject to extensive environmental laws and regulations of various governments, including requirements addressing:

- health and safety;
- the use, management and disposal of hazardous substances and wastes, such as cleaning products, batteries and refrigerants;
- the discharge of solid waste materials, such as refuse or sewage, into the environment; and
- air emissions.

Complying with environmental or other laws and regulations, or addressing violations arising under them, could increase our environmental costs and liabilities, reduce our profits or limit our ability to run our business. Existing environmental laws and regulations may be revised or new laws and regulations related to global climate change, air quality or other environmental and health concerns may be adopted or become applicable to us. We could also be subject to liability for the cost of investigating or remediating hazardous substances or waste on, under or in real property we currently or formerly manage, own, lease or develop, or third-party sites where we sent hazardous substances or waste for disposal, regardless of whether we knew of, or were at fault in connection with, the presence or release of any hazardous or toxic substances or waste. The presence or release of hazardous or toxic substances or waste, or the failure to properly clean up such materials, could cause us to incur significant costs, or jeopardize our ability to develop, use, sell or rent real property we own or operate or to borrow using such property as collateral.

In addition, we may be required to manage, abate or remove materials containing hazardous substances such as mold, lead or asbestos during demolitions, renovations or remodeling at properties that we manage, own, lease or develop. The costs related to such management, abatement, removal or related permitting could be substantial.

We face risks associated with operating in global markets, including with respect to compliance with sanctions in jurisdictions in which we operate.

We have operations in a number of countries which are currently subject to, or may in the future become subject to, international sanctions. For example, we have hotels in operation or under development in Libya, Mali, South Sudan, Zimbabwe and Russia (see “—Political tensions in Russia may impact our plan to expand our presence in Russia and the surrounding region”). There is a risk that the international community will in the future choose to impose additional sanctions against these countries, hotel owners with whom we have agreements in these countries, or any other countries in which we currently, or intend to have operations. To the extent that further sanctions are imposed, it may cause certain of our existing operations to close down, as well as preventing certain of our expansion plans in the emerging markets from materializing.

Our tax burden could increase due to changes in tax laws or regulations or their application, or as a result of current or future tax audits.

Our tax burden is dependent on specific aspects of tax laws and regulations in several jurisdictions, including their application and interpretation. Changes in tax laws or regulations or their interpretation or application could significantly increase our tax burden. For example, in connection with the European Union Anti-Tax Avoidance Directives, new EBITDA based interest deduction rules are being implemented in several jurisdictions. To the extent that our subsidiaries in those jurisdictions are not in a position to capitalize excess interest deductions, this may cause our effective tax rate to increase. Due to the international scope of our business, we are subject to the tax law and regulations of several jurisdictions, in particular with regard to transfer pricing rules that apply in certain jurisdictions. Pursuant to such rules, related enterprises must conduct any inter-company transactions on an arm’s length basis and must provide sufficient documentation thereof, subject to the applicable rules of the relevant jurisdiction. Although we have transfer pricing policies in place, tax authorities may challenge our compliance with

applicable transfer pricing rules. For example, at the end of the 2016 financial year, a Bilateral Advance Pricing Application (“BAPA”) was made to authorities in Denmark and Belgium in connection with the transfer pricing model we operate between the two countries. We are still awaiting a final ruling on the BAPA.

In addition, we may be subject to tax audits by the national tax authorities. As a result of tax audits or other review actions of the relevant market surveillance authorities or tax authorities, additional taxes could be assessed, which could lead to an increase in our tax liabilities. For example, there is an ongoing review by tax authorities in Sweden concerning interest deductions made by Radisson Hotel Holdings AB (publ) in financial years 2013, 2014 and 2015.

If we are unable to utilize our deferred tax assets, this could have a material adverse effect on our business, financial condition and results of operations.

As of March 31, 2018, we had €63.3 million recorded as deferred tax assets. Deferred tax is recognized for temporary differences between stated and taxable income and for deferred tax receivables attributable to unutilized tax losses carry-forward. The valuation of tax losses carried forward and ability to utilize tax losses carry-forward is based on estimates of future taxable income. The assumptions used in estimating the future taxable income are based on those used in the impairment tests. These estimates and assumptions are subject to risk and uncertainty; hence, it is possible that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognized on the statement of financial position and the amount of any other tax losses and temporary differences not yet recognized. Portfolio management, a revision of plans and projections for loss-making hotels or a setback in the economic recovery, with major implications on the performance of our hotels, could trigger a need for further assessment of the recoverability of accumulated tax losses carry forward and therefore also on the carrying value of deferred tax assets.

Furthermore, changes in tax rules and regulations, for example a reduction of the income considered taxable or the right to deduct expenses, could also trigger a need for further assessment of the recoverability of the tax losses carried forward and the related deferred tax assets. If we generate lower future taxable profits than we have assumed in determining the amounts of the recognized deferred tax assets, the assets would become impaired, either partly or in full. Accordingly, amounts recognized in statement of financial position could potentially be reversed through profit and loss, which could have a material adverse effect on our business, financial condition and results of operations.

If the insurance that we carry does not sufficiently cover damage or other potential losses involving our hotels, our margins and cash flow could be reduced.

We currently carry insurance that we believe is adequate for foreseeable losses and with terms and conditions that are reasonable and customary. Nevertheless, market forces beyond our control could limit the scope of the insurance coverage that we can obtain in the future or restrict our ability to continue to buy insurance coverage at reasonable rates. Insurance costs may increase substantially in the future and may be affected by natural catastrophes, fear of terrorism, interventions by governments or a decrease in the number of insurance carriers. In addition, disruptions in the financial markets at a global or regional level may impact the financial conditions of insurance companies, in particular in emerging markets, or their ability to meet their payment obligations. In the event of a substantial loss, the insurance coverage that we carry may not be sufficient to pay the full value of our financial obligations or the replacement cost of any lost investment.

Certain types of losses that are significantly uncertain can be uninsurable or too expensive to insure. For example, in March 2015, we had to cancel a management contract we had with a hotel in Crimea due to difficulties in getting insurance. We could also remain obligated for performance guarantees in favor of third-party hotel proprietors or may not have sufficient insurance to cover awards of damages resulting from our liabilities. In addition, in the event of any significant claims by us, our insurance premiums may increase significantly. Alternatively, we

could lose some or all the capital we have invested in a property, as well as the anticipated future net turnover from the property. In all these circumstances, we could experience significant disruption to our operations, suffer significant losses and be required to make significant payments for which we would not be compensated, any of which in turn could have a material adverse effect on our business, results of operations, financial condition or prospects.

Any failure by us or Radisson Hospitality, Inc. Group to protect the trademarks and intellectual property which we operate could reduce the value of our brand and harm our business.

Radisson Hospitality, Inc. Group owns the Radisson Collection, Radisson Blu, Radisson, Park Inn by Radisson and Radisson RED brands which we develop and operate pursuant to the Master Franchise Agreements. We also own certain food and beverage brands which are used in our hotel operations. The reputation and perception of the brands we operate is critical to our success in the hotel industry. If the trademarks, intellectual property or know-how we use are copied or used without authorization, the value of these brands, our reputation, our competitive advantage and our goodwill could be harmed. Regular applications to register the trademarks we use are made in the countries in which we operate. However, those trademark registrations may not be granted or that the steps we, or Radisson Hospitality, Inc. Group, take to protect those trademarks, intellectual property or know-how in these countries may not be adequate to prevent others, including third parties or former employees, from copying or using our trademarks, intellectual property or know-how without authorization. Intellectual property and know-how are also vulnerable to unauthorized use in some countries where local law may not adequately protect it.

Monitoring the unauthorized use of intellectual property and know-how is difficult. We, or Radisson Hospitality, Inc. Group, may need to resort to litigation to enforce our intellectual property rights. Litigation of this type could be costly, force us to divert our resources, lead to counterclaims or other claims against us or otherwise harm our business. Any failure by us, or Radisson Hospitality, Inc. Group to protect and maintain the trademarks which we operate and other intellectual property and know-how from which we benefit could reduce the value of our brand and would have a material adverse effect on our business, financial condition and results of operations.

If Radisson Hospitality, Inc. Group becomes subject to insolvency proceedings, we could lose our access to the IT systems and other systems shared with Radisson Hospitality, Inc. Group and lose rights to our brands if such insolvency leads to the termination of the Master Franchise Agreements, which could have a material adverse effect on our Group.

Our business depends on several systems, programs and trademarks which are managed, operated, developed or owned by Radisson Hospitality, Inc. Group. The reservation system used by all hotels is set up and managed by Radisson Hospitality, Inc. Group. In addition, Radisson Hospitality, Inc. Group operates a customer loyalty program, Radisson Rewards, to provide customers with incentives to make room reservations. Finally, Radisson Hospitality, Inc. Group is developing a new information technology system which will be implemented as part of our Five-Year Operating Plan. If Radisson Hospitality, Inc. Group becomes subject to any insolvency proceeding, we could lose access to the reservation system, the loyalty program and our new information technology system which are essential to the conduct of our business.

We develop and operate the brands Radisson Collection, Radisson Blu, Radisson, Park Inn by Radisson and Radisson RED. We develop and license these brands in EMEA under the Master Franchise Agreements with Radisson Hospitality, Inc. Group. If Radisson Hospitality, Inc. Group becomes subject to any insolvency proceeding, they may no longer own the brands which we license under the Master Franchise Agreements. Although the terms of the Master Franchise Agreements allow for a transfer of ownership of the brands which we license, any such transfer could potentially limit our rights under the Master Franchise Agreements. Any limitation on our right to operate the brands which we operate under the Master Franchise Agreements could have a material adverse effect on our business and financial condition.

Third-party claims that we infringe intellectual property rights of others could subject us to damages and other costs and expenses.

Third parties may make claims against us for infringing their patent, trademark, copyright or other intellectual property rights or for misappropriating their trade secrets. Any such claims, even those without merit, could:

- be expensive and time consuming to defend, and result in significant damages;
- force us to stop using the intellectual property that is being challenged or to stop providing products or services that use the challenged intellectual property;
- force us to redesign or rebrand our products or services;
- divert our management's attention and resources;
- require us to enter into royalty, licensing, co-existence or other agreements to obtain the right to use a third party's intellectual property;
- limit our ability to develop new intellectual property; and
- limit the use or the scope of our intellectual property or other rights.

In addition, we may be required to indemnify third-party owners of the hotels that we manage for any losses they incur as a result of any infringement claims against them. All necessary royalty, licensing or other agreements may not be available to us on acceptable terms. Any adverse results associated with third-party intellectual property claims could negatively affect our business.

Failures in, material damage to, or disruptions in the information technology systems used by us, as well as failure to keep pace with developments in technology, could have a material adverse effect on our business, financial condition and results of operations.

We depend on information technology systems in the conduct of our business. As a result of any system failures, data viruses, computer "hackers" or other causes, we may experience operational problems with our information systems. In 2017, 44% of our rooms revenue and 40% of total room reservations were booked through the Radisson Hotel Group central reservation system and the websites of our branded hotels. Failures in, material damage to, or disruptions in the information technology systems used by us, especially any failures, damages or disruptions relating to the reservation system, could cause valuable information to be lost or operations to be delayed, which in turn could have a material adverse effect on our business, financial condition and results of operations.

As part of our Five-Year Operating Plan, we intend to implement a new information technology systems project, which is being deployed globally, in conjunction with Radisson Hospitality, Inc. The development of the new information technology systems project will require significant financial investment and while it is our intention that our information technology developments will give us an advanced information technology platform, it is possible that events outside of our control may cause a delay or failure to implement our new information technology system.

For example, the new information technology systems may quickly become outdated or need replacing and it is possible that our competitors will introduce superior information technology before ours is implemented. As a result, we may be unable to achieve the benefits from the information technology systems update which are anticipated by the Five-Year Operating Plan. In addition, to the extent that we rely on Radisson Hospitality, Inc. to develop the new information technology systems, there is a risk that they may not invest sufficiently in the project and as such the new technology systems will be developed to a standard, and according to a timeline, which does not meet our expectations.

We may be exposed to risks and costs associated with protecting the integrity and security of our guests' personal information, and changes in applicable laws and regulations relating to the internet and data privacy.

Privacy and data information security have become a significant concern in our countries of operation. The regulatory framework addressing privacy and cybersecurity considerations is rapidly evolving and certain countries in which we operated are, or may in the future, adopt restrictive laws or regulations concerning treatment and retention of customer's data.

We are subject to various risks associated with the collection, handling, storage and transmission of sensitive information, including risks related to compliance with data collection and privacy laws other contractual obligations, as well as the risk that our systems collecting such information could be compromised. In the course of doing business, we and each of our hotels collect large volumes of internal and customer data, including credit card numbers and other personally identifiable information for various business purposes, including providing requested products and services, and maintaining guest preferences to enhance customer service and for marketing purposes. For example, in 2014, we launched an investigation into a data theft of approximately 8 million loyalty points in Russia and Ukraine.

In addition, in the European Union, the new General Data Protection Regulation ("GDPR") entered into force on May 25, 2018. The GDPR implements more stringent operational requirements for processors and controllers of personal data, including, for example, expanded disclosures about how personal information is to be used, limitations on retention of information, mandatory data breach notification requirements and higher standards for data controllers to demonstrate that they have obtained valid consent for certain data processing activities. Although we have taken all action required in order to be compliant with the guidelines, we operate in an industry in which we process a considerable amount of personal data and therefore are inevitably more exposed to the risk of being penalized for failing to comply with the regulations imposed. If we fail to maintain compliance with applicable data collection and privacy laws or with credit card industry standards or other applicable data security standards, we could be exposed to fines, penalties, restrictions, litigation or other expenses, which could adversely affect the reputation of us and our brands. Any inability to adequately address privacy concerns, even if unfounded, or comply with applicable privacy or data protection laws, regulations and policies, could result in additional cost and liability to us, damage our reputation, and adversely affect our business.

Finally, even if we are fully compliant with legal standards and contractual requirements, we still may not be able to prevent security breaches involving sensitive data by employees or outsiders. The sophistication of efforts by "hackers" to gain unauthorized access to information systems has increased in recent years. Any breach, theft, loss, or fraudulent use of customer, employee or company data, including information on credit card numbers and other personally identifiable data maintained by us and our hotels, could cause consumers to lose confidence in the security of the websites and other information technology systems used by us and our hotels and choose not to purchase from us. Any such security breach could expose us to risks of data loss, business disruption, litigation and other liability, any of which could cause reputational damage to us and our brands and have a material adverse effect on our business, financial condition and results of operations.

Potential future changes in accounting standards may impact reporting of our performance and our financial position.

Future changes in accounting standards or practices, and related legal and regulatory interpretations of those changes, may adversely impact our business and industry. Our consolidated financial statements are prepared in accordance with IFRS, as adopted by the European Union. The IASB and the Financial Accounting Standards Board issued in January 2016 the IFRS 16 "Leases" to replace the IFRS 17 standard, which imposes significant changes to current lease accounting practice. IFRS 16 states that, from January 1, 2019, companies must recognize operating leases in their consolidated statement of financial position. The underlying

asset in the lease agreement will have to be recognized in the statement of financial position. In subsequent periods the right-of-use asset will be accounted for at cost less depreciation and any impairment as well as potential re-measurement of the lease liability. The income statement will be impacted when current operating expenses attributable to operating leases will be replaced by amortizations and interest expenses. IFRS 16 also has more extensive disclosure requirements than the current standard. Our management has initiated an extensive implementation project for IFRS 16. The new standard is considered, due to the size in the rental portfolio, to have a significant impact on the financial statements when applied for the first time in the 2019 financial year. The implementation of this new standard will lead to an increase of the consolidated statement of financial position (Assets and Liabilities) due to the recognition of the right to use the leased asset and any future payment commitments related thereto affecting the gross indebtedness and, therefore, the calculation of all the financial ratios linked to indebtedness. However, it will not have any effect on cash flows. Given that we have a significant number of operating leases, these proposed changes in lease accounting could have a material impact on our financial results, including our rental expense, depreciation, interest expense and balance sheet.

Negative changes in our credit rating and future ratings downgrades of sovereign debt may have a material adverse effect on our financial condition.

A downgrade in our credit rating may negatively affect our ability to obtain future financing to fund our operations and capital needs, which may affect our liquidity. It may also increase our financing costs by increasing the interest rates of our outstanding debt or the interest rates at which we are able to refinance existing debt or incur additional debt.

Our credit rating may be impacted by a number of factors, including the effects of the economic conditions in the countries in which we operate and any future rating downgrades of the sovereign debt of these countries.

Because the financial condition, revenues and profitability of our operating subsidiaries are closely linked to the economies of their countries of operations, we expect that the Group as a whole will also be impacted by any downgrading in the sovereign debt rating of such countries. Any deterioration in the economic condition of the other countries in which we operate or any ratings downgrade of sovereign debt of these countries may have a material adverse impact on our business, financial condition and results of operations.

Risks relating to the Notes and our structure

The Offering will increase our leverage which may make it more difficult for us to service our debt, including under the Notes, and operate our business.

Following the consummation of the Offering, the Issuer will have an increased amount of outstanding indebtedness with debt service requirements. As of March 31, 2018, on a *pro forma* basis after giving effect to the Refinancing and the application of the proceeds thereof, our total borrowings would have been €265.6 million.

Our increased leverage could have important consequences for you as a holder of the Notes, including:

- making it more difficult for us to satisfy our obligations with respect to the Notes and our other debt and liabilities, or to refinance our debt;
- requiring us to dedicate a substantial portion of our cash flow from operations to payments on our debt, thus reducing the availability of our cash flow to fund internal growth through working capital and capital expenditures and for other general corporate purposes;
- increasing our vulnerability to a downturn in our business or economic or industry conditions;
- placing us at a competitive disadvantage compared to our competitors that have less debt in relation to cash flow;

- limiting our flexibility in planning for or reacting to changes in our business and our industry;
- restricting us from exploiting certain business opportunities; and
- limiting, among other things, our and our subsidiaries' ability to borrow additional funds or raise equity capital in the future and increasing the costs of such additional financings.

If we are not able to refinance any of our debt, obtain additional financing or sell assets on commercially reasonable terms or at all, we may not be able to satisfy our debt obligations, including the Notes. In that event, borrowings under other debt agreements or instruments that contain cross-default or cross-acceleration provisions may become payable on demand and we may not have sufficient funds to repay all of our debts, including the Notes. See *"Description of Certain Financing Arrangements"*.

Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our debt obligations, including under the Notes.

Despite our increased level of indebtedness, we and our subsidiaries will still be able to incur additional amounts of debt, which could further exacerbate the risks associated with our existing indebtedness.

We and our subsidiaries may be able to incur additional indebtedness in the future. Although the Indenture contains restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. If new debt is added to our and our subsidiaries' existing debt levels, the related risks that we now face would increase. In addition, the Indenture will not prevent us from incurring obligations that do not constitute indebtedness under those agreements.

Restrictive covenants in the Revolving Credit Facility and the Indenture may restrict our ability to operate our business. Our failure to comply with these covenants or other agreements relating to our outstanding indebtedness, including as a result of events beyond our control, could result in an event of default that could materially and adversely affect our cash flow, financial condition and results of operations, or the Issuer's ability to repay its debts, including the Notes.

In addition, the Revolving Credit Facility requires us to comply with certain affirmative covenants and certain financial covenants. See *"Description of Certain Financing Arrangements—Revolving Credit Facility."*

In addition, the Indenture contains negative covenants restricting, among other things, our ability to:

- incur or guarantee additional debt or issue preferred stock;
- pay dividends and make other restricted payments;
- create or incur liens;
- make certain investments;
- agree to limitations on the ability of our subsidiaries to pay dividends or make other distributions;
- engage in sales of assets and subsidiary stock;
- enter into transactions with affiliates; and
- transfer all or substantially all of our assets or enter into merger or consolidation transactions.

The restrictions contained in our financing arrangements could affect our ability to operate our business and may limit our ability to react to market conditions or take advantage of potential

business opportunities as they arise. For example, such restrictions could adversely affect our ability to finance our operations, make strategic acquisitions, investments or alliances, restructure our organization or finance our capital needs. Additionally, our ability to comply with these covenants and restrictions may be affected by events beyond our control. These include prevailing economic, financial and industry conditions. If we breach any of these covenants or restrictions, we could be in default under our financing arrangements.

If there were an event of default under any of our debt instruments in our financing arrangements, that is not cured or waived the holders of the defaulted debt could cause all amounts outstanding with respect to that debt to be due and payable immediately. We cannot assure you that our assets or cash flow would be sufficient to fully repay borrowings under our outstanding debt instruments if accelerated upon an event of default. Further, if we are unable to repay, refinance or restructure our secured debt, the holders of such debt could proceed against the collateral securing that debt. In addition, any event of default or declaration of acceleration under one debt instrument could also result in an event of default under one or more of our other debt instruments, including the Notes. Any such actions could force us into bankruptcy or liquidation, and we may not be able to repay our obligations under the Notes in such an event.

We may be exposed to interest rate risks. Shifts in such rates may adversely affect our debt service obligations.

We may be exposed to the risk of fluctuations in interest rates, primarily under the Revolving Credit Facility, which is indexed to EURIBOR and/or LIBOR. As of March 31, 2018, on a *pro forma* basis for the Offering and the use of proceeds thereof, we would have had no amount of floating rate debt. We accept the risk that interest rates will fluctuate and are likely to increase above their current level in the future. Sustained increases in interest rates would have a material adverse effect on our business, financial condition and results of operations.

The Notes Guarantees will be subject to restrictions on payment and enforcement under the Intercreditor Agreement.

Any payment or enforcement of the Notes Guarantees will be subject to the Intercreditor Agreement. Pursuant to the Intercreditor Agreement, no payment shall be made in respect of the Notes Guarantees prior to the discharge of the Secured Liabilities (as defined below). In addition, the Security Agents may refrain from enforcing the Notes Guarantees unless otherwise instructed by the Instructing Group (as defined below). Finally, you may not take certain enforcement actions with respect to the Notes Guarantees prior to the discharge of the Secured Liabilities unless certain conditions are satisfied.

The Notes will be structurally subordinated to the indebtedness and other obligations of our non-guarantor subsidiaries.

Some, but not all, entities in the Group will guarantee the Notes. Subsidiaries within the Group (other than the Issuer) will not have any obligations to pay amounts due under the Notes or to make funds available for that purpose unless they guarantee the Notes. Generally, creditors under indebtedness and trade creditors, and preferred shareholders (if any), of the Group's non-guarantor subsidiaries (other than the Issuer) are entitled to payments of their claims from the assets of such subsidiaries before these assets are made available for distribution to any Guarantor, as direct or indirect shareholder. The Intercreditor Agreement will regulate priority of claims and payments.

Accordingly, in the event that any non-guarantor subsidiary becomes subject to any foreclosure, dissolution, winding-up, liquidation, recapitalization, administrative or other bankruptcy or insolvency proceeding:

- the creditors of the Issuer (including the Noteholders) will have no right to proceed against the assets of such subsidiary; and
- creditors of such non-guarantor subsidiary, including trade creditors, will generally be entitled to payment in full from the sale or other disposal of the assets of such subsidiary before any

Guarantor, as direct or indirect shareholder, will be entitled to receive any distributions from such subsidiary.

As such, the Notes and each Notes Guarantee will be structurally subordinated to the claims of the creditors (including trade creditors) and any preferred stockholders of our non-Guarantor subsidiaries. For the twelve months ended December 31, 2017, the non-Guarantor subsidiaries represented 12.26% of the Group's Radisson EBITDA, and, as of December 31, 2017, the non-Guarantor subsidiaries represented 16.66% of the Group's total assets (excluding goodwill). As of December, 31 2017, our non-Guarantor subsidiaries (excluding Unrestricted Subsidiaries) have no external debt. Any of the debt that the Issuer's non-Guarantor subsidiaries incur in the future in accordance with the Indenture will rank structurally senior to the Notes and the Notes Guarantees.

The Notes Guarantees and the Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability.

The Notes will be guaranteed by the Guarantors, which are incorporated under the laws of Sweden, Denmark, Norway, England and Wales, Germany, the Netherlands and Belgium, and secured by security interests over the Collateral, which will be governed by the laws of Sweden, Denmark, Norway, England and Wales, Germany, the Netherlands and Belgium. Each Notes Guarantee will provide holders of the Notes with a direct claim against the relevant Guarantor. However, the Indenture and Notes Guarantees will provide that certain Notes Guarantees and the Indenture and the relevant Security Documents will provide that certain security interests, will be limited to the maximum amount that can be guaranteed or in respect of which security interests may be granted by the relevant Guarantor or security provider, as applicable, without rendering the relevant Notes Guarantee or security interest, as it relates to that Guarantor or security provider, voidable or otherwise ineffective or limited under, or not compliant with applicable law, or causing the directors or officers of the Guarantor or security provider to incur personal civil or criminal liability.

In addition, enforcement of any of the Notes Guarantees against any Guarantor or security interests against any security provider will be subject to certain defenses available to Guarantors or security providers in the relevant jurisdiction. Although laws differ among these jurisdictions, these laws and defenses generally include those that relate to corporate purpose or benefit, fraudulent conveyance or transfer, voidable preference, insolvency or bankruptcy challenges, financial assistance, preservation of share capital, thin capitalization, capital maintenance, set-off counter-claim and prescription (time bar) or similar laws, regulations or defenses affecting the rights of creditors generally. If one or more of these laws and defenses are applicable, a Guarantor or security provider may have no liability or decreased liability under its Notes Guarantee or security interest, as applicable, depending on the amount of its other obligations and applicable law.

Although laws differ among various jurisdictions, in general, under fraudulent transfer, bankruptcy or insolvency law and other laws, a court could (i) subordinate or void all or part of a Notes Guarantee or any security interest, (ii) direct that the holders of the Notes return any amounts paid under a Notes Guarantee or realized from enforcing a security interest to the relevant Guarantor or security provider, or to a fund for the benefit of the Guarantor's or security provider's creditors or (iii) take other action that is detrimental to you, typically if the court found that:

- the Notes Guarantee or security interest was granted with actual intent to give preference to one creditor over another or to hinder, delay or defraud creditors or shareholders of the Guarantor or the security provider or, in certain jurisdictions, even when the recipient was merely aware or should have been aware that the Guarantor or the security provider was insolvent when it granted the relevant Notes Guarantee or security interest;
- the Guarantor or security provider did not receive fair consideration or reasonably equivalent value for the granting of the Notes Guarantee or security interest and the Guarantor or

security provider: (i) was insolvent or was rendered insolvent as a result of having granted the relevant Notes Guarantee or security interest; (ii) was under-capitalized or became under-capitalized because of the relevant Notes Guarantee or security interest; or (iii) intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity;

- the relevant Notes Guarantee or security interest was not validly established or authorized or otherwise contravenes the relevant Guarantor's or security provider's articles of association or similar organizational documents;
- the granting of the relevant Notes Guarantee or security interest was held not to be in the best interests or not to be for the corporate benefit of the Guarantor or security provider or was held to exceed the corporate objects of the Guarantor or security provider; or
- the aggregate amounts paid or payable under the relevant Notes Guarantee or realized from enforcing the relevant security interest were in excess of the maximum amount permitted under applicable law.

These or similar laws may also apply to any future Notes Guarantee or security interests granted by any of our subsidiaries pursuant to the Indenture or under security documents.

We cannot assure you which standard a court would apply in determining whether a Guarantor or security provider was "insolvent" at the relevant time or that, regardless of the method of valuation, a court would not determine that a Guarantor or security provider was insolvent on that date, or that a court would not determine, regardless of whether or not a Guarantor or security provider was insolvent on the date its Notes Guarantee was issued or security interest was granted, that payments to holders of the Notes constituted preferences, transactions at an undervalue, fraudulent transfers or conveyances on other grounds.

The measures of insolvency for purposes of fraudulent transfer laws vary depending upon applicable governing law. Generally, an entity would be considered insolvent if, at the time it incurred indebtedness:

- the sum of its debts, including contingent liabilities, was greater than the fair value of all its assets;
- the present fair saleable value of its assets was less than the amount required to pay the probable liability on its existing debts and liabilities, including contingent liabilities, as they became due; or
- it could not pay its debts as they became due.

If a court were to find that the granting of a Notes Guarantee or the security interest in the Collateral was a fraudulent preference or conveyance or unenforceable for any other reason, the court could hold that the payment obligations under such Notes Guarantee or Security Document are ineffective, could void the security over the Collateral, or could require the holders of the relevant Notes to repay any amounts received with respect to such Notes Guarantee or any enforcement proceeds received from enforcement of the security interest. In the event of a finding that a fraudulent preference or conveyance occurred, you may cease to have any claim in respect of the relevant Guarantor or security provider and would be a creditor solely of the Issuer and, if applicable, any other Guarantor or security provider under any Notes Guarantees or Security Documents that have not been declared void. If any Notes Guarantee or Security Document is invalid or unenforceable, in whole or in part, or to the extent the agreed limitation of the Notes Guarantee or Security Document obligations apply, the Notes would be effectively subordinated to all liabilities of the applicable Guarantor or security provider that do not benefit from the Notes Guarantee and/or the Security Document that have been rendered invalid or unenforceable.

Each of the Notes Guarantee or the security interest in the Collateral and the amounts recoverable thereunder will be limited to the maximum amount that can be guaranteed or secured by a particular Guarantor without rendering the Guarantee or security interest unlawful, voidable or otherwise ineffective under applicable law i.e., to the extent that the grant or the

enforcement of the Guarantee, would result in a breach of capital maintenance rules or other statutory laws or would cause the directors of such Guarantor to contravene its duties to incur civil or criminal liability or to contravene any legal prohibition. The liability of each Guarantor under its Notes Guarantee, or security provider under the relevant Security Document or the enforcement of the Notes Guarantee or security interests under the Security Documents will be limited to the maximum amount that can be guaranteed or secured by a particular Guarantor and will be subject to certain limitations designed to ensure compliance with statutory requirements applicable to the relevant Notes Guarantee or security interest. If one or more of these laws and defenses are applicable, the a Guarantor or security provider may have no liability or decreased liability under the Notes Guarantees or security interests and the Notes Guarantees or security interests may be unenforceable.

The security interests in the assets held by the Guarantors that will constitute Collateral may not all be granted on the Issue Date.

The Guarantors may not all provide all security for the Notes prior to the Issue Date. Even after the Issue Date, although the Issuer will be obligated to procure that the Guarantors grant security in favor of the holders of the Notes within 120 days following the Issue Date, such security may be subject to significant limitations and exceptions. A failure to grant security interests over the assets of the Guarantors on or prior to the date that is 120 days following the Issue Date would not itself constitute an event of default under the Indenture.

Any security interest granted in favor of the holders of the Notes by the Danish Guarantors after the Issue Date will be voidable and subject to a three months hardening period, if insolvency proceedings are commenced against the provider of security during the three month period starting from the latter of the date of the relevant act of perfection and the creation of the security interest.

The Notes will be secured only to the extent of the value of the Collateral that has been granted as security for the Notes. In addition, there may not be sufficient Collateral to pay all or any of the Notes and such Collateral may be reduced or diluted under certain circumstances.

No appraisal of the fair market value of the Collateral has been made in connection with the Offering and the book value of the Collateral should not be relied on as a measure of realizable value for such assets. The value of the Collateral in the event of an enforcement of the security interests created over the Collateral, or a liquidation of the entities holding the Collateral, is subject to fluctuations and will depend on regulatory approval, market and economic conditions, our ability to successfully implement our business strategy, competition, the availability of buyers and other factors. Such factors include, among others, conditions in our industry, the ability to sell Collateral in an orderly sale, the condition of the economies in which the Collateral is located, the jurisdiction in which the enforcement action or sale is completed, the condition of the Collateral and exchange rates, the liquidity of the Collateral, whether the business is sold as a going concern and similar factors.

In addition, the value of the Collateral may decline over time. By its nature, the Collateral may be intangible or illiquid and may have no readily ascertainable market value. For example, the shares and other Collateral that are pledged or assigned or transferred for the benefit of the holders of the Notes may provide for only limited repayment of the Notes, in part because most of these shares or other assets may not be liquid and their value to other parties may be less than their value to us. Likewise, we cannot assure you that the Collateral will be saleable or, even if saleable, that there will not be substantial delays in the liquidation thereof. Furthermore, any shares pledged to secure the Notes and the Notes Guarantees may have limited value in the event of a bankruptcy, insolvency or other similar proceedings because all of the obligations (subject to the release mechanism in the Intercreditor Agreement) of the entity whose shares have been pledged must first be satisfied, potentially leaving little or no remaining assets in the pledged entity. As a result, the creditors secured by a pledge of the shares of these entities may not recover anything of value in the case of an enforcement sale. See “— The Notes Guarantees

and the Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability."

Moreover, the value of the Collateral may be diluted. The Indenture will permit the granting of certain liens over the Collateral to certain parties in addition to the holders of the Notes. To the extent that holders of other secured indebtedness or third parties enjoy liens, including statutory liens, whether or not permitted by the Indenture or the Security Documents, such holders or third parties may have rights and remedies with respect to the Collateral that, if exercised, could reduce the proceeds available to satisfy our obligations under the Notes. Similarly, if we issue additional Notes under the Indenture, holders of such additional Notes would benefit from the same collateral as the holders of the Notes being offered hereby, thereby diluting your ability to benefit from the liens on the Collateral.

In the future, the obligations to provide additional guarantees and grant additional security over assets, or a particular type or class of assets, whether as a result of the acquisition or creation of future assets or subsidiaries, the designation of a previously Unrestricted Subsidiary as a Restricted Subsidiary or otherwise, is subject to the Agreed Security Principles (as defined in "*Description of the Notes*") and the Intercreditor Agreement. The Agreed Security Principles set out a number of limitations on the rights of the holders of the Notes to require granting of, or payment or enforcement under, a guarantee or security in certain circumstances. The operation of the Agreed Security Principles may result in, among other things, the amount recoverable under any guarantee or security provided by any subsidiary being limited or security not being granted over a particular type or class of assets. Accordingly, the Agreed Security Principles may affect the value of the Notes Guarantees and Collateral provided by us and our subsidiaries. The validity and enforceability of the Notes Guarantees and Collateral may also be affected by local law limitations. See "*—The Notes Guarantees and the Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability.*"

As a result of the foregoing, liquidating the Collateral may not produce proceeds in an amount sufficient to pay any amounts due on the Notes and the Notes Guarantees. We cannot assure you of the value of the Collateral or that the net proceeds received upon a liquidation, foreclosure, bankruptcy, reorganization or similar proceeding would be sufficient to repay any amounts due on the Notes and the Notes Guarantees. If the proceeds of the Collateral were not sufficient to repay amounts outstanding under the Notes and the Notes Guarantees, then holders of the Notes (to the extent not repaid from the proceeds of the sale of the Collateral) would only have an unsecured claim against the remaining assets of the Issuer and the Guarantors, the assets of which will be limited. There is no requirement to provide funds to enhance the value of the Collateral if it is insufficient. The Intercreditor Agreement will provide for detailed enforcement mechanisms with respect to the Collateral. See "*Description of Certain Financing Arrangements—Intercreditor Agreement.*"

It may be difficult to realize the value of the Collateral securing the Notes and the Notes Guarantees.

The Collateral will be subject to any and all restrictions under applicable law and exceptions, defects, encumbrances, liens, loss of legal perfection and other imperfections permitted under the Indenture and Intercreditor Agreement and accepted by other creditors that have the benefit of security interests in the Collateral from time to time, whether on or after the date the Notes are issued. The existence of any such restrictions, exceptions, defects, encumbrances, liens, loss of legal perfection and other imperfections could adversely affect the value of the Collateral, as well as the ability of the Security Agents to realize or foreclose on such Collateral. Furthermore, the ranking of security interests can be affected by a variety of factors, including, among other things, the timely satisfaction of perfection requirements, statutory liens or recharacterization under the laws of certain jurisdictions. The Initial Purchaser, the Trustee and the Security Agents have neither analyzed the effect of, or participated in any negotiations relating to, such exceptions, defects, encumbrances, liens, loss of legal perfection and other imperfections.

The security interests of the Security Agents will be subject to practical problems generally associated with the realization of security interests in collateral. The Security Agents may also need to obtain the consent of a third-party to enforce a security interest. We cannot assure you that the consents of any third parties will be given when required to facilitate a foreclosure on such assets. Furthermore, the enforcement of a security interest by the Security Agents may require the completion of judicial proceedings in the jurisdiction in which the security interest will be released. There is no assurance that the Security Agents will successfully complete such judicial proceedings in a timely manner or that other practical problems relating to the foreclosure of Collateral will be overcome by the Security Agents at all or without a material delay. Accordingly, the Security Agents may not have the ability to foreclose upon those assets, and the value of the Collateral may significantly decrease.

In addition, our business requires a variety of permits and licenses. Our business is subject to regulations and requirements and may be adversely affected if we are unable to comply with existing regulations or requirements or if changes in applicable regulations or requirements occur.

Furthermore, our leases generally provide that the leases may not be assigned to third parties without the landlord's consent such consent not to be unreasonably withheld or delayed and that the landlord may terminate (forfeit) the leases upon an insolvency event affecting us, thereby affecting the charges over certain of our leases included in the Collateral. The landlord's ability to effect such termination (forfeiture) rights upon the occurrence of an insolvency event would require the approval of the court or an administrator (as applicable) and would be subject to the tenant's statutory right to apply to the courts for relief from forfeiture, such relief usually being granted where the breach is remedied (if remediable) or compensation is paid and where the court is satisfied that the tenant will perform its obligations in the future; however, there is no assurance that our leases would not be terminated in any enforcement action by holders of the Notes or otherwise.

The Collateral will consist of (i) liens over the shares of the Issuer and all the Subsidiary Guarantors, (ii) liens over the Parent Company's, the Issuer's and the Subsidiary Guarantors' bank accounts (except for the dividend payment accounts of Guarantors in Sweden), (iii) liens over the Parent Company's, the Issuer's and the Subsidiary Guarantors' intra-group receivables (including the rights of the Parent Company, the Issuer and/or any Guarantor may have in any material contracts entered into with another member of the Group).

Holders of the Notes may not control certain decisions regarding the Collateral.

The Notes will be secured by the Collateral which may also secure the obligations under any other secured indebtedness including the Revolving Credit Facility. In addition, under the terms of the Indenture, we will be permitted to incur significant additional *pari passu* indebtedness and other obligations that may be secured by the same Collateral.

The Intercreditor Agreement will provide that common security agents, who will serve as the Security Agents for the secured parties with respect to the Collateral, will act only as provided for in the Intercreditor Agreement. The Security Agents may refrain from enforcing the Collateral unless otherwise instructed by the Instructing Group for the purpose of enforcement. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*" and "*Description of the Notes—Security*."

The security interests over the Collateral will not be granted directly to the holders of the Notes and the holders of the Notes will have limited rights to enforce remedies under the Security Documents. The ability of the Security Agents to enforce certain of the Collateral may be restricted by local law.

The security interests over the Collateral that will secure the obligations of the Issuer and the Guarantors will not be granted directly to the holders of the Notes, but will be granted only in favor of the Security Agents. The Trustee will enter into the Intercreditor Agreement with, among others, the Security Agents and representatives of the other indebtedness secured by the

Collateral. Other creditors may become parties to the Intercreditor Agreement in the future. Among other things, the Intercreditor Agreement will govern the enforcement of the Security Documents, the sharing in any recoveries from such enforcement and the release of the Collateral by the Security Agents. The Indenture and the Intercreditor Agreement will provide that only the Security Agents has the right to enforce the Security Documents. As a consequence, the holders of the Notes will not have direct security interests and will not be entitled to take enforcement action in respect of the Collateral, except through the Trustee for the Notes, who will provide instructions to the Security Agents in accordance with the Intercreditor Agreement. Holders of the Notes will also bear risks associated with a possible insolvency or bankruptcy of the Security Agents. The Trustee and the Security Agents will not be under any obligation to exercise any rights or powers conferred under the Indenture, the Intercreditor Agreement or any of the Security Documents for the benefit of the holders of the Notes unless such holders have offered to the Trustee and the Security Agents indemnity, security and/or pre-funding satisfactory to the Trustee and the Security Agents against any loss, liability or expense. If satisfactory indemnities, security or pre-funding are not provided in a timely manner by the holders of the Notes, any recovery under the Indenture, the Notes, the Notes Guarantees or the Security Documents may be adversely affected.

Under the laws of the jurisdiction of certain security providers, certain security interests cannot be granted to a party other than the creditor of the claim which is purported to be secured by such security interests. In this respect, the Intercreditor Agreement will provide for the creation of a so-called parallel debt obligation (the “**Parallel Debt**”) in favor of the Security Agent mirroring the obligations of the Issuer and the Guarantors toward the holders of the Notes under or in connection with the Indenture. Certain of the Security Documents will directly secure the Parallel Debt, and may not directly secure the obligations under the Indenture and the Notes. In the jurisdiction of certain security providers, there is no statutory or case law available on the validity or enforceability of the parallel debt construct or the security provided for such parallel debt. To the extent the parallel debt construct would be successfully challenged by other parties, holders of the Notes will not be entitled to receive any proceeds from the enforcement of the security interests in the relevant Collateral. In addition, holders of the Notes will bear the risk associated with the possible insolvency or bankruptcy of the Security Agent. See “—*The Notes Guarantees and the Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability.*”

The granting of the Notes Guarantees or security interests in the Collateral, or the incurrence of permitted debt in the future, may create or restart hardening periods and the Notes Guarantees and security interests may be challenged or voidable.

The granting of Notes Guarantees or security interests in the Collateral may create hardening periods for such Notes Guarantees and security interests in certain jurisdictions. The applicable hardening period for new Notes Guarantees or security interests in the Collateral would typically run from the moment each new Guarantee or security interests has been granted or perfected or any new indebtedness guaranteed by such Guarantee has been incurred.

The Notes Guarantees or security interests may be voidable by the relevant Guarantors or security provider or by an insolvency trustee, liquidator, receiver or administrator or by other creditors, or may be otherwise set aside by a court, if certain events or circumstances exist or occur, including, amongst others, if the grantor is deemed to be insolvent at the time of the grant, or if the grant permits the secured parties to receive a greater recovery than if the grant had not been given and an insolvency proceeding in respect of the grantor is commenced within a legally specified hardening period following the grant. At each time, if a Notes Guarantees or security interests in the Collateral granted or recreated is to be enforced before the end of the respective hardening period applicable in the relevant jurisdiction, it may be declared void or ineffective and/or it may not be possible to enforce it. To the extent that any Notes Guarantee or security interest in the Collateral is voided, the holders of the Notes would lose the benefit of such Notes Guarantee or

security interest. The holders of the Notes may also be required to repay any amounts received with respect to such Guarantee or release such Guarantee.

In order to effectively secure future indebtedness, including additional Notes under the Indenture it may be necessary to create additional Notes Guarantees or security interests in the Collateral or amend the relevant Notes Guarantee or Security Document at the time such indebtedness is incurred. Any such Notes Guarantee, security interest or amendments will likely be subject to new hardening periods and, consequently, to potential insolvency challenges as described under "*—The Notes Guarantees and the Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability.*"

In addition, if the Issuer issues additional notes with the same securities identification numbers as the Notes offered hereby, a receiver, insolvency administrator or similar person may seek to challenge the enforceability of the Notes Guarantees or security interests in the Collateral securing both the additional notes and the initial Notes even if the hardening period with respect to the Notes Guarantees or security interests securing the initial Notes has expired, based on the fact that the initial Notes and the additional notes are fungible and not distinguishable. Any such successful challenge would further reduce the proceeds available to the holders of the Notes.

The ability of the Security Agents to hold the relevant security interests over the Collateral on behalf of the holders of the Notes pursuant to the Security Documents governed by Danish law as well as the ability of the Trustee to represent and act on behalf of the holders of Notes may require registration of the Security Agents and the Trustee with the Danish Financial Supervisory Authority (in Danish: Finanstilsynet)

Under Danish law it is uncertain (i) whether the appointment of the Trustee and the Security Agents to represent and act on behalf of the holders of Notes would be binding in the event of the bankruptcy a holder of Notes; (ii) whether the Trustee and the Security Agents have and will maintain the capacity to bring proceedings and legal interest in the name or on behalf of the holders of Notes in the event of bankruptcy a holder of Notes; (iii) whether the security and guarantees can be validly granted in favour of the Security Agents as agents and representatives on behalf of the holders of Notes; and (iv) whether the holders of Notes can validly waive their rights to exercise their powers independently. Further, it is uncertain whether Danish law recognises the concept of parallel debt structures and the concept of trusts, and provisions in documents which intend to create a trust may not be enforceable under Danish law. As regards the Notes, the Notes Guarantees issued by the Danish Guarantors and the Security Documents expressed to be governed by Danish law, the above concerns regarding the ability of the Security Agents to hold the guarantees and the relevant security interests over the Collateral on behalf of the holders of the Notes and the ability of the Trustee to represent and act on behalf of the holders of Notes can be addressed by registering the Security Agents and the Trustee with the Danish Financial Supervisory Authority (in Danish: *Finanstilsynet*) in accordance with the rules set out in Chapter 4 of the Danish Capital Markets Act. No assurance is given that the Security Agents, the Trustee or the Indenture and other documents meet the eligibility criteria for the Security Agents to be registered with the Danish Financial Supervisory Authority, that such registration will be obtained or, if obtained, that it will be maintained.

Your rights in the Collateral may be adversely affected by the failure to perfect security interests in the Collateral.

Under applicable law, a security interest in certain tangible and intangible assets can only be properly perfected, and its priority retained, through certain actions undertaken by the secured party and/or the grantor of the security. The liens on the Collateral securing the Notes may not be perfected with respect to the claims of the Notes if we or the Security Agents fails or is unable to take the actions we are required to take to perfect any of these liens. In addition, applicable law requires that certain property and rights acquired after the grant of a general security interest, such as real property, and certain proceeds, only be perfected at or promptly following

the time such property and rights are acquired and identified. For the avoidance of doubt, neither the Trustee nor the Security Agents have any responsibility or obligation to monitor the perfection or perfect the liens on the Collateral.

Relevant insolvency and administrative laws may not be favorable to creditors, including holders of Notes, as the case may be, as insolvency laws of the jurisdictions in which you are familiar and may limit your ability to enforce your rights under the Notes or the Notes Guarantees or the security interests in the Collateral.

The Issuer is incorporated in Sweden and the Guarantors and security providers are incorporated or organized in Sweden, Denmark, Norway, the United Kingdom, Germany, the Netherlands and Belgium. The insolvency of some of our subsidiaries, including the Guarantors, may be subject to the insolvency laws of such jurisdictions, including those referred herein. Some of our subsidiaries are incorporated or organized in jurisdictions other than those listed above and are subject to the insolvency laws of such jurisdictions. The insolvency laws of these jurisdictions may not be as favorable to your interests as creditors as the bankruptcy laws of the United States or certain other jurisdictions. In addition, there can be no assurance as to how the insolvency laws of these jurisdictions will be applied in relation to one another. In the event that any one or more of the Issuer or the Guarantors or the Issuer's other subsidiaries experience financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings. Applicable insolvency laws may affect the validity and enforceability of the obligations and the security granted by the Issuer, the Guarantors and security providers. Please see "*—The Notes Guarantees and the Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability*" for a summary of certain insolvency law considerations in some of the jurisdictions in which the Issuer and the Guarantors are or may be organized. Prospective investors in the Notes should consult their own legal advisors with respect to such limitations and considerations. See "*—The Notes Guarantees and the Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability.*"

Enforcement of the Notes Guarantees and Collateral across multiple jurisdictions may be difficult.

Although the Notes Guarantees are governed by the laws of the State of New York, the enforcement of such guarantees against the Issuer and the Guarantors organized and having their center of main activities in countries other than the United States would be subject to the laws of multiple jurisdictions. In the event of a bankruptcy, insolvency or similar event, proceedings could be initiated in any of these jurisdictions. The rights of holders of the Notes under the Notes Guarantees will thus be subject to the laws of a number of jurisdictions. In addition, the Collateral securing the Notes will be governed by the laws of multiple jurisdictions and the rights under the Collateral will thus be subject to the laws of the respective jurisdiction. It may be difficult to enforce such rights and Collateral in multiple bankruptcy, insolvency and other similar proceedings. Moreover, such multi-jurisdictional proceedings are typically complex and costly for creditors' rights. In addition, the bankruptcy, insolvency, administration and other laws of the Issuer's jurisdiction of organization and the jurisdiction of organization of the Guarantors and security providers may be materially different from, or in conflict with, one another, including creditor's rights, priority of creditors, the ability to obtain post-petition interest and the duration of the insolvency proceeding. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdictions' law should apply and could adversely affect the ability to realize any recovery under the Notes, the Notes Guarantees and the Collateral and security providers. A summary description of certain aspects of the insolvency laws of certain jurisdictions in which the Guarantors are organized or have their center of main activities are set out in "*—The Notes Guarantees and the Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability.*" Therefore, even if a holder of the Notes obtains a favorable judgment from a New York court against a Guarantor or security provider organized

and/or having its center of main activities in countries other than the United States, such holder of the Notes will have to enforce such judgment in such foreign jurisdiction, which is likely to result in additional costs and a further delay of the enforcement action. See “—Investors may not be able to recover in civil proceedings for U.S. securities law violations”.

Investors may not be able to recover in civil proceedings for U.S. securities law violations.

The Issuer is organized under the laws of Sweden and the Guarantors are organized under the laws of Sweden, Denmark, Norway, the United Kingdom, Germany, the Netherlands and Belgium. It is anticipated that some or all of the directors and executive officers of the Issuer and each of the Guarantors will be non-residents of the United States and that some or all of their assets will be located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Issuer, the Guarantors or its or their respective directors and executive officers, or to enforce any judgments obtained in U.S. courts predicated upon civil liability provisions of the U.S. securities laws. In addition, neither the Issuer nor the Guarantors assure you that civil liabilities predicated upon the federal securities laws of the United States will be enforceable in any of the above mentioned jurisdictions, other than the United States. There is also doubt that a court in any of the above mentioned jurisdictions would have the requisite power or authority to grant remedies sought in an original action brought in such jurisdictions on the basis of U.S. securities laws violations. See “Enforcement of Judgments”.

There are circumstances other than repayment or discharge of the Notes under which the Collateral will be released automatically, without your consent or the consent of the Trustee.

Under various circumstances, the Notes Guarantees will be released and under various other circumstances, the Issuer and the Guarantors will be entitled to instruct the Security Agents to release the security interests in respect of the Collateral. See “Description of the Notes—Notes Guarantees—Notes Guarantees Release” and “—Security—Release of Liens.”

In addition, the Notes Guarantees and the security interests in respect of the Collateral will be subject to release as contemplated under the Intercreditor Agreement. Certain key provisions of the Intercreditor Agreement, may be amended without the consent of the holders of the Notes or other relevant creditors provided that such amendment does not materially and adversely affect the rights, ranking, immunities or protections of the relevant creditors.

Furthermore, we will be permitted to require the release and/or re-taking of any lien on any Collateral to the extent permitted by the terms of the Indenture, the Security Documents, the Intercreditor Agreement or any additional intercreditor agreement. Under certain circumstances, other creditors, insolvency administrators or representatives or courts could challenge the validity or enforceability of the grant of the Collateral. Any such challenge, if successful, could potentially limit your recovery in respect of the Collateral and thus reduce your recovery under the Notes. See “Description of Certain Financing Arrangements—Intercreditor Agreement.”

Certain covenants and events of default will be suspended if we receive investment grade ratings.

The Indenture will provide that, if at any time following the date of the Indenture, the Notes receive an investment grade rating of Baa3 or better by Moody’s and BBB- or better by S&P, and no default or event of default has occurred and is continuing, then beginning that day and continuing until such time as the Notes are no longer rated investment grade by either ratings agency, certain covenants will cease to be applicable to the Notes. See “Description of the Notes—Certain Covenants—Suspension of Covenants on Achievement of Investment Grade Status.”

At any time when these covenants are suspended, we will be able to, among other things, incur additional indebtedness, pay cash dividends and redeem subordinated indebtedness without restriction, each of which may conflict with the interests of holders of the Notes. There can be no assurance that the Notes will ever achieve an investment grade rating or that any such rating if achieved will be maintained.

The Issuer may not be able to repurchase the Notes upon a change of control. In addition, under certain circumstances, the Issuer may have the right to purchase all outstanding Notes in connection with a tender offer, even if certain holders do not consent to the tender.

If a change of control (as defined in the Indenture) occurs, the Issuer will be required to make an offer to purchase all the outstanding Notes at a price equal to 101% of the principal amount thereof, plus any accrued and unpaid interest and additional amounts, if any, to the date of purchase. In such a situation, the Issuer may not have enough funds to pay for all of the Notes that are tendered under any such offer. In addition, the Revolving Credit Facility, the Intercreditor Agreement and other then-existing contractual restrictions may prohibit us from purchasing the Notes upon a change of control without first repaying the Revolving Credit Facility. If a significant principal amount of Notes is tendered, the Issuer will likely have to obtain financing to pay for the tendered Notes. However, the Issuer may not be able to obtain such financing on acceptable terms, if at all. A change of control may also result in a mandatory repayment under the Revolving Credit Facility and agreements governing any future indebtedness and may result in the acceleration of such indebtedness. Any failure by the Issuer to offer to purchase the Notes upon a change of control would constitute a default under the Indenture, which would, in turn, constitute a default under the Revolving Credit Facility.

The change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events, including reorganizations, restructurings, mergers, recapitalizations or other similar transactions involving us that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a change of control as defined in the Indenture. Additionally, events which constitute a change of control under the Indenture may not require an offer to repurchase the Notes if our consolidated leverage ratio is below certain levels specified in the Indenture. Except as described under "*Description of the Notes—Change of Control*", the Indenture will not contain provisions that would require the Issuer to offer to repurchase or redeem the Notes in the event of reorganizations, restructurings, mergers, recapitalizations or similar transactions.

In addition, in connection with certain tender offers for the Notes, if holders of not less than 90% in aggregate principal amount of the applicable outstanding Notes validly tender and do not withdraw such Notes in such tender offer and the Issuer, or any third party making such a tender offer in lieu of the Issuer, purchases, all of the Notes validly tendered and not withdrawn by such holders, the Issuer or such third party will have the right to redeem the Notes that remain outstanding in whole, but not in part, following such purchase at a price equal to the price offered to each other holder of Notes. See "*Description of the Notes—Optional Redemption—General*."

A breach by HNA Tourism or its affiliates of its financing arrangements (over which we have no control) could trigger a "Change of Control" under the Indenture.

In December 2016, HNA Tourism acquired 100% of Radisson Hospitality, Inc. Group (the "**Acquisition**"). The Acquisition was financed by a loan entered into by HNA Tourism and affiliates with a lender (the "**Acquisition Loan**"). As collateral for the Acquisition Loan, HNA Tourism pledged its indirect shareholding in the Parent Company. As a result, a breach of the Acquisition Loan by HNA Tourism or its affiliates could result in an enforcement of the pledge on the Parent Company's shares. Any such enforcement may in turn trigger a change of control under the Indenture.

The term "all or substantially all" in the context of a Change of Control has no clearly established meaning under relevant law and is subject to judicial interpretation such that it may not be certain that a change of control has occurred or will occur.

Upon the occurrence of a transaction that constitutes a change of control under the Indenture, the Issuer will be required to make an offer to repurchase all outstanding Notes tendered. There are certain exceptions to the definition of "change of control" in the Indenture, which limit the Issuer's obligation to make a change of control offer to the holders of the Notes; see "*—The*

Issuer may not be able to repurchase the Notes upon a change of control. In addition, under certain circumstances, the Issuer may have the right to purchase all outstanding Notes in connection with a tender offer, even if certain holders do not consent to the tender.” The definition of “Change of Control” in the Indenture will include (with certain exceptions) a disposition of all or substantially all of the assets of the Issuer or the restricted subsidiaries (taken as a whole), to any person. Although there is a limited body of case law interpreting the phrase “all or substantially all”, it has no clearly-established meaning under relevant law, varies according to the facts and circumstances of the subject transaction and is subject to judicial interpretation. Accordingly, in certain circumstances, there may be a degree of uncertainty in ascertaining whether a particular transaction would involve a disposition of “all or substantially all” of the assets of a person, and therefore it may be unclear whether a change of control has occurred and whether the Issuer is required to make an offer to repurchase the Notes.

Credit ratings may not reflect all risks, are not recommendations to buy or hold securities and may be subject to revision, suspension or withdrawal at any time.

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. A credit rating may not remain constant for any given period of time and may be lowered or withdrawn entirely by the credit rating agency if, in its judgment, circumstances in the future so warrant. A suspension, reduction or withdrawal at any time of the credit rating assigned to the Notes by one or more of the credit rating agencies may adversely affect the cost and terms and conditions of our financings and could adversely affect the value and trading of the Notes.

There are significant restrictions on your ability to transfer or resell your Notes.

The Notes are being offered and sold pursuant to an exemption from the registration requirements under United States and applicable U.S. state securities laws. The Notes have not been registered under the Securities Act, any U.S. state securities laws or the securities laws of any jurisdiction, and we do not intend to register the Notes under the Securities Act, any U.S. state securities laws or the securities laws of any jurisdiction after the Offering. Therefore, you may transfer or resell the Notes in the United States only pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the United States and applicable state securities laws, and therefore you may be required to bear the risk of your investment for an indefinite period of time. The risk may be exacerbated by the absence of registration rights for the holders of the Notes. In addition, by acceptance of delivery of any Notes, the holder thereof agrees on its own behalf and on behalf of any investor accounts for which it has purchased the Notes that it shall not transfer the Notes in an aggregate principal amount of less than €100,000. It is your obligation to ensure that your offers and sales of Notes comply with these transfer restrictions and applicable law. See “*Transfer Restrictions*” for further information.

The Notes will be held in book-entry form, and therefore you must rely on the procedures of the relevant clearing system to exercise any rights and remedies.

The Notes will be issued in registered global form. The Regulation S Global Notes and the Rule 144A Global Notes (each as defined herein) will be deposited, on the Issue Date, with a common depositary for the accounts of Euroclear and Clearstream and registered in the name of the nominee of the common depositary.

Ownership of beneficial interests in the Global Notes (the “**Book-Entry Interests**”) will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that hold interests through such participants. Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants. Owners of beneficial interests in the Global Notes will not be entitled to receive definitive Notes in registered form, except under the limited circumstances described in “*Book-Entry, delivery and form—Definitive Registered Notes.*” So long as the Notes are held in

global form, holders of Book-Entry Interests will not be considered the owners or “holders” of the Notes. The nominee of the common depositary for Euroclear and Clearstream will be considered the sole holder of the Global Notes. Accordingly, if you hold a Book-Entry Interest, you must rely on the procedures of Euroclear or Clearstream, as applicable, and on the procedures of the participant through which you hold your interest to exercise any rights and obligations of a holder of Notes under the Indenture governing the Notes.

Payments of any amounts owing in respect of the Global Notes (including principal, premium, interest and additional amounts, if any) will be made by the Issuer to the paying agent for the Notes (the “**Paying Agent**”). The Paying Agent will, in turn, make such payments to Euroclear and Clearstream. After payment to Euroclear and Clearstream, we, the Trustee, the Paying Agent, the Transfer Agent and the Registrar will have no responsibility or liability for the payment of interest, principal or other amounts to the holders of Book-Entry Interests.

Unlike the holders of the Notes themselves, holders of Book-Entry Interests will not have the direct right to act upon the Issuer’s solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if you hold a Book-Entry Interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear or Clearstream, as applicable.

The procedures implemented for the granting of such proxies may not be sufficient to enable you to vote on a timely basis.

Similarly, upon the occurrence of an event of default under the Indenture governing the Notes, unless and until Definitive Registered Notes are issued in respect of all Book-Entry Interests, if you hold a Book-Entry Interest, you will be restricted to acting through Euroclear or Clearstream. The procedures to be implemented through Euroclear or Clearstream may not be adequate to ensure the timely exercise of rights under the Notes.

Your ability to transfer the Notes may be limited by the absence of an active trading market, and there is no assurance that any active trading market will develop for the Notes.

The Notes are a new issue of securities for which there is currently no market. We do not intend to have the Notes listed on a national securities exchange (as defined in the Exchange Act) or to arrange for quotation on any automated dealer quotation systems. The Initial Purchaser has advised us that it intends to make a market in the Notes, as permitted by applicable laws and regulations; however, the Initial Purchaser is not obligated to make a market in the Notes and the Initial Purchaser may discontinue its market making activities at any time without notice. Therefore, we cannot assure you as to the development or liquidity of any trading market for the Notes. The liquidity of any market for the Notes will depend on a number of factors, including, but not limited to:

- the number of holders of Notes;
- our operating performance and financial condition;
- the market for similar securities;
- third-party recommendations;
- the interest of securities dealers in making a market in the Notes; and
- prevailing interest rates.

Historically, the market for non-investment grade debt has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Notes. We cannot assure you that the market, if any, for the Notes will be free from similar disruptions or that any such disruptions may not adversely affect the prices at which you may sell your Notes. Therefore, we cannot assure you that you will be able to sell your Notes at a particular time or price, if at all.

Although the Issuer will agree in the purchase agreement with the Initial Purchaser to use its reasonable efforts to list the Notes on the Official List of Luxembourg and have them admitted

to trading on the Global Exchange Market thereof after the Issue Date and to maintain such listing as long as the Notes are outstanding, the Issuer cannot assure you that the Notes will become or remain listed. If the Issuer cannot maintain the listing on the Official List of Luxembourg and the admission to trading on the Global Exchange Market, or if it becomes unduly burdensome to make or maintain such listing, the Issuer may cease to make or maintain such listing on the Luxembourg Stock Exchange so long as it uses reasonable efforts to obtain and maintain the listing of the Notes on another stock exchange although there can be no assurance that the Issuer will be able to do so. Listing of any of the Notes on the Luxembourg Stock Exchange does not imply that a public offering of any of the Notes in Ireland has been authorized. Although no assurance is made as to the liquidity of the Notes as a result of listing on the Luxembourg Stock Exchange or another recognized listing exchange for comparable issuers, failure to be approved for listing or the delisting of the Notes from the Luxembourg Stock Exchange or another listing exchange may have an adverse effect on a holder's ability to resell Notes in the secondary market.

You may face currency exchange risks by investing in the Notes.

The Notes are denominated and payable in Euros. If you measure your investment returns by reference to a currency other than Euros, investment in such Notes entails currency exchange related risks due to, among other factors, possible significant changes in the value of the euro relative to the currency you use to measure your investment returns, caused by economic, political and other factors which affect exchange rates and over which we have no control. Depreciation of the euro against the currency by reference to which you measure your investment returns would cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss to you when the return on the Notes is translated into the currency by reference to which you measure your investment returns. There may be tax consequences for you as a result of any currency exchange gains or losses resulting from your investment in the Notes. You should consult your tax advisor concerning the tax consequences to you of acquiring, holding and disposing of the Notes.

Use of proceeds

We estimate that the gross proceeds from the Offering will be approximately €250 million. We intend to use the gross proceeds from the Offering:

- to fully repay outstanding borrowings of approximately €33 million under the 2014 Revolving Credit Facility and the Overdraft Facility;
- for general corporate purposes, including to fund the Group's Five-Year Operating Plan, further investments and to provide for a liquidity buffer; and
- to pay the costs, fees and expenses in connection with the Refinancing, including the fees and expenses to be incurred in connection with the Offering and the break costs and any accrued and unpaid interest due under the indebtedness to be repaid with the proceeds of the Offering.

The following table sets forth our expected estimated sources and uses of funds in connection with the Refinancing. Actual amounts will vary from estimated amounts depending on several factors, including the Issue Date, as well as the differences between estimated and actual fees and expenses. The net proceeds from the Offering are expected to be approximately €242 million following payment of estimated fees and expenses.

Sources	(€ in millions)	Uses	(€ in millions)
Notes offered hereby	250	General corporate purposes, funding the Group's Five- Year Operating Plan, further investments and to provide for a liquidity buffer	209
		Repayment of indebtedness ⁽¹⁾	33
		Estimated fees and expenses ⁽²⁾	8
Total	250	Total	250

(1) As of March 31, 2018, €44.5 million was outstanding under the Overdraft Facility and the 2014 Revolving Credit Facility. This excludes any break costs or accrued and unpaid interest which will be repaid using cash on hand. We expect that approximately €33 million of such amount to be outstanding on the Issue Date. We expect to fully repay (i) €10 million of the 2014 Revolving Credit Facility; and (ii) €23 million of the Overdraft Facility with the proceeds of the Offering.

(2) Represents, for illustration purposes only, our estimate for fees and expenses associated with the Refinancing. The estimated fees and expenses include the Initial Purchaser's fee, professional fees and expenses and other transaction costs in relation to this Offering, including the break costs and any accrued and unpaid interest due under the indebtedness to be repaid with the proceeds of this Offering.

Capitalization

The following table sets forth, on a consolidated basis, our cash and cash equivalents and capitalization as of March 31, 2018 on (i) historical basis and (ii) an as adjusted basis to give effect to the Refinancing, as described in this offering memorandum, as if the Refinancing had occurred on March 31, 2018.

The adjusted information below is illustrative only and does not purport to be indicative of our capitalization following the completion of the Refinancing.

The historical information has been derived from the Interim Consolidated Financial Statements included elsewhere in this offering memorandum. This table should be read in conjunction with "Summary consolidated financial and other information", "Use of proceeds", "Management's discussion and analysis of financial condition and results of operations", "Description of certain financing arrangements", "Description of the Notes" and our consolidated financial statements and related notes included elsewhere in this offering memorandum. Except as set forth below, there have been no material changes to our capitalization since March 31, 2018.

	As of March 31, 2018		
	Historical	Adjustments	As adjusted for the Refinancing
(€ in millions)			
Cash and cash equivalents⁽¹⁾	10.2	209.0	219.2
Overdraft Facility ⁽²⁾	24.5	(24.5)	—
2014 Revolving Credit Facility ⁽²⁾	20.0	(20.0)	—
Notes offered hereby ⁽³⁾	—	250.0	250.0
Revolving Credit Facility ⁽⁴⁾	—	—	—
Other debt ⁽⁵⁾	15.6	—	15.6
Total debt	60.1	205.5	265.6
Total equity ⁽⁶⁾	250.9	—	250.9
Total capitalization	311.0	205.5	516.5

(1) As adjusted cash and cash equivalents reflect the cash on balance sheet after giving effect to the Refinancing. The proceeds of the Offering will be used to also pay the estimated fees and expenses of €8 million. See "Use of proceeds".

(2) The outstanding amount of indebtedness under the Overdraft Facility as of March 31, 2018 was €24.5 million. The outstanding amount of indebtedness under the 2014 Revolving Credit Facility as of March 31, 2018 was €20.0 million. See "Management's discussion and analysis of financial condition and results of operations—Capital resources". The total amount of indebtedness outstanding under these two facilities is expected to reduce to approximately €33 million on the Issue Date, which will be fully repaid on or about the Issue Date with the proceeds of the Offering. Of the approximately €33 million to be used to repay these two facilities, we expect approximately €23 million to be used to fully repay the Overdraft Facility and approximately €10 million to be used to fully repay the 2014 Revolving Credit Facility. See "Use of proceeds".

(3) Represents €250.0 million aggregate principal amount of the Notes offered hereby.

(4) We will enter into the Revolving Credit Facility which we expect to remain undrawn and fully available on the Issue Date. See "Description of certain financing arrangements—Revolving Credit Facility Agreement".

(5) Represents (i) €9.2 million loan in relation to the Parent Company's 49% stake in prize Holding GmbH and (ii) €6.4 million loan with Azure Finance SA in connection with the refurbishment of a hotel in Hamburg, Germany. See "Management's discussion and analysis of financial condition and results of operations—Capital resources".

(6) Represents the book value of the equity in the Parent Company as of March 31, 2018 amounting to €250.9 million. The market capitalization of the Parent Company as of June 13, 2018 was €467 million.

Selected historical consolidated financial information

The following summarizes certain consolidated financial and other data of Radisson Hospitality AB (publ), the Parent Company. This financial information differs from the financial information of the Issuer. See *"Presentation of financial and other information"*.

The selected historical consolidated financial information as of and for the Fiscal Year 2015, Fiscal Year 2016 and Fiscal Year 2017 has been extracted from the Audited Consolidated Financial Statements included elsewhere in this offering memorandum, except that the financial information for the consolidated statement of cash flows for the year ended December 2016 is extracted from the comparative information included in the Audited Consolidated Financial Statements of the Group for the Fiscal Year 2017, See *"Presentation of financial and other information – Restatement"*. The selected historical consolidated financial information as of and for Q1 2018 and Q1 2017 has been extracted from the Interim Consolidated Financial Statements included elsewhere in this offering memorandum.

Prospective investors should read the summary data presented below together with the information set forth in *"Presentation of Financial and Other Information"*, *"Summary"*, *"Business"*, *"Use of proceeds"*, *"Capitalization"* and *"Management's Discussion and Analysis of Financial Condition and Results of Operations"* and our consolidated financial statements and the related notes included elsewhere in this offering memorandum.

Selected Consolidated Statement of Operations

	Fiscal Year			Q1	
	2015	2016	2017	2017	2018
(€ in millions)					
Revenue	997.0	961.2	967.3	222.5	206.2
Costs of goods sold for Food & Drinks and other related expenses ⁽¹⁾	(57.9)	(53.9)	(51.0)	(12.4)	(11.3)
Personnel cost and contract labor	(343.0)	(337.8)	(347.8)	(83.7)	(76.6)
Other operating expenses ⁽²⁾	(239.4)	(240.9)	(239.4)	(61.0)	(52.1)
Insurance of properties and property tax	(15.8)	(14.1)	(14.5)	(3.7)	(3.5)
Operating profit before rental expense, share of income in associates and joint ventures, depreciation and amortization, costs due to termination of contracts, gain/loss on sale of fixed assets, net financial items and income tax⁽⁴⁾	341.0	314.6	314.6	61.7	62.7
Rental expense	(243.1)	(235.8)	(231.7)	(58.9)	(56.0)
Share of income in associates and joint ventures	3.2	(0.6)	(0.8)	(0.3)	(0.6)
Operating profit before depreciation and amortization, costs due to termination of contracts, gain/loss on sale of fixed assets, net financial items and income tax	101.1	79.3	82.1	2.5	6.1
Depreciation and amortization	(37.2)	(41.8)	(42.1)	(10.5)	(10.8)
Write-downs and reversal of write-downs ⁽⁵⁾	(5.8)	(7.5)	(20.9)	(0.2)	(0.1)
Costs due to termination and restructuring of contracts ⁽⁶⁾	(1.1)	(28.9)	(4.2)	—	—
Gain on sale of shares, intangible and tangible assets ⁽⁷⁾	0.4	1.8	(0.2)	—	—
Operating profit	57.3	3.0	14.7	(8.2)	(4.8)
Financial income	1.9	2.5	1.2	0.2	0.6
Financial expense	(2.6)	(2.7)	(3.2)	(0.8)	(0.7)
Profit before tax	56.6	2.7	12.7	(8.8)	(4.9)
Income tax ⁽⁸⁾	(22.4)	23.7	(8.3)	1.2	(0.1)
Profit for the period	34.2	26.4	4.4	(7.6)	(5.0)

- (1) Costs of goods sold for Food & Drinks and other related expenses include cost of food, drinks and various costs directly related to "Other hotel revenue" and "Other revenue".
- (2) Other operating expenses include: fees for royalty, marketing, reservations, rentals and licences to Radisson Hospitality Inc.; energy costs; supplies; marketing expenses; external fees (including consultancy, audit and legal assistance fees); laundry and dry cleaning; administration costs; communication, travel and transport; operating equipment; rentals and licences; and property operating expenses.
- (3) Presented as "Operating profit before rental expense and share of income in associates and before depreciation and amortization, costs due to termination/restructuring of contracts and gain on sale of shares, intangible assets (EBITDAR)" in the Audited Consolidated Financial Statements of the Group as of and for the Fiscal Years 2016 and 2015.
- (4) Presented as "Operating profit before depreciation and amortisation, costs due to termination/restructuring of contracts and gain on sale of shares, intangible and tangible assets (EBITDA)" in the Audited Consolidated Financial Statements of the Group as of and for the Fiscal Years 2016 and 2015.
- (5) Write-downs and reversal of write-downs of include, mainly, tangible assets in lease hotels and intangible assets related to managed and franchised agreements.
- (6) Presented as "Costs due to termination/restructuring of contracts" in the Audited Consolidated Financial Statements of the Group as of and for the Fiscal Years 2016 and 2015. Costs due to termination/restructuring of contracts include costs occurred in connection with exit of leases.
- (7) Presented as "Gain/loss on sale of shares, intangible and tangible fixed assets" in the Audited Consolidated Financial Statements of the Group as of and for the Fiscal Years 2016 and 2015.
- (8) Presented as "Income tax expense" in the Audited Consolidated Financial Statements of the Group as of and for the Fiscal Years 2016 and 2015.

Selected Consolidated Balance Sheet Statement

	As of December 31,			As of March 31,
	2015	2016	2017	2018 (unaudited)
(€ in millions)				
Assets				
Intangible assets	64.6	61.0	61.5	60.7
Tangible assets	170.5	189.0	193.0	194.0
Financial assets	21.8	97.7	36.1	35.0
Deferred tax assets	21.7	57.8	60.5	63.3
Total non-current assets	278.6	347.7	351.1	353.0
Inventories	5.0	4.6	4.3	4.4
Accounts receivables	40.7	44.7	47.0	—
Current tax assets	11.6	21.3	24.8	—
Other current interest-bearing receivables ⁽¹⁾	2.5	2.8	3.6	—
Other current non-interest-bearing receivables ⁽¹⁾	63.8	56.6	61.7	—
Other current receivables ⁽²⁾	—	—	—	142.0
Derivative financial instruments	0.3	—	0.2	0.2
Other short term investments	2.0	—	—	—
Cash and cash equivalents	37.7	8.0	7.4	10.2
Assets classified as held for sale	22.1	16.8	13.4	13.3
Total current assets	185.7	154.8	162.3	170.1
Total assets	464.3	502.5	513.4	523.1
Equity and liabilities				
Total equity	246.7	265.7	253.7	250.9
Total non-current liabilities	38.6	47.9	42.8	41.7
Total current liabilities	174.4	186.1	217.0	230.5
Liabilities directly related to assets classified as held for sale	4.6	2.8	—	—
Total liabilities	217.6	236.8	259.8	272.2
Total equity and liabilities	464.3	502.5	513.4	523.1

(1) Comprise "Other current receivables" in the Audited Consolidated Financial Statements for Fiscal Year 2015 and the Interim Consolidated Financial Statements.

(2) Comprise "Other current interest-bearing receivables" and "Other current non-interest-bearing receivables" in the Audited Consolidated Financial Statements for Fiscal Year 2017.

Selected Consolidated Statement of Cash Flows

	Fiscal Year			Q1	
	2015	2016 ⁽¹⁾	2017	2017	2018
(€ in millions)					
Cash flows from operations before change in working capital	80.8	37.9	54.1	(2.2)	1.9
Change in working capital	5.0	(3.3)	18.3	4.7	(3.5)
Cash flow from operating activities	85.8	33.9	72.4	2.5	(1.6)
Cash flow from investing activities	(74.6)	(83.1)	(73.7)	(8.9)	(9.7)
Cash flow from financing activities	(5.7)	16.1	0.8	7.6	14.1
Cash flow for the period	5.5	(33.0)	(0.5)	1.2	2.8
Cash or equivalent assets at beginning of the period	35.5	41.1	8.1	8.0	7.4
Cash or equivalent assets at the end of the period	41.1	8.1	7.4	9.3	10.2

(1) Consolidated statement of cash flows for Fiscal Year 2016 has been restated in the audited consolidated financial statements of the Group for the Fiscal Year 2017 to reflect *de minimis* adjustments made: (i) in respect of management's decision to gross-up certain financing line-items (including new borrowings); and (ii) to reflect a change in the accounting treatment of accrued interest. In order to present our results of operations and cash flows on a consistent basis, the comparisons of cash flows for Fiscal Year 2017 and Fiscal Year 2016 are based on information included in the Audited Consolidated Financial Statements for the Fiscal Year 2017, while the cash flow comparisons for Fiscal Year 2016 and Fiscal Year 2015 are based on information included in the Audited Consolidated Financial Statements for the Fiscal Year 2016 and Fiscal Year 2015. For a comparison of our consolidated statement of cash flows for Fiscal Year 2016 and our restated consolidated statement of cash flows for Fiscal Year 2016 as presented in the Audited Consolidated Financial Statements for Fiscal Year 2017, see the table below. See also "Presentation of Financial and Other Information—Restatements".

Management's discussion and analysis of financial condition and results of operations

The following section is a discussion and analysis of (i) the audited consolidated financial statements of the Group as of and for the Fiscal Year 2017, Fiscal Year 2016 and Fiscal Year 2015 (the "Audited Consolidated Financial Statements"), and (ii) the unaudited interim condensed consolidated financial statements of the Group as of and for Q1 2018 and Q1 2017 (the "Interim Consolidated Financial Statements"). You should read this discussion in conjunction with the sections entitled "Presentation of financial and other information", "Summary consolidated financial and other information", "Selected Historical Consolidated Financial Information" and "Business", each of which are included elsewhere herein.

This discussion includes forward-looking statements, which, although based upon assumptions that we consider reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements. See "Forward-looking statements", and, for a discussion of the risks and uncertainties which we may face, see "Risk Factors".

Overview

We are a leading international hotel management company operating a portfolio of 374 hotels with more than 82,400 rooms in operation, in 78 countries as of March 31, 2018 and 104 hotels with more than 23,700 rooms under development. As a member of the Radisson Hotel Group™, we operate and develop Radisson Collection™, Radisson Blu®, Radisson®, Radisson RED®, and Park Inn by Radisson® properties in Europe, the Middle East and Africa through the Master Franchise Agreements with Radisson Hospitality, Inc. Group. We also hold a 49% stake in prize Holding GmbH, which operates prizeotel. Through our "Responsible Business Program", we strive to operate with high standards of performance and advocate socially and environmentally sustainable business practices, and we have been named one of the "World's Most Ethical Companies" by the U.S. think-tank, Ethisphere, for nine consecutive years.

In Fiscal Year 2017, our revenue was €967.3 million and our Adjusted Radisson EBITDA was €98.2 million. In Q1 2018, our revenue was €206.2 million and our Adjusted Radisson EBITDA was €6.1 million. For further information on these performance measures, see "—Key factors affecting our financial condition and results of operation", "—Description of key line items" and "—Results of operations".

Key factors affecting our financial condition and results of operations

Certain key factors that have affected, and are expected to continue to affect, our results of operations and financial condition are discussed below.

Contract type mix

Our portfolio of hotels is comprised of properties that are leased and operated by us under a lease contract, operated by us through provision of management services for a third-party hotel owner under a management contract, or operated by a third-party operator using one of our brands under a franchise contract. We have also entered into a small number management contracts which grant a third-party hotel owner the right to convert its management agreement into a franchise agreement using one of our brands. Our revenue mix, and our risks and results of operations, are affected by the types of hotel contracts into which we enter. In Fiscal Year 2017, 86%, 11% and 3% of our revenue and 46%, 44% and 10% of our Adjusted Radisson EBITDA were generated under lease, management and franchise contracts, respectively, before considering "Other" and "Central Activities". Our margins also vary depending on the types of our hotel contracts. Management and franchise contracts have the potential to offer a higher profit margin and more stable revenue streams as they offer a more flexible structure due to the absence of rent payments and do not impose high investment obligations. However, lease

contracts have historically provided higher but more volatile Adjusted Radisson EBITDA due to the committed business model with significant investment obligations. During periods of strong economic growth, the proportion of profits derived from leased hotels compared to managed and franchised hotels tends to increase significantly as we receive all revenue from the hotels, whereas with managed and franchised hotels we do not. However, margins from leased hotels typically decrease during economic slow-down as the cost base is largely fixed (excluding the variable portion in some of the lease agreements, which decreases during a slow-down as a result of lower level of revenue). See *“Risk Factors—A significant portion of our expenses are fixed, which may impede us from quickly adapting our operations to changes in our revenue”*. We categorize our lease contracts into strong leases (i.e., with a coverage ratio above 1.3 times) and weak leases (i.e., with a coverage ratio below 1.3 times). Of the approximately 82,000 rooms in operation as of March 31, 2018, 18.7% were leased, 54.7% were operated under management agreements and 26.6% were operated under franchise agreements. Our strategy going forward is to grow with an asset-right approach, balancing management and franchise contracts with selected lease contracts. See *“Business—Our Strategy—Optimize our portfolio by repositioning and rebranding properties”* and *“Business—Our Strategy—Scale our business in established markets”*.

The following table illustrates our number of hotels, number of rooms and EBITDA contribution separated by whether the underlying hotel has a gross operating profit contribution of greater or less than 35% and a coverage ratio of greater or less than 1x, as of and for the twelve months ended March 31, 2018.

	Coverage ratio < 1x	Coverage ratio > 1x
GOP > 35%	1 Hotel 136 Rooms €0 EBITDA	38 Hotels 11,230 Rooms €88m EBITDA
GOP < 35%	5 Hotels 1,339 Rooms (€3m) EBITDA	13 Hotels 2,695 Rooms €9m EBITDA

Portfolio management

Optimization of hotel portfolio structure

We seek to optimize the structure of our hotel portfolio by monitoring the performance of our existing hotels and the expiry dates and terms of our lease, management and franchise contracts. As our portfolio matures, we aim to extract additional value from our existing hotels by renewing profitable lease, management and franchise agreements on favorable terms and exit hotel properties where the owners are unwilling to maintain the property to a standard which we expect or otherwise fail to fulfill their contractual obligations. From time to time, we seek to achieve long-term rent savings by renegotiating or terminating unprofitable leases. For example, in Fiscal Year 2016, we terminated four of our leases in the Nordics, which resulted in a decrease in revenue in the Nordics segment of €26.7 million in Fiscal Year 2017, but which also resulted in an increase of our total Adjusted Radisson EBITDA of €2.7 million in Fiscal Year 2017. In Fiscal Year 2017, we exited an additional eight leases, which resulted in a decrease in our revenue of €6.5 million in Q1 2018, but which also resulted in an increase of our total Adjusted Radisson EBITDA of €1.2 million in Q1 2018. These exits also had an impact on decreases in our personnel and other operating expenses during the period. We also intend to improve the terms of our lease, management and franchise agreements up for renewal and as part of renegotiation of the ongoing contracts.

Pursuant to our Five-Year Operating Plan, we regularly evaluate opportunities to expand, refurbish and upgrade our hotels to enhance our revenue base and profitability. For example, in Fiscal Year 2017, we invested 8% of the revenue generated by our leased hotels on the refurbishment, repositioning and maintenance of those hotels. See *“—Strategic initiatives, including the Five-Year Operating Plan”*.

We have also made a strategic decision to place greater emphasis on business customers at our leased properties with the intention of reducing the amount of lower-paying tourist guests and increasing the amount of higher-paying business guests. This is expected to reduce Occupancy (as defined below) in the short-term but is expected to increase profitability in the long-term.

Agreements with third-party owners and franchisees

We depend on our long-term management and franchise agreements with third-party owners and franchisees for all of our management and franchising revenues. The success and sustainability of our management and franchising business depends on our ability to enter into or retain management and franchising agreements on favorable terms and maintain good relationships with third-party owners and franchisees. We believe that we have good relationships with our third-party owners and franchisees and are committed to further strengthen these relationships. Our management and franchising contracts are entered into with a diverse group of owners, franchisees and developers and are not heavily concentrated in any particular category.

Brand recognition and customer loyalty initiatives

Our business model relies in part on retaining our existing clientele, and we strive to attract repeat customers, particularly business customers, that will visit the same hotel on multiple occasions. We also aim to leverage our strong brand recognition, and brand names and reputation for consistent quality across our international locations to attract existing customers to other leased, managed and franchised properties in our portfolio. Accordingly, we have initiated various campaigns to promote awareness of our leased and managed properties and have developed new service concepts to improve guest satisfaction. Our marketing expenses amounted to €71.4 million, €71.3 million and €66.7 million in Fiscal Years 2017, 2016 and 2015, respectively. We also incurred fees for royalty, marketing, reservations, rentals and licenses to the Radisson Hospitality, Inc. Group under the Master Franchise Agreements, which are accounted for under other operating expenses and which amounted to €18.1 million, €17.2 million and €17.4 million for the respective periods. As part of our Five-Year Operating Plan, we are introducing an updated brand architecture for the Group and plan to rebrand a number of our properties. See “—Strategic initiatives, including the Five-Year Operating Plan”.

We believe that these activities and initiatives enhance the reputation of our brands and overall market awareness, which are key factors in our ability to attract new clients and retain guests. We also continuously monitor customer satisfaction to analyze the performance of our individual properties and our portfolio in the aggregate. Loyalty programs, such as Radisson Rewards, are an important tool in increasing guest loyalty. In Fiscal Years 2017 Radisson Rewards members accounted for approximately €3.2 million of our room nights (approximately 17%, of our total room nights).

Strategic initiatives, including the Five-Year Operating Plan

In January 2018, we introduced our Five-Year Operating Plan, which is comprised of 25 performance improvement initiatives across our operations, including: (i) new value proposition through brand and marketing architecture, new pricing strategy, digitalization of hotels and booking system, (ii) portfolio optimization through hotel repositioning and rebranding, (iii) cost improvement initiatives, (iv) improvements to our internal organizational systems, including IT, human resources and others and (v) advancement of our global expansion strategy with focus on asset-right business model. For more detailed description of the Five-Year Operating Plan and its initiatives, see “Business—Five-Year Operating Plan” and “Business—Our Strategy”.

The main goal of our Five-Year Operating Plan is to sustainably increase our Adjusted Radisson EBITDA and Adjusted Radisson EBITDA margin. In Fiscal Year 2017, our Adjusted Radisson EBITDA margin was 10.2%, and, following the successful completion of our Five-Year Operating Plan in Fiscal Year 2022, we aim to achieve a benchmark 13% to 15% Adjusted Radisson EBITDA margin. Our Five-Year Operating Plan is split into two phases: Phase I (which commenced in Fiscal Year 2017 and will continue through to the end of Fiscal Year 2020) and Phase II (which will commence in January 2021 and continue through to the end of Fiscal Year 2022). Phase I will

concentrate on defining, managing and implementing our initiatives designed to promote revenue growth in new and existing properties and increase our overall Adjusted Radisson EBITDA and Adjusted Radisson EBITDA margin. While Phase I is largely a period of investment, we are targeting progressively improving Adjusted Radisson EBITDA and Adjusted Radisson EBITDA margin growth over the course of Phase II, as well as positive returns on capital expenditure, as a result of the strategic investments made to our property portfolio in Phase I. New value proposition and repositioning is expected to drive approximately 26% to 30% and 60% to 64%, respectively, of our total growth between 2017 and 2022, whereas lease exits are expected to account for a reduction equivalent to 30% to 34% of our total growth over the same period. We expect an increase in the consumer price index to account for the remaining 40% to 44% of our total growth between 2017 and 2022.

Described below are our key strategic initiatives which underpin our Five-Year Operating Plans. In addition we are currently assessing additional opportunities for growing and strengthening our business, including entering into a licensing agreement with Radisson Hospitality Inc. which would enhance our franchising capabilities and increase our hotel portfolio in Germany.

New value proposition

As part of our Five-Year Operating Plan, we plan to invest around €13 million to €15 million to develop a new brand architecture, which would allow us to capture the full potential of the portfolio globally and further leverage our strong current brand recognition. As part of this initiative, we intend to improve awareness and brand image through marketing actions, including the introduction of the Radisson Hotel Group as a strategic marketing initiative founded upon the strong recognition of the Radisson brand name, across all hotel segments, but with an emphasis on upscale and upper upscale brands and increased customer facing activities. In addition, as part of our Five-Year Operating Plan, we are implementing a strategic pricing initiative based around: (i) room type; (ii) rate type; (iii) dynamic pricing; and (iv) personal pricing. Our strategic pricing initiative will be rolled-out across all of our hotels (on a property-by-property basis), with approximately 80-90% of our properties benefiting from the initiative by the end of Fiscal Year 2020.

Portfolio optimization through hotel repositioning and rebranding

As part of our portfolio optimization efforts, we intend to invest between €140 million and €150 million over the next five years to reposition or rebrand between 30 and 35 hotels in our existing lease portfolio. As of the date of this offering memorandum, portfolio optimization work had already commenced in 10 properties (excluding one hotel where repositions have already been completed) and planning work is being carried out in respect of a further six properties to be executed in 2018. Repositions that we launched in four of our hotels in Fiscal Year 2017 and completed over the course of Q1 2018 are expected to result in a return on capital expenditure of approximately 20%, a return above our budgeted expectations. There can be no assurance that such return will be sustainable over the life of the Five-Year Operating Plan or that other hotels will deliver such levels of return, if at all, or that our planned capital expenditures will be made or will be sufficient to realize objectives of the Five-Year Operating Plan. See *“Risk Factors—We may be unsuccessful in implementing our growth strategy as outlined in the Five-Year Operating Plan and our planned growth strategy may not be achieved”*.

Cost advantage

Our cost improvement initiatives focus on efficient hotel operating model and procurement, including reduction in the reservation costs, establishment of optimized procurement platform and programs to standardize and optimize the operating model in leased hotels, certain rent renegotiations and cost reduction exercise across our key operations, including finance and administration, resources, commercial, development and IT. We plan to invest around €14 million to €18 million over the next three years in activities related to our cost improvement efforts and expect cost savings of approximately €28 million by 2022. Our continued focus on overall costs has driven an increase in Adjusted Radisson EBITDA margin from 1.1% in Q1 2017 to 3.0% in Q1 2018. There can be no assurance that such cost savings will be realizable on the time frame

expected or at all. See *“Risk Factors—We may be unsuccessful in implementing our growth strategy as outlined in the Five-Year Operating Plan and our planned growth strategy may not be achieved”*.

IT platform and organizational system

Over the next three years we plan to invest between €45 million and €50 million to develop our global IT infrastructure with the goal of creating a competitive and industry-leading IT platform. Our IT transformation program was launched in the first quarter of 2018 and targets a first wave of hotel implementation beginning in the second quarter of 2019. The key elements of our IT plan involve every aspect of our business, from our core hospitality functions, such as our central reservations system and property management system, to our customer-facing platforms, such as Radisson Rewards and our marketing and customer relationship management tools, and also extend to our back-office functions, such as our human resources information system, business intelligence and an integrated software for real-time management of our enterprise resource planning.

Scale our business in established markets

As of March 31, 2018, we had 104 hotels with more than 23,700 rooms under development. Management believes that we can increase our global footprint by scaling our business across our established markets and we plan to invest around €83 million to €87 million over the next five years in connection with this initiative. The Five-Year Operating Plan includes focus on our footprint in key Tier 1 cities, such as Paris, London, Berlin, and countries such as the United Kingdom, Germany, Poland, Italy, Russia, the United Arab Emirates, the Kingdom of Saudi Arabia and South Africa. We seek to adapt our growth strategy to each market through an asset-right business model. Specifically, in our Nordic, Central Europe and Western Europe regions, we focus on operation of our hotels through lease contracts, in Eastern Europe, our strategy is focused on an asset-light approach that prioritizes management contracts and franchise agreements with select partners, while in the Middle East and Africa we are focusing mainly on management contracts with selected industrial investments and commitments. As our margins and costs vary depending on the type of contracts under which we operate properties, our expansion strategy will impact our results of operations, see *“—Key factors affecting our financial condition and results of operation—Contract type mix”*.

Of our expected growth from 2017-2022, we expect that 40-44% will cover from increases in consumer price index, 26-30% from our new brand architecture and 60-64% from our repositioning, while we expect a decrease of 30-34% attributable to lease exits.

Consumer demand and global economic conditions

Consumer demand for our products and services is closely linked to the performance of the general economy and is sensitive to business and personal discretionary spending levels. Declines in consumer demand, especially in Europe, due to adverse general economic conditions, risks affecting or reducing travel patterns, lower consumer confidence and adverse political conditions can lower our revenue, the profitability of our properties and the amount of management and franchising revenues that we are able to generate. Declines in hotel profitability during an economic downturn also directly impact our management fees under those management contracts where the fee is derived from hotel profitability. See *“Risk Factors—The hotel industry may be materially affected by general economic conditions and other factors outside our control, and declines or disruptions in the hotel industry could adversely affect our business, results of operations, financial condition or prospects”*.

Seasonality and weather conditions

Our business is seasonal in nature, and, because the majority of our customers are business travelers, we experience higher Occupancy and revenue between March and June and between September and November of each year when there are more business travelers in our primary markets compared to the rest of the year. In contrast, Occupancy is at its lowest during the first quarter of each year. In recent years, our first quarter EBIT has been negative due to generally

low demand for hotel accommodation following the December holiday season and lower levels of demand by business travelers. Our first quarter EBIT also tends to be negatively affected when Easter occurs in the first quarter of the year due to fewer business travelers (the “Easter Effect”). The Easter Effect is particularly pronounced in the Nordics region, as there are more Easter-related holiday days than in the other regions in which we operate. Our properties located at airports and in cities with both strong business and leisure demand, however, are not as impacted by the Easter Effect. Excluding one-off termination costs and write-downs of fixed assets, EBIT was positive in the second, third and fourth quarters of Fiscal Year 2017, Fiscal Year 2016 and Fiscal Year 2015.

Our results of operations are also adversely affected by periods of abnormal, severe or unseasonal weather conditions, including natural disasters (such as hurricanes, floods, earthquakes and other adverse weather and climate conditions). See “Risk Factors—Our operations are exposed to the risk of events that adversely affect domestic or international travel and lodging industry”. Mild weather, however, may increase Occupancy levels in leisure destinations, particularly during peak travel season. Weather also typically affects our energy costs, which increase when there is an abnormally severe or prolonged winter or summer.

Occupancy, Average Daily Rate (ADR) and Revenue per Available Room (RevPAR)

On a like-for-like basis, which measures our growth adjusted for new or divested businesses (“Lfl”), our revenue increased by 3.8% Fiscal Year 2016 (when compared to Fiscal Year 2015). Growth in our revenue (including Lfl revenue) is primarily affected by Occupancy and ADR (as defined below). Occupancy and ADR are each strongly correlated to general economic conditions, the strength of the travel industry and the supply and demand of hotel accommodation in a specific market. We believe that our brand positioning across a variety of hotel segments, the geographic distribution of our hotel portfolio and the different arrangements under which we operate allows us to diversify risks related to specific hotels in our portfolio.

In order to react appropriately to developments in the markets in which we operate, we regularly monitor ADR, Occupancy and RevPAR (as defined below). We believe that maintaining consistent pricing across hotel rooms in specific classes of hotels (but also taking into account regional economic conditions) has allowed us to gain market share and stabilize our RevPAR.

Occupancy

Occupancy is the quotient of the total number of room nights sold during a specified period divided by the total number of rooms available for each day during that period (“Occupancy”). Occupancy measures the utilization of our leased and managed properties’ available room capacity. Occupancy is a commonly used performance measure in the hotel industry, and we use Occupancy to assess demand at a specific hotel, or group of hotels, in a given period. Occupancy is also affected by the supply of hotel rooms in the area surrounding each of our hotels, and increases in supply can make achieving high rates of Occupancy more difficult. Occupancy helps us determine achievable ADR levels based upon hotel category and hotel facilities.

The following table sets forth our like-for-like Occupancy by geographic segments for Fiscal Years 2015, 2016 and 2017 as well as Q1 2017 and 2018. For description of our segments, see “Presentation of financial and other information—Segmentation”.

	Fiscal Year			Q1	
	2015	2016	2017	2017	2018
(in %)					
Lfl Occupancy⁽¹⁾	68.2	68.0	68.7	62.7	61.5
Of which:					
Nordics	72.0	74.7	75.7	71.4	65.6
Rest of Western Europe	75.3	75.9	76.0	69.4	68.5
Eastern Europe	61.4	60.6	63.6	51.2	53.1
Middle East, Africa & Others	63.2	61.4	61.4	64.2	61.6

(1) Like-for-like Occupancy data for Q1 2017 and 2018 is presented as "Occupancy LfL&R" data in the Interim Consolidated Financial Statements and includes like-for-like hotels plus hotels under renovation during the current and/or previous financial period compared.

Average Daily Rate (ADR)

Average Daily Rate is the quotient of total room revenues for a specified period divided by the total number of room nights sold during that period ("**ADR**"). ADR trends indicate how much customers are willing to pay for accommodation in a particular region and at a specific hotel. ADR also provides management with insight regarding the nature of the customer base of a hotel or group of hotels. ADR is a commonly used performance measure in the hotel industry, and we use ADR to assess the pricing levels that we are able to generate by customer group, as changes in room rates have a more significant effect on overall revenues and incremental profitability as compared to changes in Occupancy.

The following table sets forth our like-for-like ADR by geographic segments for Fiscal Years 2015, 2016 and 2017 as well as Q1 2017 and 2018. For description of our segments, see "*Presentation of financial and other information—Segmentation*".

	Fiscal Year			Q1	
	2015	2016	2017	2017	2018
(in €)					
LfL ADR⁽¹⁾	107.7	111.6	108.8	106.6	109.3
<i>Of which:</i>					
<i>Nordics</i>	130.6	129.0	131.9	120.3	127.6
<i>Rest of Western Europe</i>	114.7	122.2	121.9	115.8	116.9
<i>Eastern Europe</i>	87.4	85.4	82.2	73.3	84.8
<i>Middle East, Africa & Others</i>	101.3	115.3	107.1	121.0	115.2

(1) Like-for-like ADR data for Q1 2017 and 2018 is presented as "Av. Room Rates LfL&R" data in the Interim Consolidated Financial Statements and includes like-for-like hotels plus hotels under renovation during the current and/or previous financial period compared.

Revenue per Available Room (RevPAR)

RevPAR is the product of the ADR for a specified period multiplied by the Occupancy for that period ("**RevPAR**"). RevPAR does not include non-room revenues, which consist of ancillary revenues generated by a hotel property, such as food and beverage ("**Food & Drinks**"), meetings and events, as well as telephone, parking and other guest services. RevPAR is a commonly used performance measure in the hotel industry, and we use RevPAR to identify trend information with respect to room revenues of comparable properties and to evaluate hotel performance on a brand and geographical basis.

We believe that RevPAR is a reliable indicator of changes in revenue from our hotels because RevPAR takes into account both ADR and Occupancy. However, RevPAR changes that are predominately driven by changes in Occupancy have different implications for our overall revenue levels and incremental profitability than changes that are predominately driven by changes in ADR. For example, assuming fixed room rates and variable operating costs, including housekeeping services, utilities and room amenity costs, increases in Occupancy at a hotel would lead to increases in room revenue compared to lower levels of Occupancy, and such increased Occupancy could also result in increased ancillary revenues, including revenues from Food & Drinks sales and conference room hire. In contrast, changes in ADR typically have a greater effect on margins and profitability because rates tend to increase while variable operating costs remain relatively stable.

The following tables set forth our reported RevPAR and life-for-like RevPAR for our leased and managed properties by geographic segment for Fiscal Years 2015, 2016 and 2017 as well as Q1 2017 and 2018. For description of our segments, see “*Presentation of financial and other information—Segmentation*”.

	Fiscal Year			Q1	
	2015	2016	2017	2017	2018
(€ in millions)					
Reported RevPAR	71.5	68.8	69.7	64.0	61.7
<i>Of which:</i>					
Nordics	88.1	89.2	94.2	83.4	79.3
Rest of Western Europe	89.7	88.1	88.8	77.1	77.1
Eastern Europe	44.3	46.0	51.4	38.9	41.3
Middle East, Africa & Others	72.4	62.0	56.7	69.6	59.6

	Fiscal Year			Q1	
	2015	2016	2017	2017	2018
(€ in millions)					
LfL RevPAR⁽¹⁾	73.5	75.8	74.7	66.8	67.2
<i>Of which:</i>					
Nordics	94.0	96.4	99.9	85.9	83.8
Rest of Western Europe	86.4	92.8	92.6	80.4	80.1
Eastern Europe	53.7	51.8	52.3	37.5	45.0
Middle East, Africa & Others	64.1	70.8	65.8	77.7	71.0

(1) Like-for-like RevPAR data for Q1 2017 and 2018 is presented as “RevPAR LfL&R” data in the Interim Consolidated Financial Statements and includes like-for-like hotels plus hotels under renovation during the current and/or previous financial period compared.

Expenses

Our key expense categories include rental expenses and personnel expenses, which represented 23.9% and 35.9% of our revenue in Fiscal Year 2017, respectively.

Rental expenses

Our rental expenses include fixed and variable rents for leased hotels and our administrative offices. In Fiscal Year 2017, our fixed and variable rents amounted to €182.8 million and €48.0 million (representing 79% and 21% of our rental expenses), respectively, as compared to €187.4 million and €46.1 million in Fiscal Year 2016 (representing 80% and 20% of our rental expenses), respectively, and €198.5 million and €42.9 million in Fiscal Year 2015 (representing 82% and 18% of our rental expenses), respectively. We lease a significant part of our hotels from the property owners, and, as of March 31, 2018, approximately 18.7% of our hotels (based on number of rooms) were leased. All of our leases are currently classified as operating leases, and lease payments are recognized in the Audited Consolidated Financial Statements and the Interim Consolidated Financial Statements as operating expenses on a straight-line basis or, for variable leases, in the period in which they are incurred.

In January 2016, the IASB published a new standard for leases (“IFRS 16”) under which all operating leases are capitalized with the exception of short-term leases and leases of low-value assets. Treatment of operating leases under IFRS 16 will be similar to how finance leases are currently treated. From January 1, 2019, we will be required register our operating leases in our consolidated statement of financial position under IFRS 16. Such an application would affect our reported results as of Q1 2019. As we have a significant number of operating leases, IFRS 16 could have a material impact on our financial results, including our rental expense, depreciation and interest expense. While we are still in process of assessing the full expected impact of IFRS 16 on our business, we expect that the implementation of IFRS 16 will lead to an increase of the consolidated statement of financial position (assets and liabilities) due to the recognition of the right to use the leased asset and any future payment commitments related thereto, affecting our

gross indebtedness and, therefore, the calculation of all the financial ratios linked to such indebtedness. Implementation of IFRS 16 is not expected to have any effect on our cash flows. See *"Risk Factors—Potential future changes in accounting standards may impact reporting of our performance and our financial position"*.

Our rental expenses also include management guarantee payments (such as guarantee payments or shortfalls) owed to or paid to hotel owners based on the related management contracts. The guarantee payments represent the difference between the guaranteed and achieved result under such contracts. These shortfall guarantees amounted to €0.9 million, €2.3 million and €1.7 million in Fiscal Year 2017, 2016 and 2015.

Personnel expenses

One of the largest components of our operating expenses is personnel expenses. Our personnel expenses represented 37.5% of our operating expenses (which includes rental expenses) and 36% of our revenue in Fiscal Year 2017. Personnel expenses include salaries, training, development and other benefits. We monitor and set our personnel expenses by forecasting our temporary personnel needs based upon anticipated business volume (including Occupancy) and Food & Drinks sales from restaurants, bars, conference facilities and in-room dining. We also actively work to reduce personnel expenses by outsourcing certain functions, such as cleaning and maintenance, to third-party vendors, which are recorded as other operating expenses.

Amenities and meeting facilities

Food & Drinks and meeting facilities (and related services) sales contribute significantly to our revenue. In Q1 2018 and Fiscal Year 2017, Food & Drinks and meetings facilities revenue was €54.9 million, or 26.6% of our total revenue, and €241.6 million, or 24.9% of our total revenue, respectively. Fluctuations in Food & Drinks and meeting facility sales typically correlate with movements in room revenues, but are also impacted by annual corporate conference cycles and one-off special events. We work to adapt and improve our global Food & Drinks and meeting facilities operations to reflect local demand. We also offer Food & Drinks services on some level at all leased and managed locations, as we believe that providing Food & Drinks on-site adds value for our customers and enhances their overall experience.

Currency translation

We report our financial results in euro, but we make investments and engage in transactions in countries whose functional currency is not the euro. In Fiscal Year 2017, 74% of our revenue was recorded in currencies other than the euro, mainly Norwegian Krone, Danish Krone, Great British pound sterling, Swedish Krona, Swiss Franc and US Dollar. Because of this, we are required to translate these results from the relevant foreign functional currency into euros at market-based average exchange rates during the period reported. When comparing our results of operations between periods, there may be portions of the changes in our revenues and/or expenses that are derived from fluctuations in exchange rates experienced between those periods. However, by using currency hedges and keeping a portion of our cash inflows in various currencies (including by using the Cash Pool Arrangements (as defined below)), we are able to mitigate foreign currency exchange losses due to underlying currency fluctuations through a natural hedge. We also manage our exposure to currency translation risk by incurring indebtedness in the same currency as certain of our investments. See *"—Quantitative and qualitative disclosures about market risk—Foreign currency exchange risk"*.

Description of key line items

Revenue

Revenue consists of the value of goods and services sold in our leased properties, management fees, franchise fees and other revenues which are generated from our operations. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes. Leased properties' revenue is primarily derived from hotel operations,

including all revenue derived from accommodation, Food & Drinks, conference facility hire and other services (all of which is recognized at the time of sale). Revenue from management fees is received from hotels that we manage under long-term contracts with the hotel owner. The management fee payable is normally a percentage of hotel revenue and/or profit, and recognized in the income statement when earned and realized or realizable under the terms of the contract. Franchise fee revenue is received in connection with the license of our brand names, usually under long-term contracts with the hotel owner. Franchise fee revenue is normally a percentage of hotel room revenue and recognized in the income statement, based on the underlying contract agreement type, under franchised segment.

Costs of goods sold for Food & Drinks and other related expenses

Costs of goods sold for Food & Drinks and, among other things, includes meetings and events, telephone, fax and internet, costs directly related to parking, pools, laundry and gym other related expenses primarily relate to the cost of goods incurred to generate revenue in relation to, among other things, Food & Drink.

Personnel cost and contract labor

Personnel cost and contract labor comprises salaries and wages (as well as social security costs and pension contributions) for employees employed by legal entities of the Group.

Other operating expenses

Other operating expenses include: (i) fees for royalty, marketing, reservations, rentals and licenses to the Radisson Hospitality Inc. Group, (ii) energy costs; (iii) supplies; (iv) marketing expenses; (v) external fees (including consultancy, auditing and legal assistance fees); (vi) laundry and dry cleaning; (vii) administration costs; (viii) communication, travel and transport; (ix) operating equipment; (x) rentals and licenses; and (xi) property operating expenses.

Insurance of properties and property tax

Insurance of properties and property tax includes expenses in relation to property and miscellaneous taxes and building insurance.

Rental expense

Rental expense includes fixed and variable rents for leased hotels and our administrative offices. Rental expense also includes management guarantee payments (such as guarantee payments or shortfalls) owed to or paid to hotel owners based on the related management contracts.

Share of income in associates and joint ventures

Share of income in associates and joint ventures includes income from our equity participations.

Depreciation and amortization

Depreciation and amortization includes depreciation allowances from the amortization of our tangible fixed assets, primarily consisting of fixed installations, guest room furniture, fixtures and equipment ("FF&E") and other FF&E and machinery. The basis of depreciation is cost less the estimated residual value at the end of the asset's useful life. Depreciation is calculated on a straight-line basis over the asset's estimated useful life. The following table sets forth estimated years of useful life of certain of our assets:

	<u>Estimated years of useful life</u>
Fixed installations and technical improvements	10 years
Guest room furniture, FF&E	7 years
Other FF&E and machinery	5 years

In a case where the remaining term of a lease agreement for a hotel is shorter than the estimated useful life of an asset, the depreciation period is limited to the remainder of the lease term. Tangible assets are written down to the recoverable amount if this amount is lower than

the carrying amount. The recoverable amount is the higher of the net sale value and the value-in-use. Profits and losses from the sale of tangible assets are calculated as the difference between the selling price less selling expenses and the carrying amount at the time of sale.

Financial income and expense

Financial income and expense includes interest income and expenses, realized and unrealized foreign exchange gains on financial items, bank charges, write-downs of financial loans and receivables, capital gains and losses on loans and receivables and on liabilities, as well as capital gains and losses on available-for-sale financial assets.

Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax. The current tax is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement, as it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. Our liability for current tax is calculated using tax rates that have been enacted or substantively enacted in the respective tax jurisdictions on the balance sheet date.

Deferred tax is recognized as the difference between the carrying amount of assets and liabilities in our financial statements and the corresponding tax base rate used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax is generally recognized for all taxable temporary differences. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates and interest in joint ventures, except where we are able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case, the deferred tax is also recognized in equity. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current liabilities, and when they relate to income taxes levied by the same taxation authority and we intend to settle our current tax assets and liabilities on a net basis. A deferred tax asset is recognized on un-utilized losses carried forward (as there will be a future tax benefit when the losses are offset against future profits). See “—Critical accounting estimates—Key sources of estimation uncertainty—Deferred tax assets”. However, the asset can only be recognized to the extent that it is probable that future taxable profits will be available against which the losses can be utilized.

Current and deferred tax for the period are recognized as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case, the tax is also recognized directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer’s interest in the net fair value of the acquirer’s identifiable assets, liabilities and contingent liabilities over cost.

Results of operations

The following table sets forth our consolidated statement of operations for the periods indicated:

	Fiscal Year			Q1	
	2015	2016	2017	2017	2018
(€ in millions)	(audited)			(unaudited)	
Revenue	997.0	961.2	967.3	222.5	206.2
Costs of goods sold for Food & Drinks and other related expenses	(57.9)	(53.9)	(51.0)	(12.4)	(11.3)
Personnel cost and contract labor	(343.0)	(337.8)	(347.8)	(83.7)	(76.6)
Other operating expenses ⁽¹⁾	(239.4)	(240.9)	(239.4)	(61.0)	(52.1)
Insurance of properties and property tax	(15.8)	(14.1)	(14.5)	(3.7)	(3.5)
Operating profit before rental expense, share of income in associates and joint ventures, depreciation and amortization, costs due to termination of contracts, gain/loss on sale of fixed assets, net financial items and income tax	341.0	314.6	314.6	61.7	62.7
Rental expense	(243.1)	(235.8)	(231.7)	(58.9)	(56.0)
Share of income in associates and joint ventures	3.2	0.6	(0.8)	(0.3)	(0.6)
Operating profit before depreciation and amortization, costs due to termination of contracts, gain/loss on sale of fixed assets, net financial items and income tax	101.1	79.3	82.1	2.5	6.1
Depreciation and amortization	(37.2)	(41.8)	(42.1)	(10.5)	(10.8)
Write-downs and reversal of write-downs ⁽²⁾	(5.8)	(7.5)	(20.9)	(0.2)	(0.1)
Costs due to termination of contracts ⁽³⁾	(1.1)	(28.9)	(4.2)	—	—
Gain on sale of shares, intangible and tangible assets	0.4	1.8	—	—	—
Operating profit	57.3	3.0	14.7	(8.2)	(4.8)
Financial income	1.9	2.5	1.2	0.2	0.6
Financial expense	(2.6)	(2.7)	(3.2)	(0.8)	(0.7)
Profit before tax	56.6	2.7	12.7	(8.8)	(4.9)
Income tax	(22.4)	23.7	(8.3)	1.2	(0.1)
Profit for the year	34.2	26.4	4.4	(7.6)	(5.0)

(1) Other operating expenses include: fees for royalty, marketing, reservations, rentals and licenses to the Radisson Hospitality, Inc. Group; energy costs; supplies; marketing expenses; external fees (including consultancy, audit and legal assistance fees); laundry and dry cleaning; administration costs; communication, travel and transport; operating equipment; rentals and licenses; and property operating expenses.

(2) Write-downs and reversal of write-downs of mainly, tangible assets in lease hotels and intangible assets related to managed and franchised agreements.

(3) Costs due to termination of contracts include costs occurred in connection with exit of leases.

The following table sets forth a geographic and operating structure breakdown of our revenue for the periods indicated:

(€ in millions)	Fiscal Year			Q1	
	2015	2016	2017	2017	2018
	(audited)			(unaudited)	
Revenue⁽¹⁾					
Nordics	434.1	405.4	385.3	88.6	84.1
<i>Of which:</i>					
Leased	418.6	391.4	370.9	85.7	80.8
Managed	2.9	2.2	3.1	0.5	0.5
Franchised	7.7	9.3	9.4	2.3	2.3
Other	4.9	2.5	1.9	0.1	0.5
Rest of Western Europe	485.7	471.8	486.9	110.6	100.8
<i>Of which:</i>					
Leased	433.9	425.8	440.6	101.2	90.5
Managed	37.9	29.9	28.1	5.3	5.9
Franchised	10.9	11.2	12.1	2.6	2.8
Other	3.0	4.9	6.1	1.5	1.6
Eastern Europe	35.0	38.4	46.1	9.6	7.7
<i>Of which:</i>					
Leased	—	—	—	—	—
Managed	29.9	32.7	38.3	6.8	7.0
Franchised	5.1	5.7	7.8	2.8	0.7
Other	—	—	—	—	—
Middle East, Africa & Others	31.8	30.7	30.7	9.2	8.2
<i>Of which:</i>					
Leased	—	—	—	—	—
Managed	31.8	30.3	30.4	9.1	8.1
Franchised	—	0.4	0.3	0.1	0.1
Other	—	—	—	—	—
Intra Segment Eliminations	(4.5)	(4.4)	(2.2)	(0.5)	(0.7)
Central activities⁽²⁾	14.9	19.3	20.5	5.0	6.0
Total	997.0	961.2	967.3	222.5	206.2

(1) In order to present segmental information on a consistent basis, management has made certain segmental adjustments to illustrate how and where we generate our revenue. As a result, the segmental information for the Fiscal Year 2017, Fiscal Year 2016 and Fiscal Year 2015 presented in this table differs from the respective segmental information presented in the Audited Consolidated Financial Statement for each of respective year.

(2) Represents costs associated with central management, central marketing and other activities.

The following table sets forth a geographic and operating structure breakdown of our segmental Radisson EBITDA for the periods indicated. For a description of our segmentation, see "Presentation of financial and other information—Segmentation":

Segmental Radisson EBITDA	Fiscal Year					Q1		
	2015 ⁽¹⁾		2016 ⁽¹⁾		2017 ⁽¹⁾	2017		2018
	% Change ⁽²⁾		% Change ⁽²⁾			(unaudited) % Change ⁽²⁾		
Nordics	43.9	(9.6)	39.7	12.6	44.7	5.5	(21.8)	4.3
<i>Of which:</i>								
<i>Leased</i>	39.2	(13.3)	34.0	10.0	37.4	4.1	(31.7)	2.8
<i>Managed</i>	1.8	(38.9)	1.1	63.6	1.8	0.2	0.0	0.2
<i>Franchised</i>	3.6	25.0	4.5	2.2	4.6	1.2	(8.3)	1.1
<i>Other</i> ⁽³⁾	(0.7)	—	0.1	800.0	0.9	0.0	—	0.2
Rest of Western Europe	61.8	(10.2)	55.5	6.3	59.0	4.8	29.2	6.2
<i>Of which:</i>								
<i>Leased</i>	29.0	5.9	30.7	10.4	33.9	1.4	35.7	1.9
<i>Managed</i>	27.0	(30.0)	18.9	(3.7)	18.2	1.9	78.9	3.4
<i>Franchised</i>	6.0	(5.0)	5.7	14.0	6.5	1.5	(6.7)	1.4
<i>Other</i> ⁽³⁾	(0.2)	—	0.2	100.0	0.4	—	—	(0.5)
Eastern Europe	25.7	3.1	26.5	24.2	32.9	5.7	(12.3)	5.0
<i>Of which:</i>								
<i>Leased</i>	—	—	—	—	—	—	—	—
<i>Managed</i>	22.4	4.9	23.5	20.0	28.2	3.5	2.9	3.6
<i>Franchised</i>	3.3	(9.1)	3.0	56.7	4.7	2.2	(36.4)	1.4
<i>Other</i> ⁽³⁾	—	—	—	—	—	—	—	—
Middle East, Africa & Others	26.2	(20.6)	20.8	(8.7)	19.0	5.9	(8.5)	5.4
<i>Of which:</i>								
<i>Leased</i>	—	—	—	—	—	—	—	—
<i>Managed</i>	23.1	(11.7)	20.4	(5.4)	19.3	5.9	(8.5)	5.4
<i>Franchised</i>	—	—	0.2	0.0	0.2	0.0	0.0	0.0
<i>Other</i> ⁽³⁾	3.1	(93.5)	0.2	—	(0.5)	—	—	—
Central Activities ⁽⁴⁾ ..	(56.5)	11.9	(63.2)	16.3	(73.5)	(19.4)	(23.7)	(14.8)
Total	101.1	(21.6)	79.3	3.5	82.1	2.5	144.0	6.1

(1) In order to present the segment information on a consistent basis, management has made certain segmental adjustments to illustrate how and where we generate revenue. As a result, the segment information for the Fiscal Year 2015, 2016 and 2017 has been represented in this offering memorandum and therefore differs from the respective information of the Audited Consolidated Financial Statement for each of the respective years included herein.

(2) Represents the percentage change in Radisson EBITDA between 2017 and 2016, between 2016 and 2015 or between Q1 2018 and Q1 2017, as applicable.

(3) Also includes share of income from associates and joint ventures.

(4) Represents central management, central marketing and other central activities.

Comparison of Q1 2018 and Q1 2017

The following table sets forth our consolidated statement of operations for Q1 2018 and Q1 2017, including percentage changes in the periods indicated:

	Q1		% change
	2017	2018	
	(unaudited)		
(€ in millions)			
Revenue	222.5	206.2	(7.3)
Costs of goods sold for Food & Drinks and other related expenses	(12.4)	(11.3)	(8.9)
Personnel cost and contract labor	(83.7)	(76.6)	(8.5)
Other operating expenses	(61.0)	(52.1)	(14.6)
Insurance of properties and property tax	(3.7)	(3.5)	(5.4)
Operating profit before rental expense, share of income in associates and joint ventures, depreciation and amortization, costs due to termination of contracts, gain/loss on sale of fixed assets, net financial items and income tax	61.7	62.7	1.6
Rental expense	(58.9)	(56.0)	(4.9)
Share of income in associates and joint ventures	(0.3)	(0.6)	100.0
Operating profit before depreciation and amortization, costs due to termination of contracts, gain/loss on sale of fixed assets, net financial items and income tax	2.5	6.1	144
Depreciation and amortization	(10.5)	(10.8)	2.9
Write-downs and reversal of write-downs	(0.2)	(0.1)	(50)
Costs due to termination of contracts	—	—	—
Gain on sale of shares, intangible and tangible assets	—	—	—
Operating profit	(8.2)	(4.8)	(41.5)
Financial income	0.2	0.6	200.0
Financial expense	(0.8)	(0.7)	(12.5)
Profit before tax	(8.8)	(4.9)	(44.3)
Income tax	1.2	(0.1)	(108.3)
Profit for the period	(7.6)	(5.0)	(34.2)

Revenue

In Q1 2018, our revenue was €206.2 million, a decrease of €16.3 million, or 7.3%, from €222.5 million in Q1 2017. This decrease was primarily due to our exit from eight leases at the end of Fiscal Year 2017 and the strengthening of the euro compared to other currencies to which we are exposed, such as Swedish Krona, Norwegian Krone, Pound Sterling and Swiss Franc. On a like-for-like basis, including hotels under renovation ("LFL&R"), our revenue in Q1 2018 decreased compared to Q1 2017, with the Easter Effect representing a key factor adversely impacting revenue. In addition, we estimate that our strategic decision to place greater emphasis on business customers at our leased properties negatively impacted our revenue in Q1 2018.

In Q1 2018, revenue in the Nordics was €84.1 million, a decrease of €4.5 million, or 5.1%, from €88.6 million in Q1 2017. This decrease was primarily due to the strengthening of the euro compared to the Swedish Krona and the Norwegian Krone, the Easter Effect and our decision to place greater emphasis on business customers at our leased properties. In Q1 2018, revenue in Rest of Europe was €100.8 million, a decrease of €9.8 million, or 8.9%, from €110.6 million in Q1 2017. This decrease was primarily due to the exit of eight leases at the end of Fiscal Year 2017, the strengthening of the euro compared to the Pound Sterling and the Swiss Franc, the Easter Effect, and our decision to place greater emphasis on business customers at our leased properties. In Q1 2018, revenue in Eastern Europe was €7.7 million, a decrease of €1.9 million, or 19.8%, from €9.6 million in Q1 2017. This decrease was primarily due to termination income received in Q1 2017 relating to a franchise agreement and the strengthening of the euro. In Q1 2018,

revenue in Middle East, Africa & Other was €8.2 million, a decrease of €1.0 million, or 10.9%, from €9.2 million in Q1 2017. This decrease was primarily due to a decrease in RevPAR LFL&R, which was primarily driven by an ADR decrease, and the strengthening of the euro.

Costs of goods sold for Food & Drinks and other related expenses

In Q1 2018, our cost of goods sold for Food & Drinks and other related expenses were €11.3 million, a decrease of €1.1 million, or 8.9%, from €12.4 million in Q1 2017. This decrease was primarily due to a decrease in Food & Drinks revenue (which directly correlates to costs associated with Food & Drinks) resulting from our exit of eight leases at the end of Fiscal Year 2017.

Personnel cost and contract labor

In Q1 2018, our personnel cost and contract labor charges were €76.6 million, a decrease of €7.1 million, or 8.5%, from €83.7 million in Q1 2017. This decrease was primarily due to our exit of eight leases at the end of Fiscal Year 2017 (which decreased personnel headcount by 250 in Q1 2018), as well as the strengthening of the euro and savings realized as a result of certain restructurings that we undertook in the quarter.

Other operating expenses

In Q1 2018, our other operating expenses were €52.1 million, a decrease of €8.9 million, or 14.6%, from €61.0 million in Q1 2017. This decrease was primarily due to our exit of eight leases at the end of Fiscal Year 2017 (which reduced other operating expenses in Q1 2018), as well as the strengthening of the euro and lower marketing and financial advisor costs.

Insurance of properties and property tax

In Q1 2018, our insurance of properties and property tax charges were €3.5 million, a decrease of €0.2 million, or 5.4%, from €3.7 million in Q1 2017. This decrease was primarily due to the exit of eight leases at the end of Fiscal Year 2017.

Rental expense

In Q1 2018, our rental expense was €56.0 million, a decrease of €2.9 million, or 4.9%, from €58.9 million in Q1 2017. This decrease was primarily due to the exit of eight leases at the end of Fiscal Year 2017 (which reduced our overall rental expenses in Q1 2018), as well as the strengthening of the euro.

Share of income in associates and joint ventures

In Q1 2018, our share of income in associates and joint ventures was a loss of €0.6 million, an increase of €0.3 million, or 100.0%, from a loss of €0.3 million in Q1 2017. This increase was primarily due to costs incurred relating to our investment in prize Holding GmbH (which was recognized in January 2018).

Depreciation and amortization

In Q1 2018, our depreciation and amortization charges were €10.8 million, an increase of €0.3 million, or 2.9%, from charges of €10.5 million in Q1 2017. This increase was primarily due to capital expenditures in Fiscal Year 2017.

Financial income and expense

In Q1 2018, our financial income was €0.6 million, an increase of €0.4 million, or 200.0%, from charges of €0.2 million in Q1 2017. This increase was primarily due to foreign currency exchange gains. In Q1 2018, our financial expense was €0.7 million, a decrease of €0.1 million, or 12.5%, from €0.8 million in Q1 2017. This decrease was primarily due to a decline in foreign currency exchange losses compared to Q1 2017.

Income tax

In Q1 2018, we had income tax charges of €0.1 million, a decrease of €1.3 million, or 108.3%, from a credit of €1.2 million in Q1 2017. This change was primarily due to a decrease in losses incurred in Q1 2018 and an increase in taxable revenue in jurisdictions with higher tax rates.

Comparison of Fiscal Year 2017 and Fiscal Year 2016

The following table sets forth our consolidated statement of operations for Fiscal Year 2017 and Fiscal Year 2016, including percentage changes in the periods indicated:

	Fiscal Year		%
	2016	2017	change
(€ in millions)			
Revenue	961.2	967.3	0.6
Costs of goods sold for Food & Drinks and other related expenses	(53.9)	(51.0)	(5.3)
Personnel cost and contract labor	(337.8)	(347.8)	3.0
Other operating expenses	(240.9)	(239.4)	(0.6)
Insurance of properties and property tax	(14.1)	(14.5)	2.8
Operating profit before rental expense, share of income in associates and joint ventures, depreciation and amortization, costs due to termination of contracts, gain/loss on sale of fixed assets, net financial items and income tax	314.6	314.6	—
Rental expense	(235.8)	(231.7)	(1.7)
Share of income in associates and joint ventures	0.6	(0.8)	(233.3)
Operating profit before depreciation and amortization, costs due to termination of contracts, gain/loss on sale of fixed assets, net financial items and income tax	79.3	82.1	3.5
Depreciation and amortization	(41.8)	(42.1)	0.7
Write-downs and reversal of write-downs	(7.5)	(20.9)	178.7
Costs due to termination of contracts	(28.9)	(4.2)	(85.5)
Gain on sale of shares, intangible and tangible assets	1.8	—	(100.0)
Operating profit	3.0	14.7	390.0
Financial income	2.5	1.2	(51.4)
Financial expense	(2.7)	(3.2)	18.5
Profit before tax	2.7	12.7	370.4
Income tax	23.7	(8.3)	(135.0)
Profit for the period	26.4	4.4	(83.3)

Revenue

In Fiscal Year 2017, our revenue was €967.3 million, an increase of €6.1 million, or 0.6%, from €961.2 million in Fiscal Year 2016. This increase was primarily due to strong results in Rest of Western Europe and Eastern Europe, positive developments in our like-for-like portfolio and the re-opening of two hotels after renovation, partially offset by the exit of eight leased hotels during the course of Fiscal Year 2017 and the temporary closure of one leased hotel for renovation.

In Fiscal Year 2017, revenue in the Nordics was €385.3 million, a decrease of €20.1 million, or 5.0%, from €405.4 million in Fiscal Year 2016. This decrease was primarily due to the exit of four leased hotels and the nine-month closing of one leased hotel for renovations, partly offset by the positive impact of significant like-for-like RevPAR growth, which was primarily driven by improved ADR. In Fiscal Year 2017, revenue in Rest of Europe was €486.9 million, an increase of €15.1 million, or 3.2%, from €471.8 million in Fiscal Year 2016. This increase was primarily due to like-for-like RevPAR growth driven by improved ADR, partially offset by the negative impact of foreign exchange rate changes. In Fiscal Year 2017, revenue in Eastern Europe was €46.1 million, an increase of €7.7 million, or 20.1%, from €38.4 million in Fiscal Year 2016. This increase was primarily due to like-for-like RevPAR growth driven by improved Occupancy and ADR and higher incentive fee income. In Fiscal Year 2017, revenue in Middle East, Africa & Other remained flat at €30.7 million compared to Fiscal Year 2016.

Costs of goods sold for Food & Drinks and other related expenses

In Fiscal Year 2017, our cost of goods sold for Food & Drinks and other related expenses were €51.0 million, a decrease of €2.9 million, or 5.4%, from €53.9 million in Fiscal Year 2016. This decrease was primarily due to a decrease in Food & Drinks revenue (which directly correlates to costs associated with Food & Drinks) resulting from the exit of four leases in Fiscal Year 2016.

Personnel cost and contract labor

In Fiscal Year 2017, our personnel cost and contract labor charges were €347.8 million, an increase of €10.0 million, or 3.0%, from €337.8 million in Fiscal Year 2016. This increase was primarily due to an increase in annual base salaries, increased variable salary costs, higher redundancy costs, costs incurred in connection with the change of our chief executive officer, higher variable remuneration costs and the strengthening of the euro, partially offset by cost savings from the exit of four leases in Fiscal Year 2016.

Other operating expenses

In Fiscal Year 2017, our other operating expenses were €239.4 million, a decrease of €1.5 million, or 0.6%, from €240.9 million in Fiscal Year 2016. This decrease was primarily due to a decrease in fees owed for royalty, marketing, reservations, rentals and licenses to the Radisson Hospitality, Inc. Group, as well as reduced energy costs, cost savings from the exit of four leases in Fiscal Year 2016, and the positive impact of the strengthening of the euro, partially offset by higher costs associated with certain of our bad debts.

Insurance of properties and property tax

In Fiscal Year 2017, our insurance of properties and property tax charges were €14.5 million, an increase of €0.4 million, or 2.8%, from €14.1 million in Fiscal Year 2016. This increase was primarily due to increased property and other related taxes.

Rental expense

In Fiscal Year 2017, our rental expense was €231.7 million, a decrease of €4.1 million, or 1.7%, from €235.8 million in Fiscal Year 2016. This decrease was primarily due to the exit of four leases in Fiscal Year 2016, the strengthening of the euro and increased charges for management guarantees, partially offset by higher variable rental charges to increase our like-for-like revenue.

Share of income in associates and joint ventures

In Fiscal Year 2017, our share of income in associates and joint ventures was a loss of €0.8 million, a decrease of €1.4 million, or 233.3%, from income of €0.6 million in Fiscal Year 2016. This increase was primarily due to losses from prize Holding GmbH in Rest of Western Europe and from the Radisson Blu Resort El Quseir (Egypt) in Middle East, Africa & Other.

Depreciation and amortization

In Fiscal Year 2017, our depreciation and amortization charges were €42.1 million, an increase of €0.3 million, or 0.8%, from charges of €41.8 million in Fiscal Year 2016. This increase was primarily due to increased charges in Rest of Western Europe relating to capital expenditure.

Financial income and expense

In Fiscal Year 2017, our financial income was €1.2 million, a decrease of €1.3 million, or 51.4%, from €2.5 million in Fiscal Year 2016. This decrease was primarily due to a lack of foreign currency exchange gains compared to Fiscal Year 2016, partially offset by interest income from loans and receivables. In Fiscal Year 2017, our financial expense was €3.2 million, an increase of €0.5 million, or 18.5%, from €2.7 million in Fiscal Year 2016. This increase was primarily due to foreign currency exchange losses.

Income tax

In Fiscal Year 2017, we incurred income tax charges of €8.3 million, a change of €32.0 million, or 135.0%, from an income tax credit of €23.7 million in Fiscal Year 2016. This change was primarily

due to a €33.5 million decrease in deferred tax income primarily relating to the capitalization of previously unrecognized tax losses totaling €22.6 million in France and the United Kingdom, as well as the write-off of a deferred tax asset on tax losses (€7.0 million) following the change of control resulting from our acquisition by HNA Tourism in Fiscal Year 2016. We further capitalized €7.7 million of previously unrecognized tax losses in Fiscal Year 2017. The re-measurement of existing deferred tax assets due to changes in corporate income tax rates resulted in a €11.4 million tax charge. Our income tax charges were also impacted by a change in income tax charge related to revenue exempt from taxation (€2.1 million in Fiscal Year 2016) and a slightly higher withholding tax charge in Fiscal Year 2017.

Comparison of Fiscal Year 2016 and Fiscal Year 2015

The following table sets forth our consolidated statement of operations for Fiscal Year 2016 and Fiscal Year 2015, including percentage changes in the periods indicated:

	Fiscal Year		% change
	2015	2016	
(€ in millions)			
Revenue	997.0	961.2	(3.6)
Costs of goods sold for Food & Drinks and other related expenses	(57.9)	(53.9)	(6.9)
Personnel cost and contract labor	(343.0)	(337.8)	(1.5)
Other operating expenses	(239.4)	(240.9)	0.6
Insurance of properties and property tax	(15.8)	(14.1)	(10.8)
Operating profit before rental expense, share of income in associates and joint ventures, depreciation and amortization, costs due to termination of contracts, gain/loss on sale of fixed assets, net financial items and income tax	341.0	314.6	(7.7)
Rental expense	(243.1)	(235.8)	(3.0)
Share of income in associates and joint ventures	3.2	0.6	(81.3)
Operating profit before depreciation and amortization, costs due to termination of contracts, gain/loss on sale of fixed assets, net financial items and income tax	101.1	79.3	(21.6)
Depreciation and amortization	(37.2)	(41.8)	(12.4)
Write-downs and reversal of write-downs	(5.8)	(7.5)	29.3
Costs due to termination of contracts	(1.1)	(28.9)	2527.3
Gain on sale of shares, intangible and tangible assets	0.4	1.8	350.0
Operating profit	57.3	3.0	94.8
Financial income	1.9	2.5	31.6
Financial expense	(2.6)	(2.7)	3.8
Profit before tax	56.6	2.7	95.2
Income tax	(22.4)	23.7	205.8
Profit for the period	34.2	26.4	(22.8)

Revenue

In Fiscal Year 2016, our revenue was €961.2 million, a decrease of €35.8 million, or 3.6%, from €997.0 million in Fiscal Year 2015. This decrease was primarily due to the exit of four leased hotels and the temporary closure of one leased hotel for renovation in the Nordics, the strengthening of the euro, and a one-off fee related to terminated and renegotiated management and franchise agreements. On a like-for-like basis, our revenue increased by 3.8%.

In Fiscal Year 2016, revenue in the Nordics was €405.4 million, a decrease of €28.7 million, or 6.6%, from €434.1 million in Fiscal Year 2015. This decrease was primarily due to the exit of four hotels, as well as one hotel being closed for renovations during a part of the year. In Fiscal Year 2016, revenue in Rest of Europe was €471.8 million, a decrease of €13.9 million, or 2.9%, from

€485.7 million in Fiscal Year 2015. This decrease was primarily due to the weakening of the Great British pound sterling, as well as challenging economic conditions in Brussels, Nice and Paris following terrorist attacks. In Fiscal Year 2016, revenue in Eastern Europe was €38.4 million, an increase of €3.4 million, or 9.7%, from €35.0 million in Fiscal Year 2015. This increase was primarily due to improved like-for-like RevPAR in Ukraine, Russia and Poland, as well as increased fee revenue, partially offset by the weakening of the Russian Ruble and other currencies in the region. In Fiscal Year 2016, revenue in Middle East, Africa & Other was €30.7 million, a decrease of €1.1 million, or 3.5%, from €31.8 million in Fiscal Year 2015. This decrease was primarily due to a decline in both Occupancy and ADR, partly offset by the positive impact of the opening of new hotels in the region.

Costs of goods sold for Food & Drinks and other related expenses

In Fiscal Year 2016, our cost of goods sold for Food & Drinks and other related expenses were €53.9 million, a decrease of €4.0 million, or 6.9%, from €57.9 million in Fiscal Year 2015. This decrease was primarily due to a decrease in Food & Drinks revenue (which directly correlates to costs associated with Food & Drinks).

Personnel cost and contract labor

In Fiscal Year 2016, our personnel cost and contract labor charges were €337.8 million, a decrease of €5.2 million, or 1.5%, from €343.0 million in Fiscal Year 2015. This decrease was primarily due to the exit of four leases and the temporary closure of one leased hotel for renovation in the Nordics in Fiscal Year 2016, the strengthening of the euro and lower variable remuneration costs, partially offset by higher costs for redundancies and an increase in annual base salaries and social security costs.

Other operating expenses

In Fiscal Year 2016, our other operating expenses were €240.9 million, an increase of €1.5 million, or 0.6%, from €239.4 million in Fiscal Year 2015. This increase was primarily due to higher costs associated with certain of our bad debts and an increase in marketing expenses, partially offset by cost savings from the exit of four leases in Fiscal Year 2016 and the positive impact of the strengthening of the euro.

Insurance of properties and property tax

In Fiscal Year 2016, our insurance of properties and property tax charges were €14.1 million, a decrease of €1.7 million, or 10.8%, from €15.8 million in Fiscal Year 2015. This decrease was primarily due to the exit of four leases in Fiscal Year 2016 and the strengthening of the euro.

Rental expense

In Fiscal Year 2016, our rental expense was €235.8 million, a decrease of €7.3 million, or 3.0%, from €243.1 million in Fiscal Year 2015. This decrease was primarily due to the exit of four leases in Fiscal Year 2016 and the strengthening of the euro, which was partially offset by higher variable rental charges to increase our like-for-like revenue.

Share of income in associates and joint ventures

In Fiscal Year 2016, our share of income in associates and joint ventures was income of €0.6 million, a decrease of €2.6 million, or 81.3%, from income of €3.2 million in Fiscal Year 2015. This decrease was primarily due to a decrease in income from associates in Middle East, Africa & Other, partially offset by new income from associates in Rest of Western Europe and the reversal of an impairment charge at the Radisson SAS property in Beijing.

Depreciation and amortization

In Fiscal Year 2016, our depreciation and amortization charges were €41.8 million, an increase of €4.6 million, or 12.4%, from €37.2 million in Fiscal Year 2015. This increase was primarily due to increased charges in the Nordics and Rest of Western Europe relating to capital expenditure.

Financial income and expense

In Fiscal Year 2016, our financial income was €2.5 million, an increase of €0.6 million, or 31.6%, from €1.9 million in Fiscal Year 2015. This increase was primarily due to increased foreign currency exchange gains and increased other financial income, partially offset by a decline in interest income from loans and receivables. In Fiscal Year 2016, our financial expense was €2.7 million, an increase of €0.1 million, or 3.8%, from €2.6 million in Fiscal Year 2015. This increase was primarily due to increase interest expenses to external financial institutions and on loans and payables.

Income tax

In Fiscal Year 2016, we recorded an income tax credit of €23.7 million, a change of €46.1 million, or 205.8%, from an income tax charge of €22.4 million in Fiscal Year 2015. This change was primarily due to the Group capitalizing deferred tax assets on previously unrecognized losses in the amount of €22.6 million in Fiscal Year 2016, partially offset by a write-off of a deferred tax asset on losses (€7.0 million). Our tax charges in Fiscal Year 2016 were also impacted by the effect of revenue exempt from tax (€2.1 million) and the effect of a reduction in non-deductible expenses (a decrease of €3.3 million).

Liquidity

Our primary sources of liquidity are cash flows from operations and proceeds from financing activities, which have been historically sufficient to meet our liquidity requirements. We believe that our current liquidity position is sufficient to meet our needs in the future, subject to a variety of factors, including: (i) our ability to generate cash flows from operations in the future; (ii) our outstanding indebtedness level and prevailing interest rates; (iii) our ability to continue to borrow funds from financial institutions; (iv) our capital expenditure requirements; and (v) contractual and legal restrictions on our ability to receive dividends from our associates.

Cash flows

The table below sets forth our consolidated statement of cash flows for the periods indicated.

	Fiscal Year			Q1	
	2015	2016 ⁽¹⁾ (audited)	2017	2017 (unaudited)	2018 (unaudited)
(€ in millions)					
Operations					
Operating profit (EBIT)	57.3	3.0	14.7	(8.2)	(4.8)
Non-cash items	36.8	49.3	64.4	11.6	11.8
Interest, taxes paid and other cash items	(13.4)	(14.5)	(25.0)	(5.6)	(5.1)
Change in working capital	5.0	(3.9)	18.3	4.7	(3.5)
Cash from/(used in) operating activities	85.8	33.9	72.4	2.5	(1.6)
Investments					
Purchase of intangible assets	(1.4)	(0.8)	(7.6)	(0.8)	—
Purchase of Tangible Assets	72.6	(70.3)	(66.2)	(8.5)	(9.2)
Investments in subsidiaries	0.4	—	—	—	—
Other investment/divestments	(1.1)	2.1	0.1	0.4	(0.5)
Cash flow from investing activities	74.6	(83.1)	(73.7)	(8.9)	(9.7)
Financing					
Change in overdraft facilities	—	20.5	9.9	7.7	14.2
New borrowings	—	8.2	—	—	—
Repayment of borrowings	(0.5)	(0.6)	(0.5)	(0.1)	(0.1)
Total external financing	(0.5)	27.7	9.3	7.6	14.1
Dividend paid	(5.1)	(11.9)	(8.5)	—	—
Total cash from transactions with shareholders	(5.1)	(11.9)	(8.5)	—	—
Cash from/(used in) financing activities	(5.7)	15.8	0.8	7.6	14.1
Cash flow for the period	5.5	(33.0)	(0.5)	1.2	2.8
Translation difference in cash and cash equivalents	0.1	—	(0.1)	0.1	—
Cash and cash equivalents as of January 1	35.5	41.1	8.1	8.0	7.4
Cash and cash equivalents as of December 31	41.1	8.1	7.4	9.3	10.2

(1) Extracted from the comparative information included in the Audited Consolidated Financial Statements for Fiscal Year 2017.

The Audited Consolidated Financial Statements for Fiscal Year 2017 include a restated statement of cash flows for Fiscal Year 2016 to reflect *de minimis* adjustments made: (i) in respect of management's decision to gross-up certain financing line-items (including new borrowings); and (ii) to reflect a change in the accounting treatment of accrued interest. In order to present our results of operations and cash flows on a consistent basis, the comparisons of cash flows for Fiscal Year 2017 and Fiscal Year 2016 are based on information included in the Audited Consolidated Financial Statements for the Fiscal Year 2017, while the cash flow comparisons for Fiscal Year 2016 and Fiscal Year 2015 are based on information included in the Audited Consolidated Financial Statements for the Fiscal Year 2016 and Fiscal Year 2015. For a comparison of our consolidated statement of cash flows for Fiscal Year 2016 and our restated consolidated statement of cash flows for Fiscal Year 2016 as presented in the Audited Consolidated Financial Statements for Fiscal Year 2017, see the table below. See also "*Presentation of Financial and Other Information—Restatements*".

(€ in millions)	Fiscal Year 2016	
	Audited	Restated ⁽¹⁾
Operations		
Operating profit (EBIT)	3.0	3.0
Non-cash items	49.3	49.3
Interest, taxes paid and other cash items	(14.9)	(14.5)
Change in working capital	(3.2)	(3.9)
Cash from/(used in) operating activities	34.3	33.9
Purchase of intangible assets	(0.8)	(0.8)
Purchase of tangible assets	(70.3)	(70.3)
Other investments/divestments	2.1	2.1
Cash flow from investing activities	(83.1)	(83.1)
Financing		
Change in overdraft facilities	20.5	20.5
New borrowings	—	8.2
Repayment of borrowings	—	(0.7)
Lease incentives and other long-term liabilities	7.2	—
Total external financing	27.7	28.0
Dividend paid	(11.9)	(11.9)
Total cash from transactions with shareholders	(11.9)	(11.9)
Cash from/(used in) financing activities	15.8	16.1
Cash flow for the period	(33.0)	(33.0)
Translation difference in cash and cash equivalents	—	—
Cash and cash equivalents as of January 1	41.1	41.1
Cash and cash equivalents as of December 31	8.1	8.1

(1) Extracted from the comparative information included in the Audited Consolidated Financial Statements for Fiscal Year 2017. See "*Presentation of Financials and Other Information—Restatements*".

Cash flow from operating activities

Comparison of Q1 2018 and Q1 2017

In Q1 2018, cash used in from operating activities was €1.6 million, a decrease of €4.1 million, or 164.0%, from a cash inflow of €2.5 million in Q1 2017. This decrease was primarily due to a decline in operating profit (EBIT) and an adverse change in working capital as a result of a higher number of operating payables at the end of Fiscal Year 2017 (which were paid in Q1 2018).

Comparison of Fiscal Year 2017 and Fiscal Year 2016

In Fiscal Year 2017, cash inflow from operating activities was €72.4 million, an increase of €38.5 million, or 113.6%, from €33.9 million in Fiscal Year 2016. This increase was primarily due

to an increase in operating profit (EBIT), as well as a positive change in working capital due to higher accounts payable and lower accrued expenses occurring during Fiscal Year 2017.

Comparison of Fiscal Year 2016 and Fiscal Year 2015

In Fiscal Year 2016, cash inflow from operating activities was €34.3 million, a decrease of €51.5 million, or 60.2%, from €85.8 million in Fiscal Year 2015. This decrease was primarily due to a decrease in operating profit (EBIT).

Cash used in investing activities

Comparison of Q1 2018 and Q1 2017

In Q1 2018, cash used in investing activities was €9.7 million, an increase of €0.8 million, or 9.0%, from €8.9 million in Q1 2017. This decrease was primarily due to increased investments in financial receivables.

Comparison of Fiscal Year 2017 and Fiscal Year 2016

In Fiscal Year 2017, cash used in investing activities was €73.7 million, a decrease of €9.4 million, or 11.3%, from €83.1 million in Fiscal Year 2016. This decrease was primarily due to our €14.7 million investment in prize Holding GmbH made in Fiscal Year 2016, partially offset by higher investments in the fee business (which are classified as intangible assets).

Comparison of Fiscal Year 2016 and Fiscal Year 2015

In Fiscal Year 2016, cash used in investing activities was €83.1 million, an increase of €8.5 million, or 11.3%, from €74.6 million in Fiscal Year 2015. This increase was primarily due to our €14.7 million investment in prize Holding GmbH made in Fiscal Year 2016.

Cash flow from financing activities

Comparison of Q1 2018 and Q1 2017

In Q1 2018, cash inflow from financing activities was €14.1 million, an increase of €6.5 million, or 85.5%, from €7.6 million in Q1 2017. This increase was primarily due to an increase in the use of the Overdraft Facility (as defined below).

Comparison of Fiscal Year 2017 and Fiscal Year 2016

In Fiscal Year 2017, cash inflow from financing activities was €0.8 million, a decrease of €15.3 million, or 95.0%, from €16.1 million in Fiscal Year 2016. This decrease was primarily due to an increase in use of the Overdraft Facility, partially offset by an €8.5 million dividend distribution.

Comparison of Fiscal Year 2016 and Fiscal Year 2015

In Fiscal Year 2016, cash inflow from financing activities was €15.8 million, an increase of €21.5 million, or 377.2%, from a cash outflow of €5.7 million in Fiscal Year 2015. This increase was primarily due to increased use of the Overdraft Facility and the receipt of €8.2 million from prize Management Group GmbH Loan (as defined below) in connection with our investment in prize Holding GmbH.

Capital expenditures

Our capital expenditures consist primarily of expenditures towards the maintenance of hotel facilities. Maintenance capital expenditures include repairs, ordinary course maintenance expenses and expenditures necessary to comply with legal requirements, such as occupational, health and safety standards. Under certain of our lease agreements, we are responsible for maintaining the property in good repair and condition over the term of the lease agreement. Under other lease agreements, we are required to invest an agreed percentage of the hotel's revenue in maintenance of the particular property. If renovation works for a period have been lower than what is required in the lease agreement, the renovation works must be carried out at

a later stage or settled in an alternative way which is acceptable to the lessor. Our annual capital expenditure varies from year to year, but it typically amounts to approximately 5% of our annual leased hotel revenue, with annual maintenance capital expenditure typically amounting to approximately 2-3% of our annual leased hotel revenue.

The following table sets forth our capital expenditures for the periods indicated.

(€ in millions)	Fiscal Year			Q1	
	2015	2016	2017	2017	2018
	(audited)			(unaudited)	
Investments in progress	40.7	26.9	34.4	6.4	7.3
Machinery and equipment	20.2	25.5	22.0	1.1	0.8
Fixed installations	11.7	17.9	9.8	1.0	1.1
Licenses and related rights	0.1	0.2	—	—	—
Other intangible assets	1.3	0.7	7.6	0.8	—
Total capital expenditure	74.0	71.2	73.8	9.3	9.2

In Q1 2018, our capital expenditure totaled €9.2 million (€9.3 million in Q1 2017) and primarily related to investments in our leased portfolio in the Nordics (€4.9 million) and in Rest of Western Europe (€4.1 million).

In Fiscal Year 2017, our capital expenditure totaled €73.8 million (€71.1 million in Fiscal Year 2016) and primarily related to investments in our leased portfolio in the Nordics (€43.4 million) and in Rest of Western Europe (€22.4 million).

In Fiscal Year 2016, our capital expenditure totaled €71.1 million (€72.7 million in Fiscal Year 2015) and primarily related to investments in our leased portfolio in the Nordics (€22.4 million) and in Rest of Western Europe (€46.8 million).

In Fiscal Year 2015, our capital expenditure totaled €72.7 million and primarily related to investments in our leased portfolio in the Nordics (€22.6 million) and in Rest of Western Europe (€48.9 million).

As of March 31, 2018, we were contractually committed to expend €21.5 million in capital expenditures, primarily relating to repositioning and rebranding. We expect to finance these capital expenditures from our cash flows from operations and proceeds from financing activities.

Working capital

The following table sets forth changes to our working capital for the periods indicated.

(€ in millions)	Fiscal Year			Q1	
	2015	2016	2017	2017	2018
	(audited)			(unaudited)	
Change in:					
Inventories	0.1	(4.0)	0.5	(0.1)	(0.1)
Current receivables	(9.1)	3.8	(0.4)	(5.9)	(3.9)
Current liabilities	13.9	(8.2)	18.2	10.7	0.5
Change in working capital	5.0	(3.9)	18.3	4.7	(3.5)

Our working capital requirements largely arise from current liabilities, which primarily consist of accounts payable arising from regular trading activities, accrued wages and salaries, other current debts (both interest bearing and non-interest bearing) and taxes. We have historically funded our working capital requirements through cash flows from our operations and proceeds from financing activities, including the Overdraft Facility. Our working capital needs are typically greatest during the third and fourth quarters of each fiscal year due to higher Occupancy, ADR and RevPAR, and are lowest during the first quarter of each fiscal year due to lower Occupancy.

Our working capital decreased by €3.5 million in Q1 2018 compared to an increase of €4.7 million in Q1 2017, primarily due to a higher number of operating payables incurred at the end of Fiscal Year 2017 which were settled in Q1 2018.

Our working capital increased by €18.3 million in Fiscal Year 2017 compared to a decrease of €3.9 million in Fiscal Year 2016, primarily due to an increase in current liabilities resulting from increased use of the Overdraft Facility for renovations, as well as an increase in accounts payable and other current non-interest bearing liabilities. These increases were partially offset by a reduction in current tax liabilities.

Our working capital decreased by €3.9 million in Fiscal Year 2016 compared to an increase of €5.0 million in Fiscal Year 2015, primarily due to an increase in current receivables and liabilities.

Capital resources

Our main sources of financing are discussed below. We have, and, after the Refinancing, will continue to have, a significant amount of outstanding debt. As of March 31, 2018, after giving pro forma effect to the Offering and the application of proceeds therefrom as described under *"Use of Proceeds"*, the aggregate amount of our outstanding debt would have been €264 million (converting non-euro debt into euros at the December 31, 2017 exchange rate), including the Notes.

Cross-border cash pools, combined overdraft and guarantee facilities and revolving credit facility

We have entered into two cross-border cash pool arrangements: the first with Skandinaviska Enskilda Banken AB (publ) on November 7, 2008 (mixed cross-border and domestic cash pool arrangement) (the **"SEB Cash Pool Arrangement"**) and the second with BNP Paribas Fortis SA/NV on March 7, 2013 (the **"BNP Cash Pool Arrangement"**). In addition, we have one domestic cash pool agreement with Credit Suisse AG, which we entered into on April 6, 2011 (the **"Credit Suisse Cash Pool Arrangement"**) and, together with the SEB Cash Pool Arrangement and the BNP Cash Pool Arrangement, the **"Cash Pool Arrangements"**). Through the Cash Pool Arrangements, the majority of cash flows generated by our various international operations are combined and concentrated into central accounts.

In November 2008, we secured a €45 million overdraft facility (the **"Overdraft Facility"**), entered into by and among Radisson Hospitality Belgium BVBA/SPRL and Skandinaviska Enskilda Banken AB (publ). The Overdraft Facility has been renewed on an annual basis. On October 15, 2014, we entered into a €60 million, four-year revolving credit facility agreement (the **"2014 Revolving Credit Facility"**) with Skandinaviska Enskilda Banken AB (publ) for mixed use (draw downs and guarantees). The Overdraft Facility, which is due to terminate on November 21, 2018, and the 2014 Revolving Credit Facility provide us with an aggregate amount of available capital of €105.0 million. As of March 31, 2018, €24.5 million was drawn under the Overdraft Facility and €20.0 million was drawn under the 2014 Revolving Credit Facility. There are also €2.3 million of guarantees outstanding in connection with the 2014 Revolving Credit Facility. On the Issue Date, we expect approximately €33 million to be outstanding under the Overdraft Facility and the 2014 Revolving Credit Facility. We expect to fully repay the Overdraft Facility (approximately €23 million) and the guarantees and the 2014 Revolving Credit Facility (approximately €10 million) using the proceeds from the Offering. See *"Use of proceeds"* and *"Description of certain financing arrangements"*.

Nordea Bank Revolving Credit Facility

We entered into a €90.0 million revolving credit facility agreement with Nordea Bank AB (publ) on October 15, 2014 (the **"Nordea Bank Revolving Credit Facility"**). The remaining tenor of this facility is five months, and it contains customary terms and covenants. We did not pledge any of our assets to secure the Nordea Bank Revolving Credit Facility, and, as of March 31, 2018, we had not drawn down any amounts under this facility. We intend to terminate the Nordea Bank Revolving Credit Facility following the Offering.

BNP Mixed Credit Facility

We entered into a €5.0 million mixed credit facility agreement with BNP Paribas Fortis SA/NV on February 27, 2013 (the “**BNP Mixed Credit Facility**”). The BNP Mixed Credit Facility is available until notice of termination, 30 days notice, is given by either party, and it contains customary terms and covenants. We did not pledge any of our assets to secure the BNP Mixed Credit Facility, and, as of March 31, 2018, we had used €0.3 million of this facility for guarantees. See also “Description of certain financing arrangements”.

prize Management Group GmbH Loan

We entered into a €9.2 million, 3% per annum (2% on capitalized interest) loan with prize Management Group GmbH on April 28, 2016 (the “**prize Management Group GmbH Loan**”). The prize Management Group GmbH Loan has a maturity date of April 2020. We did not pledge any of our assets to secure the prize Management Group GmbH Loan. The loan, in form of payment deferral, was used in connection with the acquisition of our 49% stake in prize Holding GmbH. The prize Management Group GmbH Loan will remain outstanding following the Offering.

Azure Finance Loan

On November 11, 2009, we entered into a €6.4 million, 4.5% per annum loan with Azure Finance SA (the “**Azure Finance Loan**”). This agreement was amended on February 23, 2011. We did not pledge any of our assets to secure the Azure Finance Loan. The proceeds of the Azure Finance Loan were used in connection with the refurbishment of one of our properties in Hamburg, Germany. The Azure Finance Loan will remain outstanding following the Offering.

Contractual obligations

The following table sets forth our contractual obligations owed to third parties by period as of March 31, 2018 after giving pro forma effect to the Refinancing:

	As of March 31, 2018					Total
	< 1 Year	1 - 2 Years	2 - 3 Years	3 - 4 Years	After 4 Years	
(€ in millions)						
Notes offered hereby	—	—	—	—	250.0	250.0
Overdraft Facility	24.5	—	—	—	—	24.5
Guarantee Facilities	2.3	—	—	—	—	2.3
2014 Revolving Credit Facility	20.0	—	—	—	—	20.0
Nordea Bank Revolving Credit Facility	—	—	—	—	—	—
BNP Mixed Credit Facility	—	0.3	—	—	—	0.3
Prize Management Group GmbH Loan	—	—	9.2	—	—	9.2
Azure Finance Loan	—	—	—	—	6.4	6.4
Total	46.8	0.3	9.2	—	256.4	312.7

Off-balance sheet arrangements

We believe that a key financing risk relates to our ability to control and meet certain off-balance sheet commitments as discussed below.

Leasing commitments

Under our lease agreements, we lease hotel properties from owners or other partners, and are entitled to the benefits (and carry the risks) associated with operating the property. Our lease agreements typically include a variable rent clause under which we are obligated to pay a variable rent based on a percentage of the total revenue generated by the hotel (“**Variable Rent**”). The majority of our lease agreements also include a minimum rent payment obligation which is independent of the revenue generated by the hotel (“**Fixed Rent**”). A property’s Fixed Rent is typically adjusted annually to take into account changes in a defined consumer price index. Under our leases containing Variable Rent and Fixed Rent clauses, we generally pay the

higher of the two to the lessor. To limit our financial exposure in a lease, however, we try to limit the “shortfall” amount by which the Fixed Rent exceeds the Variable Rent to an amount corresponding to the aggregate of the lease’s two-to-three years’ Fixed Rent payment obligations (a “Cap”). If cumulative shortfall payments reach the Cap with respect to a particular lease, the Fixed Rent payment obligation ceases, and the lessor receives only the Variable Rent going forward.

As of March 31, 2018, we leased 51 hotels carrying financial commitments (54 such leases as of the end of Fiscal Year 2017, 56 such leases as of the end of Fiscal Year 2016 and 60 such leases as of the end of Fiscal Year 2015). The following table provides an overview of the expiration of these leases:

As of December 31,					
2015		2016		2017	
Year(s)	Number of Leases Expiring	Year(s)	Number of Leases Expiring	Year(s)	Number of Leases Expiring
2016	4	2017	—	2018	—
2017-2021	5	2018-2022	3	2019-2023	2
2022-2026	8	2023-2027	11	2024-2028	14
2027-2031	22	2028-2032	19	2029-2033	18
2032-2036	17	2033-2037	17	2034-2038	15
2037-2041	2	2038-2042	4	2039-2043	3
2042-2046	2	2043-2047	2	2044-2048	2
Total	60		56		54

Moreover, we incur future leasing expenses which comprise the aggregate payment of at least the annual Fixed Rent under all of our Fixed Rent lease agreements. The following table provides an overview of our future minimum leasing expenses for all of our Fixed Rent lease agreements. The number for each lease included in the table is based on the assumption that cumulative shortfall payments do not reach the cap.

	Fiscal Year			
	2015	2016	2017	Q1 2018
(€ in millions)				
Within 1 year	188.2	177.7	167.9	167.4
1-5 years	721.7	709.5	651.1	653.3
After 5 years	1,729.5	1,918.6	1,621.9	1,577.2
Total	2,639.3	2,805.8	2,440.9	2,397.9

Partly offsetting our future leasing expenses, we recognized revenue from certain sub-leasing arrangements with third parties amounting to €3.3 million in Fiscal Year 2017 (€4.1 million in Fiscal Year 2016 and €4.4 million in Fiscal Year 2015). The following table provides an overview of our expected future sub-lease revenue from our Fixed Rent lease agreements:

	Fiscal Year		
	2015	2016	2017
(€ in millions)			
Within 1 year	3.9	3.2	3.0
1-5 years	10.7	9.3	6.9
After 5 years	6.3	36.9	25.3
Total	20.9	49.4	35.2

Management contract commitments

We provide management services to third-party hotel owners through management contracts. We derive revenue primarily from: (i) base fees (calculated as a percentage of total hotel revenue); and (ii) management incentive fees (calculated as a percentage of a hotel’s gross operating profit or adjusted gross operating profit). In certain circumstances, we guarantee third-

party hotel owners a minimum result measured against adjusted gross operating profit or another similar financial metric (a “**Minimum Result Guarantee**”). Under our Minimum Result Guarantee management contracts, we compensate third-party hotel owners for any financial shortfall incurred when measured between such hotel’s actual performance and what we contractually guaranteed to generate (based on adjusted gross operating profit or another similar financial metric) (a “**Guarantee Shortfall**”). However, in the majority of our Minimum Result Guarantee management contracts, our obligation to compensate for a Guarantee Shortfall is limited to two-to-three times the annual Minimum Result Guarantee.

As of March 31, 2018, we had 14 Minimum Result Guarantee management contracts that subjected us to financial commitments (15 such contracts as of the end of Fiscal Year 2017, 17 such contracts as of the end of Fiscal Year 2016 and 21 such contracts as of the end of Fiscal Year 2015). The following table provides an overview of the expiration of these agreements:

As of December 31,					
2015		2016		2017	
Year(s)	Number of Agreements Expiring	Year(s)	Number of Agreements Expiring	Year(s)	Number of Agreements Expiring
2016	1	2017	2	2018	1
2017-2021	4	2018-2022	3	2019-2023	—
2022-2026	6	2023-2027	4	2024-2028	4

As of December 31,					
2015		2016		2017	
2027-2031	8	2028-2032	6	2029-2033	5
2032-2036	1	2033-2037	1	2034-2038	4
2037-2041	—	2038-2042	—	2039-2043	1
2042-2046	1	2043-2047	1	2044-2048	—
Total	21		17		15

In addition, the following table provides an overview of our aggregate maximum capped contractual obligations under our Minimum Result Guarantee management contracts.

	Fiscal Year			
	2015	2016	2017	Q1 2018
(€ in millions)				
Total future payments	60.9	47.4	33.6	29.0

Our aggregate maximum capped contractual obligations set out in the table above include guarantees provided in our management contracts. Costs associated with Guarantee Shortfalls amounted to €2.4 million in Q1 2018 (€2.8 million in Q1 2017) and €0.9 million in Fiscal Year 2017 (€2.3 million in Fiscal Year 2016 and €1.7 million in Fiscal Year 2015).

Quantitative and qualitative disclosures about market risk

Our activities expose us to a variety of financial risks, including credit risk, interest rate risk, foreign currency exchange risk and liquidity risk. Our risk management policy, which is managed centrally by senior management, focuses on minimizing any potential adverse effects on our financial performance. The following section discusses the significant financial risks to which we believe we are exposed. This discussion does not address other risks to which we are exposed in the normal course of business. For a discussion of these risks, please see the section entitled “*Risk factors*” found elsewhere herein.

Credit risk

Credit risk is related to financial receivables on our balance sheet (such as “other long-term interest-bearing receivables”, “other long-term non-interest bearing-receivables”, “other current interest-bearing receivables” and “accounts receivables”). We are also exposed to credit risks related to “other short-term investments” and “cash and cash equivalents”.

At the local property level, credit exposure is normally limited, as the accounts are regularly settled in cash or by accepted credit cards. Credits are only offered to customers under a contract and only to companies or registered organizations with a legal structure. Credit terms must be described in the contract and comply with guidelines described in our internal finance manual. For managed and franchised hotels, a background check of the hotel owner is made before entering into a new contract, including, where possible, an investigation of the owner's creditworthiness. The credit term is normally 30 days for both local property customers and for fees. Our financial guidelines set rules for the follow-up of overdue receivables and for credit meetings. As sales and fee invoicing are dispersed among many different customers, we have little credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

In some cases, we grant loans to owners of our managed hotels or to joint venture partners and associated companies in the early stages of new projects. The terms for such loans vary, but, in principle, there is an agreement on interest on the loans, and the repayment schedule is based on the project opening and project progress. Based on market conditions, interest rates, repayment schedules and security arrangements are agreed in advance. Terms and conditions for such loans are decided upon centrally by our financial management team.

Cash not necessary for the normal course of business is deposited in a bank. Our Central Treasury function is responsible for coordinating the handling of surplus liquidity and liquidity reserves, and only our Central Treasury function (or persons authorized by it) may engage in external investment transactions. Individual hotels and administration units with excess liquidity, which cannot be held on accounts within the cash pool structure, can invest externally only with the prior consent of our Central Treasury function and in accordance with our finance policy. Investments of surplus liquidity can only be made in creditworthy, interest-bearing securities, in securities with high liquidity, in investments/securities/deposits with short-term maturity, and, with regard to deposits, normally with financial institutions with a credit rating of A-1/P1/F1 or higher.

Foreign currency exchange risk

We have operations in a number of countries using various currencies and are, therefore, exposed to exchange rate fluctuations. Our key foreign currencies include the euro, Swedish Krona, the Norwegian Krone, the Danish Krone, the Swiss Franc and the Great British pound sterling. Our exposure to changes in the Danish Krone, however, is limited, as the Danish Krone is pegged to the euro.

Transaction exposure

When we generate revenues and incur costs in different currencies, we are subject to transaction exposure. For our leased operations, the nature of the business is normally local, and, consequently, the exposure is limited. Unlike our leased operations, our fee business is generally subject to a relatively higher transaction exposure. This transaction exposure arises when fees are collected by entities located in another country than that of the hotel from which the fee originates. Hotels in certain markets with high currency volatility and a large international customer base, however, generally adjust their room rates charged in the local currency to take into account volatile fluctuations in the euro or U.S. dollar.

All of our hotels use a reservation system that is set up and managed by the Radisson Hospitality, Inc. Group, to which our hotels pay a fee for such services. We centrally collect these fees from our portfolio hotels and then on-pay them directly to the Radisson Hospitality, Inc. Group. We also pay franchise fees to the Radisson Hospitality, Inc. Group for the use of its brand names, as well as a small portion of its marketing fees. As part of our currency hedging strategy in respect of these transactions, we collect the reservation fees from our leased hotels in local currency. The reservation fees charged to our leased hotels are equivalent to the U.S. dollar fee per reservation charged by us in U.S. dollars to our managed and franchised hotels. By combining currency hedges and keeping a portion of our cash inflows in U.S. dollars, we are able to mitigate any U.S. dollar exposure resulting from our cash outflows to the Radisson Hospitality, Inc. Group.

We also monitor our aggregate foreign currency exposure in each market in which we operate, and we enter into derivative foreign currency contracts to hedge the effects of exchange rate fluctuations for specific transactions. In addition to natural hedges, our practice is to enter into foreign currency exchange contracts that cover an average 65% of our exposure for a period of up to 12 months. Doing so allows us to reduce our overall foreign currency exchange exposure, as gains and losses on such contracts are offset by gains and losses on the hedged transactions.

Translation exposure

We present the Audited Consolidated Financial Statements and the Interim Consolidated Financial Statements in euro. Because certain of our foreign operations have a functional currency other than the euro, the Audited Consolidated Financial Statements, the Interim Consolidated Financial Statements and, consequently, our shareholders' equity are each exposed to foreign currency exchange rate fluctuations when income statements and balance sheets in foreign currencies are translated into euro. The exposure on our consolidated equity, however, is mitigated by our decision not to own any real estate, as this reduces the total assets denominated in foreign currencies on our balance sheet.

A sensitivity analysis shows that, if the euro were to fluctuate by 5% against other currencies that we utilize (excluding Danish Krone as it is pegged to the euro), the effect on our consolidated equity would be approximately €12.1 million (based on our equity as of December 31, 2017) and €27.1 million on our total revenue for Fiscal Year 2017. This sensitivity assumes that all currencies would fluctuate by 5% against the euro, and does not take into account the correlation between, and the resulting risk diversification from, those currencies.

Liquidity risk

Liquidity risk is the risk of us not being able to fulfil our present or future obligations if we do not have sufficient funds available to meet such obligations. Liquidity risk arises primarily in relation to cash flows generated and used in financing activities, and, in particular, when servicing our debt, in terms of both interest and capital, and our payment obligations relating to our ordinary business activities. We believe that the potential risks to our liquidity include:

- a reduction in operating cash flows due to a lowering of net income from operations, which could be due to downturns in our performance or the industry as a whole;
- adverse working capital developments;
- exposure to increased interest rates in relation to our variable interest rate borrowings; and
- higher capital expenditures.

We have mechanisms in place for managing liquidity reserves, such as excess cash and irrevocable credit facilities, which are available at any time. Our Central Treasury function also monitors the cash position of each of our entities on a daily basis to ensure efficient and appropriate use of our liquidity.

Critical accounting estimates

The preparation of the Audited Consolidated Financial Statements and the Interim Consolidated Financial Statements, and the application of accounting policies therein are often based on management's assessments or on estimates and assumptions deemed reasonable and prudent at the time that they were made. Reporting of costs for defined benefit pensions are based on actuarial estimates derived from assumptions about discount rate, expected return on managed assets, future pay increases and inflation. In addition, as a lessee, we have entered into lease contracts primarily relating to fully furnished hotel premises. Each lease contract is subject to a determination as to whether the lease is a financial or an operating lease. The classification of leases as operating or financial leases is determined based on the individual terms. Leasing contracts where virtually all rights and obligations (which normally characterize ownership) are transferred from the lessor to the lessee are defined as a financial leasing contract. Leasing

contracts that are non-financial are classified as operational leasing contracts. All of our leases are currently classified as operating leases. In all current leasing arrangements regarding hotels, we only carry risks limited to operating the hotel itself.

Key sources of estimation uncertainty

Key assumptions concerning the future, and other key sources of estimation uncertainty at the end of a reporting period which could have a significant risk of causing a material adjustment to the carrying amounts of our assets and liabilities within the next financial year, are discussed here below.

Impairment testing

At each balance sheet (closing) date, a review is conducted assessing whether there is any indication that our tangible assets, intangible assets and/or contracts are impaired, and, if so, the recoverable amount of such assets and/or contracts (or the cash-generating unit to which it or they belong) is calculated in order to determine whether impairment exists. Each hotel contract is considered as a separate cash generating contract.

We use the discounted cash flow (DCF) technique to test assets-in-use using the internal pre-tax discount rate (weighted average cost of capital), which is regularly recalculated. At the end of Fiscal Year 2017, a discount rate of 8.2% was used when discounting future cash flows in the Eurozone, Denmark, Norway, Sweden and Switzerland (8.1% at the end of Fiscal Year 2016). If the results show a NPV that is below the carrying value, impairment is considered on the related tangible and intangible group of assets.

Key assumptions for the value-in-use calculations include discount rates, growth rates and expected changes in Occupancy, ADR and direct costs during the period. Changes in selling prices, Occupancy and direct costs are based on past practices and expectations of future changes in the market. Derived from the most recent financial budgets approved by management, we prepare cash flow projections over the related length of each respective contract (normally ranging from 15 to 20 years). Each individual hotel contract has been valued separately, taking into account the remaining contract term and the applicable commercial terms.

The expected cash flows for each contract take into account the budgeted numbers for the fiscal year ending December 31, 2018 and projected numbers for the fiscal year ending December 31, 2019 through to the fiscal year ending December 31, 2021. The long-term growth in revenues, costs and profit margins follow a similar development pattern as the change in local consumer price index in line with the historical growth rates experienced in those regions, except when justified otherwise by other factors. Such factors include: (i) on-going, higher-than-inflation improvements in market RevPAR; (ii) revenue reserves due to renovation works carried out to maintain properties to a certain standard; (iii) revenue turnaround; (iv) cost restructuring programs; and (v) the impact of rebranding.

Write-downs have also been accounted for when required. During Fiscal Year 2017, we recognized €19.5 million of write-downs on fixed assets relating to leased hotels in Belgium, Germany, Norway, Spain and the United Kingdom as a result of impairment testing (€9.5 million in Fiscal Year 2016). These impairments were primarily the result of lowered expectations relating to market growth, and the assets were written-down to the calculated value-in-use. We also recognized €0.3 million of reversals of write-downs in Fiscal Year 2017 (€2.0 million in Fiscal Year 2016). Portfolio management, a revision of plans and projections for loss-making hotels, or a setback in economic recovery may lead to a renewed assessment of the carrying value of both tangible and intangible assets.

Assessment of onerous contracts in management and lease agreements

A similar method to impairment testing is applied to test whether our management contracts or lease agreements are onerous, thereby requiring a provision to be recorded. No provisions were recognized for onerous lease contracts in Fiscal Year 2017 and Fiscal Year 2016. Provisions for

management contracts with shortfall guarantees are recognized as guarantee payments under rental expenses in our income statement. Portfolio management, a revision of plans and projections for loss-making hotels, or a setback in economic recovery may lead to a renewed assessment.

Deferred tax assets

Deferred tax is recognized on temporary differences between stated and taxable income and on un-utilized tax losses carried forward. The valuation of tax losses carried forward, and our ability to utilize tax losses carried forward, is based on our estimates of future taxable income. Assumptions used in estimating our future taxable income are based on those used in the impairment tests. In Fiscal Year 2017, we recognized €2.1 million (net) of deferred tax assets on losses (€26.2 million in Fiscal Year 2016 (net)) following reviews of the likelihood our ability to utilize tax losses carried forward. Portfolio management, a revision of plans and projections for loss-making hotels, or a setback in economic recovery could require further assessment of the recoverability of any accumulated tax losses carry forward, and, therefore, also on the carrying value of our deferred tax assets. Furthermore, changes in tax rules and regulations could also require further assessments of the recoverability of any tax losses carry forward and the related deferred tax assets.

Investments

In Fiscal Year 2017 and Fiscal Year 2016, none of our investments were written down following a review of other shares and participations held by the Group.

Assessment of off-balance sheet commitments

For leasing commitments, we estimate that future leasing expenses comprise payments of at least the annual fixed rent under each lease agreement. For management contract commitments, we disclose our maximum capped financial exposure related to all management agreements that carry a financial commitment. The maximum exposure that is presently disclosed, however, represents an immaterial portion of our maximum commitment based on annual costs.

Provisions

Provisions are made when we conclude that a probable and quantifiable risk of loss attributable to a dispute exists. Provisions for claims due to known disputes are recorded whenever it is more likely than not that we will have an obligation to settle a dispute and where a reliable estimate can be made regarding the outcome of such dispute.

Industry overview

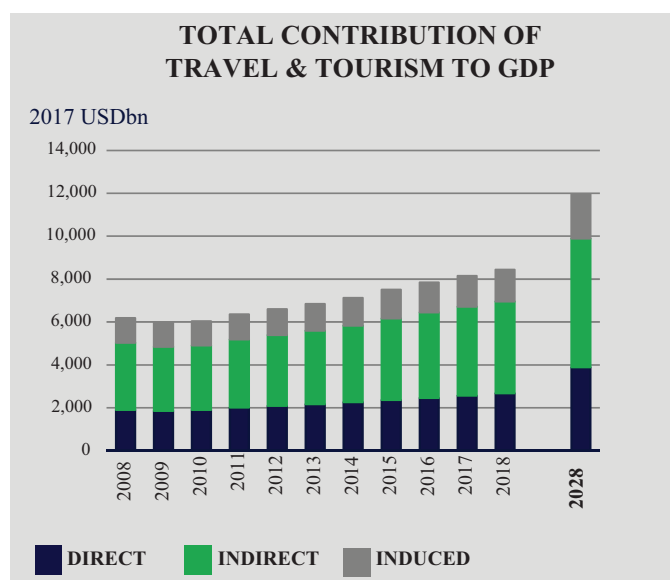
The market information presented in this section is taken or derived from the cited sources. Market data are inherently forward looking and subject to uncertainty and do not necessarily reflect actual market conditions. They are based upon market research, which itself is based upon sampling and subjective judgments by both the researchers and respondents, including judgments about what types of products and competitors should be included in the relevant market. In addition, certain statements below are based upon our own information, insights, subjective opinions or internal estimates, and not on any third-party or independent source; these statements contain words such as “we estimate”, “we expect”, “we believe” or “in our view”, and as such do not purport to cite to or summarize any third-party or independent source and should not be so read. See “Important information about this offering memorandum—Market and industry data” and “—Forward-looking statements”.

Overview of the tourism industry

The travel and tourism industry, of which the hospitality and hotel industry, which we address, is one component, is one of the world’s largest industries. According to the World Travel & Tourism Council (“**WTTC**”) Travel and Tourism Economic Impact 2018 World report, in 2017 the combined direct and indirect impact of travel and tourism on the world economy represented 10.4% of total gross domestic product (“**GDP**”) (\$8.3 trillion), 313 million jobs (9.9% of total employment), 4.5% of economic investment and 6.5% of world exports. Despite on-going challenging political, economic and natural conditions, travel and tourism’s direct contribution to world GDP is expected to grow by 3.8% on average per year over the next ten years. By 2028, travel and tourism is expected to represent 414 million jobs, \$1.4 trillion in investment (2017 prices) and \$2.3 trillion in exports (2017 prices).

According to WTTC’s Travel and Tourism Economic Impact 2018 World report, business travel spending accounts for 22.5% of direct travel and tourism GDP generated in 2017 (\$1.2 trillion). Business travel spending is expected to grow by 3.8% in 2018 (to \$1.3 trillion) and to rise by 3.2% per annum to \$1.8 trillion in 2028.

The following table shows the direct, indirect and induced economic contribution of travel and tourism from 2008 to 2018, including a long-term forecast for 2028.



Source: WTTC Travel and Tourism Economic Impact 2018 World

The following table sets out tourist arrivals (in millions), including both leisure and business travellers, by region from 2013 to 2017 and growth expected from 2017 to 2030.

International Tourist Arrivals	2013	2014	2015	2016	2017	Market Share	Compound Annual Growth Rate (CAGR) 2017/2013	Forecast 2020	Forecast 2030	CAGR % (2030/2015)
World*	1094	1138	1195	1239	1323	100%	4.9%	1,360	1,809	2.8%
Advanced economies ¹⁾	589	623	655	685	725	55%	5.3%	643	772	1.1%
Emerging economies ¹⁾	505	516	540	554	598	45%	4.3%	717	1,037	4.4%
Europe	566.4	576.1	605.3	619.2	670.9	51%	4.3%	620	744	1.4%
Northern Europe	67.2	70.8	69.8	73.8	77	6%	3.5%	72	82	1.1%
Western Europe	171.5	175.3	181.5	181.5	194.4	15%	3.2%	192	222	1.4%
Central/Eastern Europe	126.7	115.2	122.4	127	133	10%	1.2%	137	176	2.5%
Southern/Mediterr. Eu.	201	214.8	231.6	237.2	266.6	20%	7.3%	219	264	0.9%
Asia and the Pacific	254.2	269.5	284	305.9	324	24%	6.3%	355	535	4.3%
Northeast Asia	127	136.3	142.1	154.3	159.5	12%	5.9%	195	293	4.9%
Southeast Asia	94.3	97	104.2	110.8	120.2	9.0%	6.3%	123	187	4.0%
Oceania	12.6	13.3	14.3	15.7	16.6	1.0%	7.1%	15	19	1.9%
South Asia	20.3	22.9	23.4	25.1	27.7	2.0%	8.1%	21	36	2.9%
Americas	167.6	181.9	193.7	200.7	207.1	16%	5.4%	199	248	1.7%
North America	110.2	120.9	127.5	130.9	133.2	10%	4.9%	120	138	0.5%
Caribbean	21.1	22.3	24.1	25.2	26	2.0%	5.4%	25	30	1.5%
Central America	9.1	9.6	10.2	10.7	11.1	1.0%	5.1%	14	22	5.3%
South America	27.2	29.1	31.9	33.9	36.7	3.0%	7.8%	40	58	4.1%
Africa	54.7	55	53.6	57.6	62.8	5.0%	3.5%	85	134	6.3%
North Africa	20.7	20.4	18	18.9	21.7	2.0%	1.2%	31	46	6.5%
Subsaharan Africa	34	34.6	35.6	38.8	41.1	3.0%	4.9%	55	88	6.2%
Middle East	50.8	55.9	58.1	55.6	58	4.0%	3.4%	101	149	6.5%

* Regions defined by the World Tourism Organization (UNWTO)

1) Classification defined by the International Monetary Fund (IMF)

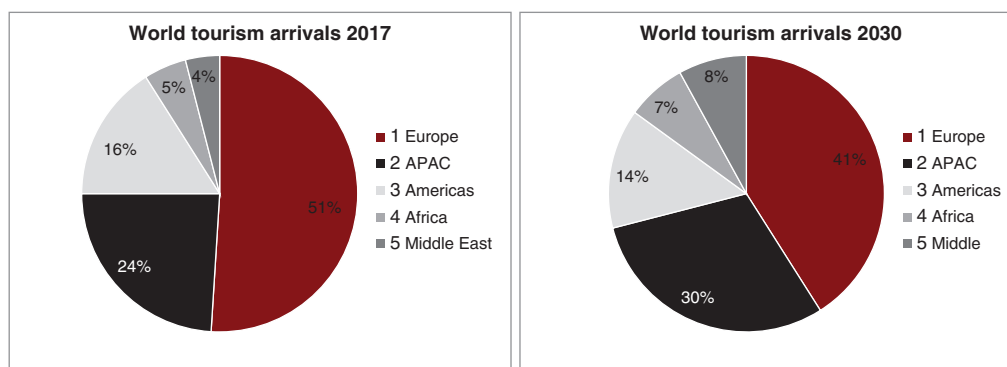
Source: UNWTO, Tourism Highlights 2017 and UNWTO Tourism Barometer

2017 was one of the strongest years of global GDP growth in a decade, which according to WTTC's Travel and Tourism Economic Impact 2018 World report has translated into the travel and tourism sector's direct growth of 4.6%. The sector last saw higher growth than this in 2011. The sector's growth in 2017 outpaced the global economy for the seventh consecutive year, and also outperformed all other major global economic sectors. The next fastest sector growth was manufacturing at 4.2%, but all other sectors reported growth of less than 4.0% (source: WTTC Global Economic Impact & Issues 2018). The steady growth in the travel industry continued in 2017, despite it being a turbulent year, including political and economic uncertainties, natural disasters and security concerns.

According to forecasts made by the UNWTO in its Tourism Highlights 2017 report, the number of tourist arrivals is expected to increase by an average of 3.3% over the period of 2010 to 2030. It is expected that the rate of growth will gradually decrease over time, slowing from 3.8% at the

beginning of the period to 2.9% towards 2030, though this is on top of growing base numbers. At the projected rate of growth, international tourist arrivals worldwide are expected to reach 1.4 billion by 2020 and 1.8 billion by 2030. International tourist arrivals in emerging markets are expected to grow slightly faster at 4.4% a year, compared to 2.2% for the advanced economies. As a result, the market share of western regions (the Americas and Europe) is expected to decrease from 68% of total arrivals in 2012 (1,035 million arrivals globally) to 55% of total arrivals in 2030 (1,809 million arrivals globally), as shown in the following charts.

Market share of tourism arrivals – 2017 and 2030



Source: UNWTO, Tourism Highlights 2017 and UNWTO Tourism Barometer

The hotel industry

Following the last down-turn cycle in the hotel sector in 2010, the industry experienced strong post-recession gains. While these gains seem to be cooling off, the sector is projected to sustain strong 5.0-6.0% growth throughout 2018 according to Deloitte's 2018 Travel and Hospitality Industry Outlook. The industry is set to hit a record-breaking \$170 billion in gross bookings, due to strong fundamentals achieved by healthy business and leisure demand.

Historically, hotel performance has been cyclical, with intense downturns following long runs of growth. Some industry analysts speculate soft market conditions to be imminent, as cycles in the industry tend to occur every 10 years. However, those bullish on future hotel performance seem to outnumber industry detractors, with investor sentiment experiencing a notable increase in late 2017 and early 2018. According to JLL's Hotel Investment Outlook 2018, this underpins a more positive environment. The level of fundraising activities is at its highest in any cycle, and is expected to experience significant growth in 2018.

The industry has profited from strong demand and limited supply growth, with all regions other than the Middle East having higher percentage change in demand than supply in 2017 according to STR, a leading source of global data benchmarking, analytics and marketplace insights. This led to RevPAR growth in all regions except the Middle East in 2017, according to STR's 2017 Global Hotel Study.

Supply

After the financial crisis, hotel supply growth slowed significantly as new developments were put on hold, cancelled or could not obtain the necessary financing. However, in line with economic recovery, the overall pipeline of new hotel supply is recovering and growing. According to STR Pipeline Reports, global hotel supply reached more than 181,000 in 2017, totalling over 16.4 million rooms. The growth was particularly strong in the European region with a growth rate of 11.8% in the supply of hotels from 2016 to 2017. The following table sets out global hotel and room supply, and growth from 2016 to 2017 by region.

	2016		2017		Growth	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
Europe	62,480	4,676,282	69,835	4,860,109	11.8%	3.9%
Americas	67,906	6,054,562	69,318	6,191,018	2.1%	2.3%
Asia Pacific	33,054	4,280,616	35,477	4,564,923	7.3%	6.6%
Middle East/Africa	5,992	817,470	6,420	863,551	7.1%	5.6%
Total	169,432	15,828,930	181,050	16,479,601	6.9%	4.1%

Source: STR Global.

Hotel supply can be broadly categorized as being branded (affiliated) or unbranded (unaffiliated/independent). According to STR, approximately 54% of the global hotel supply consists of branded hotels, with the United States having the highest shares of branded hotels with more than 71% of total domestic supply while Europe has a relatively low chain penetration with only 40%.

(Room #, in million)	Chain Affiliated	%	Unaffiliated	%	Total
Europe	1.9	40%	2.9	60%	4.9
Americas	4.1	67%	2.1	33%	6.2
US	3.7	71%	1.5	29%	5.2
Canada	0.2	51%	0.2	49%	0.4
Rest of Americas	0.2	39%	0.3	61%	0.5
Asia Pacific	2.4	53%	2.1	47%	4.6
Middle East & Africa	0.4	43%	0.5	57%	0.9
Global	8.9	54%	7.6	46%	16.5

Source: STR Global.

The top 10 hotel companies represent approximately 74% of the total branded global hotel supply, of which the top 5 account for around 49% (source: MKG 2017 top hotel groups list). The more developed markets of North America are characterized by a higher percentage of branded hotels and high levels of market concentration. On the other hand, in emerging, less developed markets, brand and group affiliation are less established. HVS expects brand penetration to continue to grow in the future as more independent hotel companies become franchisees of established brands. The following table lists the largest hotel companies in terms of number of rooms.

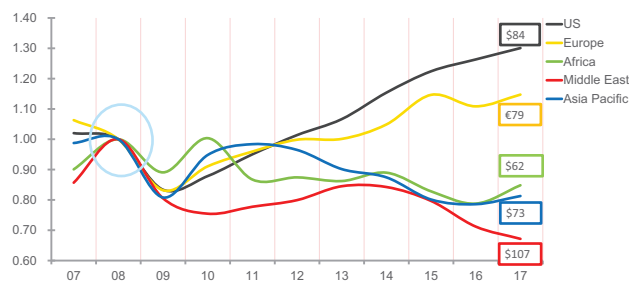
Largest hotel companies ranked by number of rooms 2018⁽¹⁾

Ranking	Hotel Company	Headquarters	Rooms
1	Marriott International	United States	1,235,512
2	Hilton Worldwide	United States	848,014
3	IHG	UK	798,075
4	Wyndham Hotel Group	United States	794,572
5	Jin Jiang	China	680,111
6	AccorHotels	France	657,010
7	Choice	United States	525,573
8	BTG Home Inns	China	384,743
9	Huazhu	China	357,117
10	Best Western	United States	290,868
11	Greentree Hotel Management	China	190,807
12	Radisson Hotel Group	United States	189,059

Source: Top 10 largest hotel groups worldwide as per the 2018 edition of the Worldwide Hospitality Ranking, published by Hospitality ON.

Global RevPAR trends

RevPAR Index – 2007 to 2018
Indexed to 2008



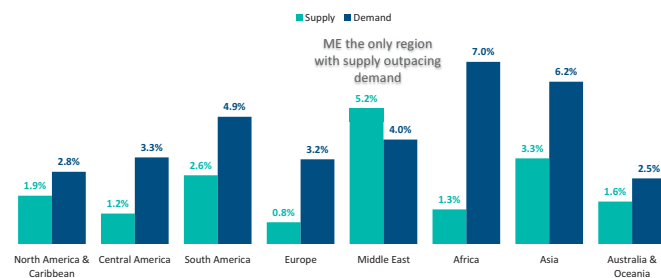
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Demand growth outpaced supply growth

Global Supply & Demand % Change



Full Year 2017



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The EMEA area

Europe

The following table shows the largest hotel chains in Europe by number of rooms.

Ranking	Hotel Company	Brands	Hotels	Rooms
1	AccorHotels	20	2,801	309,000
2	IHG	12	677	110,000
3	Marriott	30	507	104,000
4	Best Western	10	1,284	91,000
5	Radisson Hotel Group	5	325	74,000
6	Jin Jiang	9	999	71,000
7	Hilton	14	323	71,000
8	Whitbread	2	762	65,000
9	Choice Hotels	10	409	51,000
10	Pierre & Vacances	1	353	49,000

Source: MKG.

Nordic countries

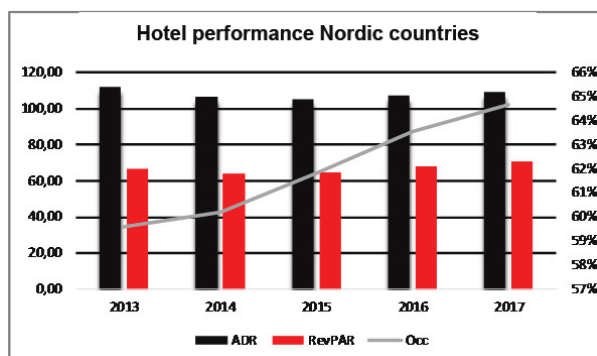
For the purpose of this section, the Nordic countries include Denmark, Finland, Iceland, Norway and Sweden.

Going forward, continued supply growth is expected for the next few years, according to PwC's Hospitality Market in Scandinavia report, with 9,300 rooms currently planned to be built in Stockholm, Oslo and Copenhagen, representing an average supply influx of 17% in those cities. This means that the larger cities in the Nordic region will need to attract more guests in order to retain current hotel performance levels. As in the past, the hotel market in the Nordic region will be dictated in part by the general outlook for the region, Europe and the global economy.

The Nordic market continues to be characterised by mid- and upscale hotels managed by regional and national chains. According to PwC's Hospitality Market in Scandinavia report, this mostly stems from high barriers to entry in the region, as international chains tend to prefer management agreements, whereas local investors prefer lease agreements. However, international chains continue to be interested in entering the market, and international entrants could have a positive effect on market ADR, as well as diversifying a relatively homogeneous regional market.

As of March 31, 2018, our hotels in the Nordic Region represented 17 per cent of our total available rooms. In the Nordic Region, our Radisson Blu branded hotels compete in the upper upscale segment where there is limited competition from other international first-class hotel brands. However, Radisson Blu hotels also face competition from local and international brands in the midscale segment in certain locations. These competitors include, among others, Scandic, Thon, Clarion, Quality and First, which also directly compete with our Park Inn by Radisson branded hotels in the upper midscale segment.

Hotel performance Nordic countries



Source: Benchmark Alliance.

Rest of Western Europe

For the purpose of this section, the 'Rest of Western Europe' includes Austria, Belgium, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, the Netherlands, Portugal, Spain, Switzerland and the UK.

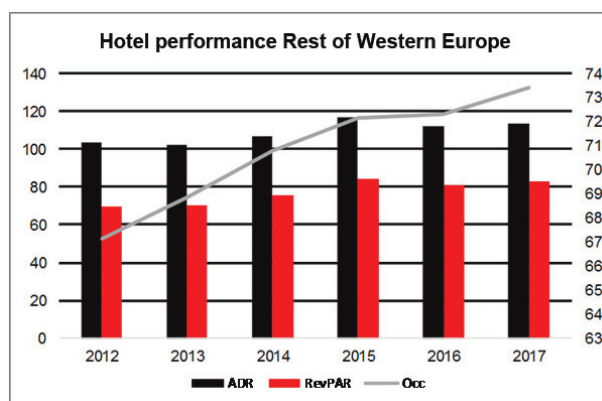
According to STR's 2017 Global Hotel Study, European hotel performance has seen year-over-year RevPAR growth every year since 2009, despite economic downturns, security concerns and political tensions. The region overall has experienced growth, with an average 5.6% increase in RevPAR from 2016 to 2017. Cities of particular note include Lisbon, Madrid and Edinburgh, with increases in RevPAR in 2017 of 22%, 18% and 12% respectively according to STR's 2017 Global Hotel Study. Overall, the Mediterranean had double digit RevPAR growth in 2017. European occupancies in 2017 were approximately 10% above the previous peak in 2008.

As a result of Brexit and the weak Sterling, according to STR's 2017 Global Hotel Study, the UK has had steady growth in RevPAR, with a 4.1% increase in 2017. However, the effects of the weak Sterling seem to have diminished and as a result ADR growth is waning and occupancies have turned negative in the second half of 2017.

The hotel industry seemed to show increased resilience to terror attacks across Western European cities in 2017, with RevPAR showing recovery in Nice and no impact in Barcelona, London, Berlin and Manchester. The RevPAR of Paris and Brussels is still below 100% recovery more than 2 years after the terror attacks. However, STR forecasts that 2018 will bring a strong recovery of RevPAR from these markets back to pre-attack levels. (Source: STR Global hotel performance presentation for IHIF 'What to expect in 2018').

The Eurozone is experiencing one of its strongest economic booms in recent years. This has been reflected in the hotel industry, with occupancy levels at an all-time high for most key European cities. STR's 2017 Global Hotel Study forecasts demand growth for most key European markets in 2018, with 5.7% in Munich, 4.0% in Berlin, 3.9% in Paris, 3.7% in Brussels and 3.1% in Amsterdam. This will drive rates, with a project combined average rate of growth of 3.5%. In some cities, such as Amsterdam, concerns about overtourism and damage to the quality of life of local residents have led to regulation limiting the development of new hotels, according to PwC's European Cities Hotel Forecast for 2018 and 2019 report. In other cities, including London, supply growth is expected to cause occupancy declines. Nevertheless, ADR is expected to compensate for potential occupancy losses and as a result, RevPAR growth is expected throughout most of the region, according to STR's 2017 Global Hotel Study.

Hotel performance Rest of Western Europe



Source: STR Trend Report (January 2012 to April 2018).

As of March 31, 2018, our hotels in the Rest of Western Europe represented 32 per cent of our total available rooms. Our hotels are located in major city centre locations and capital cities where there is high competition for available sites.

The overall share of branded hotels compared to unbranded hotels in the Rest of Western Europe remains low, the region is characterized by many local chains and independent hotel operators with whom we compete. The most significant variation in hotel products can also be found in the Rest of Western Europe where hotels more often incorporate meeting facilities, spas, golf and other hotel features. In the United Kingdom and Ireland, our main competitors are the international operators, including Hilton, Marriott and InterContinental. In France, our main competitor is Accor with its Pullman, Sofitel and MGallery first-class brands and Novotel and Mercure in the midscale segment. Other competitors in France include Marriott with its Westin, Sheraton and Le Meridien brands and, to a lesser extent, Hilton and InterContinental. In Germany, our main competitors include strong domestic players like Maritim, Steigenberger, and Dorint along with international branded hotels such as Hilton, Wyndham, Sheraton and Marriott for Radisson Blu and Mercure and Holiday Inn for Park Inn by Radisson.

Eastern Europe

For the purpose of this section, the Eastern European region includes Armenia, Azerbaijan, Croatia, the Czech Republic, Estonia, Georgia, Hungary, Kazakhstan, Latvia, Lithuania, Moldova, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Turkey, Ukraine and Uzbekistan.

Hotels in Eastern European cities recorded further growth in 2017, after a successful year in 2016. Most capital cities recorded RevPAR increases above 3%. There was continued growth in leisure and corporate business in cities such as Prague, Budapest and Bucharest. Even the cities that had experienced political instability and security concerns, such as Kiev, Belgrade and Istanbul, saw high year-over-year increases in RevPAR. The region's hotel demand outpaced supply growth in 2017, resulting in 11.3% RevPAR growth according to STR's 2017 Global Hotel Study.

Eastern Europe has seen exceptional growth from a number of recovery markets, including Belgrade, Istanbul and Kiev. Belgrade has seen increasing demand from the US, UK, Turkey, Israel and China, following introductions of new flight routes and relaxation of visa regimes.

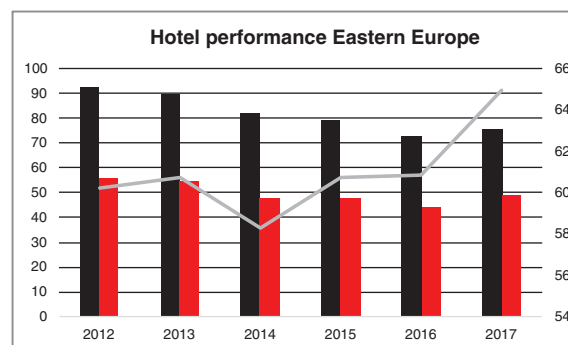
According to STR's 2017 Global Hotel Study, Kiev has seen recovery over the past few years, following a period of decline from 2012 to 2014, with RevPAR levels in 2017 exceeding the previous peak in 2011. The city's profile was boosted, as it has hosted numerous international events. Additionally, in 2017 visa-free travel between the Ukraine and the EU was introduced, which is expected to make the Ukraine more appealing and accessible to international travellers. This may help raise occupancy levels, which remain at 50.9%, which is 17.6% below the last peak point in 2008.

Russia currently has 179 hotels under international management in 37 cities, with 38,705 rooms as of October 2017, according to EY's International Hotel Brands in Russia 2018 report. More than

half of the existing supply is concentrated in Moscow and St. Petersburg (52%), 11% in Sochi, 6% in the Moscow Region and 3% in Ekaterinburg. However, it is planned that by 2022 the number of hotels under international management will increase by 102 properties in 59 cities and 20,249 rooms (a 52% increase in supply of rooms). EY suggests that international events are a key driver in the growth of supply of international hotel brands, including the 2018 FIFA World Cup.

As of March 31, 2018, our hotels in Eastern Europe represented 30 per cent of our total available rooms. This region is the most diverse of all our regions in terms of economic growth rates in the individual markets within the region. The Eastern European market is supportive of first-class full service hotels and mid-market hotels. The market also supports luxury products in certain locations. Radisson Hotel Group is the leading international hotel operator in the Commonwealth of Independent States and the Baltics followed by Accor, Marriott, IHG and Hilton which are also our main competitors in other Eastern European countries.

Hotel performance Eastern Europe



Source: STR Trend Report (January 2012 to April 2018).

Middle East and Africa

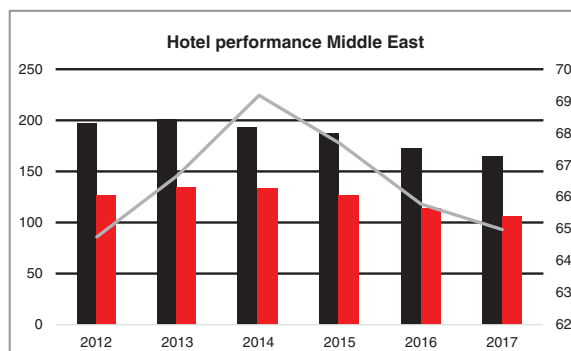
For the purpose of this section, the Middle East and Africa region includes Afghanistan, Algeria, Angola, Bahrain, Benin, Egypt, Ethiopia, Gabon, Ghana, Guinea, Iran, Iraq, Ivory Coast, Jordan, Kenya, Kuwait, Lebanon, Libya, Mali, Morocco, Mozambique, Nigeria, Oman, Palestine, Qatar, Rwanda, Saudi Arabia, Senegal, Sierra Leone, South Africa, Syria, the United Arab Emirates, Yemen and Zambia. STR does not provide reports for the entire region as it does not have enough participants, but the following information reflects all those countries whose significant hotels report operating data to STR.

According to STR, the Middle East and Africa region continues to report the highest RevPAR globally. The Middle East and Africa region remains one of the most dynamic in terms of hotel development, but it is also a complex region in terms of the diversity of its markets and challenges, according to STR's Global Hotel Study 2017. In 2017, the region was impacted by oil and commodity prices, geopolitical events and currency fluctuations. The Middle East is the only region with supply outpacing demand in 2017. It has a pipeline of 51% increase in the number of rooms, with 176,945 rooms in either planning or construction across the region. This has led to almost uniform decrease in RevPAR year-over-year in 2017, with cities such as Doha and Jeddah seeing decreases of 16% and 11% respectively, according to STR's 2017 Global Hotel Study. Compared to 2014, all key cities in the region other than Jeddah saw a fall in ADR. However, STR projects that while such an increase in supply will lead to short term challenges, as seen in the drop of room rates, occupancy and performance as the new supply is absorbed, the increases in supply will add significant opportunities in the region. These opportunities include driving economic diversification in the region and inducing hotel demand in the long-term. (Source: STR Saudi Arabia Hotel Investment Conference (Riyadh 26 February 2018)).

According to STR, the Africa region has a pipeline of 11% increase in the number of rooms. Northern Africa continues to recover, with 2017 RevPAR growth at 37.9% year-over-year. According to STR's 2017 Global Hotel Study, South Africa saw its sixth consecutive year of RevPAR

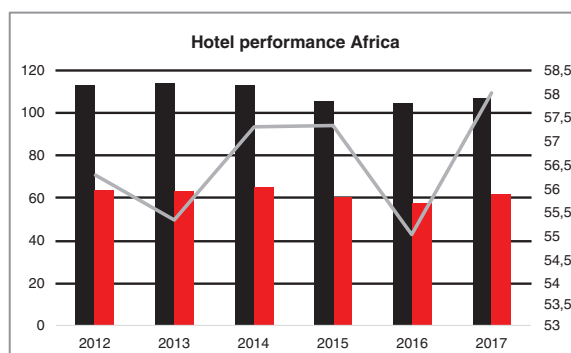
growth in 2017, as a result of favourable exchange rate, which has increased international tourist arrivals. This has increased both demand and rate growth.

Hotel performance Middle East and Africa



Source: STR Trend Report (January 2012 to March 2018).

Hotel performance Africa



Source: STR Trend Report (January 2012 to March 2018).

As of March 31, 2018, our hotels in the Middle East and Africa represented 21 per cent of our total available rooms. We believe that there is a lack of good quality hotel accommodation in many emerging markets and that international business travellers and tourists are more likely to stay at a branded hotel in this region. Low construction and labor costs make hotel development and operations attractive to investors and operators. The Middle East is more supportive of luxury and full-service hotels than mid-market hotels.

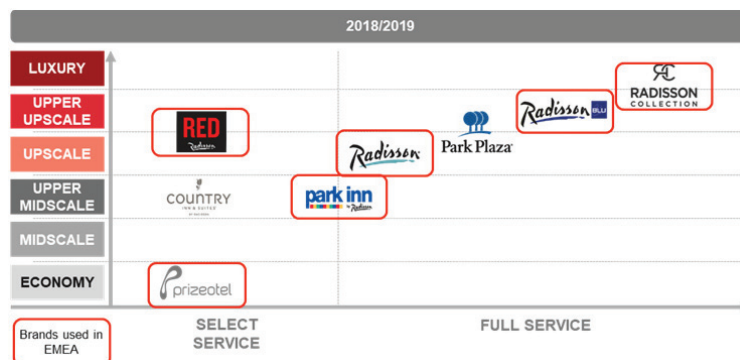
STR estimates that approximately 43 per cent of the total hotel supply in the Middle East and Africa is branded by local, regional or international operators. Our main competitors in the Middle East include Marriott, Accor, IHG; Mövenpick and Hilton. In Africa, the hotel industry is fairly undeveloped and many global hotel companies are actively looking to enter some African markets. Our main competitors in Africa include Marriott, Accor and Hilton. We believe that Africa could benefit from internationally branded hotels in the capital cities and economic hubs of the key economic communities in Eastern Africa, Western Africa and Southern Africa. In addition, we believe that in the near future, branded hotels will become more common on the African continent.

Our positioning and competitive landscape in the EMEA area

A hotel's positioning in a specific market can have a direct impact upon its performance and the economic benefit to the owner and operator. The quality of a hotel's physical facilities has a direct influence on its marketability and attainable occupancy and average daily rate, as does its management or branding. The design and functionality of the hotel can also affect operating efficiency and overall profitability.

The following table shows the positioning of our Brands used in EMEA. The following brands are considered full service: Radisson Collection (luxury), Radisson Blu (upper upscale), Radisson

(upscale) and Park Inn by Radisson (upper midscale). The following brands are considered select service: Radisson Red (upscale) and Prizeotel (economy).



The following table gives an overview of the main competitors to our hotels and our brands in the EMEA area (although the competitive landscape may vary in different geographies and even on a property-by-property basis).

Our Brands	Main competitors
Radisson Collection:	Curio Collection by Hilton, Autograph Collection by Marriott, Intercontinental, M Gallery by Accor, JW Marriott, Unbound Collection by Hyatt, Conrad and le Meridien
Radisson Blu:	Hilton, Sheraton, Hyatt, Pullman, Westin, Marriott and Rotana
Radisson:	Double Tree by Hilton, Crowne Plaza, Novotel, Holiday Inn, NH Hotels, Scandic and Movenpick
Radisson Red:	Canopy by Hilton, Aloft, AC Hotels, Ace Hotels, Mamashelter, Moxy Hotels, Citizen M and Indigo
Park Inn Radisson:	Mercure Hotels, Hilton Garden Inn, Four Points by Sheraton, Holiday Inn, Courtyard by Marriott and Best Western

The following table illustrates how the major hotel companies, which were previously identified as main competitors to our hotels and our brands, were distributed across the EMEA area in 2017 (existing supply).

Competitive landscape EMEA (2017)

Hotel company	Hotels	Breakdown	Rooms	Breakdown
Intercontinental Hotels Group	787		138,517	
Total Luxury	64	8.1%	19,860	14.3%
Total Upper Upscale	25	3.2%	2,456	1.8%
Total Upscale	131	16.6%	30,775	22.2%
Total Upper Midscale	567	72.0%	85,426	61.7%
Carlson Hospitality Company	402		89,799	
Total Upper Upscale	246	61.2%	57,210	63.7%
Total Upscale	42	10.4%	10,432	11.6%
Total Upper Midscale	114	28.4%	22,157	24.7%
Choice Hotels International	401		50,837	
Total Upscale	76	19.0%	9,381	18.5%
Total Upper Midscale	322	80.3%	40,978	80.6%
Total Midscale	3	0.7%	478	0.9%
Hilton Worldwide	453		103,024	
Total Luxury	17	3.8%	4,908	4.8%
Total Upper Upscale	197	43.5%	56,324	54.7%
Total Upscale	172	38.0%	31,377	30.5%
Total Upper Midscale	67	14.8%	10,415	10.1%
Hyatt	65		16,410	
Total Luxury	21	32.3%	4,843	29.5%
Total Upper Upscale	33	50.8%	9,472	57.7%
Total Upscale	11	16.9%	2,095	12.8%
Marriott International	781		163,825	
Total Luxury	109	14.0%	24,289	14.8%
Total Upper Upscale	384	49.2%	98,507	60.1%
Total Upscale	190	24.3%	29,488	18.0%
Total Upper Midscale	98	12.5%	11,541	7.0%
Wyndham Worldwide	430		61,918	
Total Upper Upscale	16	3.7%	3,812	6.2%
Total Upscale	14	3.3%	2,637	4.3%
Total Upper Midscale	169	39.3%	25,351	40.9%
Total Midscale	176	40.9%	26,533	42.9%
Total Economy	55	12.8%	3,585	5.8%

Source: STR Pipeline Reports

Trends

The main trends as discussed below are expected to affect the industry in the medium- to long-term.

Experience-driven

With the proliferation of travel apps and unprecedented choice in accommodation, travellers are seeking out unique and memorable experiences. According to Deloitte's 2018 Travel and Hospitality Industry Outlook, hotels are becoming more experience driven up-market, but are neglecting to make this change in the midscale segment. There is increased midscale competition set for 2018, with a strong construction pipeline in the segment.

Following this idea of travellers seeking experiences is that of 'adjacent spaces' whereby hotels combine accommodation with other parts of the wider travel experience. Two key opportunities in this area include incorporating health and wellness programmes, as well as tours and travel activities, into the hotel space.

Sharing economy

A growing part of the hotel industry is the sharing economy, where private homes and rooms are rented via online services, including by one of the largest private home rental services Airbnb. This relates to the trend of experience-driven travellers described above, as travellers are increasingly seeking authentic accommodation products and travel experiences. According to PwC's European Cities Hotel Forecast for 2018 and 2019, the number of bookings on Airbnb in Europe continues to rise. Increasingly, Airbnb is also being used by professional rental operators as a distribution channel, not just by private travellers. At the moment, the economy and midscale segments are most affected and the upscale and luxury segments should not see a great impact of the sharing economy. The sharing economy is particularly successful in Nordic countries, with Sweden for example campaigning to list the entire country on Airbnb. The benefit of the sharing economy for hotels is that the new offering attracts more guests to new destinations, which benefits the destination as a whole. However, offerings such as Airbnb may erode a hotel's customer base, as customers who would have previously gone to a hotel instead book through Airbnb. According to PwC, the hotel industry should consider orienting their offerings to their customer's needs, by providing real and tailored accommodation products to rival the experiences marketed by platforms in the sharing economy.

Technologies

Various technologies, such as travel apps and comparison websites have vastly changed the hotel industry. New technologies, such as artificial intelligence, internet of things, voice technology, automation and blockchain are starting to penetrate the travel industry. For example, hotel rooms can be fitted with smart home technology, which could bring some of the biggest improvements to the travel experience in 2018 according to Deloitte's 2018 Travel and Hospitality Industry Outlook. Additionally, data-centric personalisation has the potential to revolutionise the relationship between customer and brand.

However, while it is important for market participants to bear these technologies in mind for long-term strategy, early adopters may face security and regulatory risks.

Business

Overview

We are a leading international hotel management company operating a portfolio of 374 hotels with more than 82,400 rooms in operation, and 104 hotels with more than 23,700 rooms under development, in 78 countries as of March 31, 2018. As a member of the Radisson Hotel Group™, we operate and develop Radisson Collection™, Radisson Blu®, Radisson®, Radisson RED®, and Park Inn by Radisson® properties in Europe, the Middle East and Africa through the Master Franchise Agreements with the Radisson Hospitality, Inc. Group. We also hold a 49% stake in prize Holding GmbH, which operates prizeotel. Through our “Responsible Business Program”, we strive to operate with high standards of performance and advocate socially and environmentally sustainable business practices, and we have been named one of the “World’s Most Ethical Companies” by the U.S. think-tank, Ethisphere, for nine consecutive years.

We have a distinctive brand strategy for each of our core hotel brands targeting the needs of defined customer groups.

- Radisson Collection is a premium lifestyle collection of exceptional hotels offering the ultimate template for contemporary living united by modern design and exceptional experiences across dining, fitness, wellness and sustainability. Radisson Collection hotels are primarily located in prestigious locations, close to prime leisure attractions.
- Radisson Blu is our first-class, full-service hotel brand targeting the upper upscale segment, which differentiates itself through innovative design and technology and by providing superior service. Radisson Blu hotels are primarily located in major cities, key airport gateways and leisure destinations.
- Radisson is an upscale hotel brand that seeks to deliver Scandinavian inspired hospitality and enable guests to focus on work/life balance and find more harmony in their travel experience. Radisson hotels are primarily located in suburban and city settings, near airports and leisure destinations.
- Radisson RED is an upscale “lifestyle select” brand inspired by the millennial lifestyle. Radisson RED hotels are primarily located in vibrant, urban locations.
- Park Inn by Radisson is an upper midscale brand that seeks to deliver stress-free experiences, good food and upbeat environments. Park Inn by Radisson hotels are primarily located in capital cities, around economic and transit hubs and conveniently situated near airports and railway stations.
- Prizeotel is a modern economy brand with a high design hotel concept that aims to be affordable to all. Prizeotel hotels are primarily located in city centers near public transportation, dining and local sites.

Except for prizeotel, all brands are developed and licensed by us in Europe, the Middle East and Africa under the Master Franchise Agreements with the Radisson Hospitality, Inc. Group, a leading international travel and hospitality enterprise with which we have had a strong relationship for over 20 years. Together, the Radisson Hospitality, Inc. Group and we form the Radisson Hotel Group. Currently, according to Worldwide Hospitality Ranking 2018, the Radisson Hotel Group is the twelfth largest hotel group in the world as measured by number of rooms. We benefit from the Radisson Hotel Group’s global brand infrastructure, loyalty program, reservation system, training and other business initiatives, as well as the ability to draw upon the Radisson Hotel Group’s extensive industry knowledge and operating experience in the travel and hospitality industry.

We are primarily a hotel management company and do not own any hotel properties, except for a limited number of properties where we have an ownership interest either through a joint venture or through a minority interest in the share capital. The hotels in our portfolio are

operated by us under either a lease agreement or a management agreement or by a separate operator using one of our brands under a franchise agreement. Management and franchise agreements have the potential to offer a higher profit margin and more stable revenue streams, whereas lease contracts tend to offer higher but more volatile Radisson EBITDA due to the committed business model with significant investment obligations. Our strategy is to grow with an asset-right approach, balancing management and franchise contracts with selected lease contracts. Of the approximately 82,000 rooms in operation as of March 31, 2018, 18.7% were leased, 54.7% were operated under management agreements and 26.6% were under franchise agreements.

In line with our growth strategy, our pipeline of rooms under development as of March 31, 2018 features over 23,700 rooms, representing 28.8% of the rooms in operation. With the exception of one hotel in Switzerland, our pipeline as of March 31, 2018 is comprised entirely of fee-based management and franchise contracts, enabling us to continue to grow our business with limited financial commitments. In addition, 90% of the rooms in our pipeline are located in markets outside of Western Europe. We seek to expand through organic growth by converting existing hotels to one of our brands and opening newly built hotels. During 2017, we signed agreements for 24 hotels with approximately 7,500 rooms. In addition, through a focused approach to asset management, we seek to optimize our hotel portfolio by continuously monitoring the performance of the individual hotels and the expiry of lease, management and franchise agreements, looking for opportunities to renegotiate more favorable terms, terminating unprofitable lease contracts and improving capital expenditure management.

In January 2018, we announced our Five-Year Operating Plan to the market, with a vision to be one of the top three hotel companies in the world and the company of choice for guests, owners and talent. Aimed at sustainably increasing our Radisson EBITDA performance in line with that of our competitors and peers in the hotel industry, our Five-Year Operating Plan is comprised of 25 key performance improvement initiatives across our operations. In total we expect to invest around €330 million to €370 million in our business over this five-year period. The Five-Year Operating Plan is split into two phases. Phase I, from announcement in January 2018 to year end 2020, will concentrate on setting the basics for our growth through defining, managing and implementing our initiatives. During Phase II, from January 2021 until year end 2022, we plan to achieve progressively improved growth as a result of the implementation of initiatives that were established in Phase I.

In Fiscal Year 2017, our revenue was €967.3 million, our Radisson EBITDA was €82.1 million and our operating profit was €14.7 million. In Q1 2018, our revenue was €206.2 million, our Radisson EBITDA was €6.1 million and our operating profit was negative €4.8 million. For the twelve-month period ended Q1 2018, our *Pro forma* Adjusted EBITDA was €116.2 million. For further information on these performance measures, see “*Management’s discussion and analysis of financial condition and results of operations.*”

Our Parent Company is a public limited liability company incorporated under the laws of Sweden, and its shares are listed on NASDAQ OMX Stockholm. Our market capitalization as of June 13, 2018 was €467 million. Headquartered in Brussels, Belgium, we have a team of approximately 44,000 colleagues across all of our hotels as of March 31, 2018.

Our strengths

Management believes that we benefit from the following key strengths:

Large and diverse hotel group in attractive markets

We are a leading international hotel player with 374 hotels and more than 82,400 rooms in operation in 66 countries across Europe, the Middle East and Africa as of March 31, 2018. We are the fifth largest hotel chain in Europe as measured by number of hotels according to MKG (includes all hotels in Europe under the umbrella of Radisson Hotel Group including certain hotels in the United Kingdom and certain brands that operate independently from us). We are

mainly present in well-developed and low risk markets across the Nordics and Western Europe and in attractive locations in Tier 1 cities, at airports and at prominent locations within city centers. Our large portfolio is balanced across three types of business models: leased, managed and franchised. Moreover, our revenues are derived largely from low-risk economies, with approximately 90% of our revenue in Fiscal Year 2017 generated in countries with a sovereign credit rating of AA- or higher.

Our large portfolio is balanced in terms of hotel segment, geography and business model to create a diverse mix that makes our overall portfolio more resilient to industry and economic cycles affecting local and national markets. Our six core brands cover the full spectrum of the hotel industry, from accessible luxury to modern economy. Moreover, our hotels are selectively dispersed across 66 countries in our focus regions, with no more than 10% of our portfolio by room count in any given country as of March 31, 2018. We excel at each of our three business models (leased, managed and franchised) and have built our hotel portfolio around an asset-right strategy that factors in the specific circumstances of each hotel's operating environment with the aim of achieving an appropriate balance of management and franchise contracts with selected lease contracts. We believe that all these factors contribute to our increased resilience.

Our leading position in the hospitality industry makes us well suited to benefit from favorable market fundamentals. Global hotel revenues between 2018 and 2021 expected to outpace the growth of the overall global economy according to MarketLine. In our focus regions of the Middle East, Europe and Africa, the hospitality sector is expected to grow at a compound annual growth rate ("CAGR") of 5.1% (weighted average based on our Radisson EBITDA in the Fiscal Year 2017) over the next five years. Increased demand from domestic and international travelers has helped to drive nominal RevPAR growth, particularly in Europe where, according to PwC and STR Global 2017, RevPAR across the hotel industry has steadily increased since 2009 but is not yet at the levels seen before the global recession. Moreover, according to STR and Morgan Stanley research, the penetration rate in Europe of hotels operating under a global hotel brand is almost half of the corresponding penetration rate in the United States, providing yet another opportunity for growth of the industry in our largest market. Our management believes that we are well positioned to capture the benefits from a growing travel and tourism industry.

High quality portfolio with strong brands and owners

Our prominence in our markets is supported by our strong portfolio of well-recognized global brands spanning the entire hotel spectrum, from accessible luxury to modern economy, and across multiple price segments. We operate six core hotel brands: Radisson Collection, Radisson Blu, Radisson, Radisson RED, Park Inn by Radisson and prizeotel. As of March 2018, approximately 50% of the hotels in our portfolio were ranked among the top ten hotels within their local category on TripAdvisor. Our most well-known brands are Radisson Blu, a first-class, full-service hotel brand targeting the upper upscale segment, and Park Inn by Radisson, a modern midscale brand. Complementing these brands are Radisson RED, an upscale "lifestyle select" brand, and Radisson Collection, a traditional luxury brand. Finally, our 49% stake in prizeotel enables us to capture a part of the economy segment. Each of our brands assumes a distinct positioning within its segment, allowing us to tailor our product offering and offer hotel guests with the right brand in the right market. The distinctness of our brands also helps us to attract and retain the best hotel owners and franchisees in each market as our brand offering is less prone to cannibalistic competition that is common within some other large international hotel groups.

In the upper upscale segment, Radisson Blu is the largest hotel brand in Europe according to MKG, with 186 hotels and over 44,800 rooms in operation as of March 31, 2018. For the year ended December 31, 2017, approximately 81% of our revenue came from Radisson Blu. In the midscale segment, Park Inn by Radisson is the seventh largest brand in Europe according to MKG, with 92 hotels and over 18,600 rooms as of March 31, 2018. Management believes that our leading presence in our markets, combined with our focused marketing and brand building initiatives, improves the recognition and perception of our brands and assists us in achieving economies of scale that translate into advantages in terms of revenue generation, purchasing goods and services and leveraging central operating costs efficiently.

The diversity and quality of our portfolio of operating hotels is echoed by the diversity and quality of our pipeline of hotels that are under development. Our presence in top locations across Europe, the Middle East and Africa continues to grow. As of March 31, 2018, our pipeline is comprised of over 100 hotels and over 23,700 rooms, all of which, with the exception of one leased hotel in Switzerland, are on fee-based management or franchise contracts with limited financial commitments by us. Moreover, 90% of the rooms in our pipeline as of March 31, 2018 were located in markets outside of Western Europe. Management believes that our current contracted development pipeline of new-build hotels, together with continued conversions of existing hotel properties to our brand portfolio and a re-defined development process from hotel signing to opening, facilitates the implementation of our asset-right growth strategy. Management believes that our brand positioning across a variety of hotel segments, the geographic distribution of our hotel portfolio and the different business models under which we operate allow us to diversify risks related to specific hotels in our portfolio and to continue to sustainably grow our business.

Our local presence in a number of regions has afforded us with knowledge of local practices and preferences of hotel owners. Our range of brands and hospitality products, together with our business model, allow us to appeal to a variety of hotel segments and enables us to provide hotel owners with the flexibility of various types of operating contracts. We believe that we have good relationships with our third-party owners and franchisees and are committed to the continued growth and development of these relationships, a commitment which is reflected in our high retention rates and the long duration of our contracts. As of March 31, 2018, the average remaining term of our existing lease agreements (excluding extension options) was 13.4 years. Our relationships with our counterparties in fee-based contracts is likewise strong, with an average remaining term of our management agreements and our franchise agreements of 12 years and 9 years, respectively, as of March 31, 2018. These relationships exist with a diverse group of owners, franchisees and developers and are not heavily concentrated with any particular third party, with the single largest owner, with whom we have had a relationship for over 20 years, owning only 19 of the hotels in our portfolio.

Our relationship with the Radisson Hospitality, Inc. Group, a leading international hospitality and travel enterprise, has been developed over the past 20 years. The Radisson Hospitality, Inc. Group is the owner of the Radisson brands and is also the Parent Company's majority shareholder. Our Master Franchise Agreements do not ultimately expire until 2052 (after taking into account extension options in our favor), allowing for usage of brand names, reservation system, and transfer of best practices across the Radisson Hotel Group. The Master Franchise Agreements grant us an exclusive right to operate and develop Radisson Collection, Radisson Blu, Radisson, Radisson RED, and Park Inn by Radisson properties in Europe, the Middle East and Africa, with the exception of certain hotels in the United Kingdom. We also have the right to sub-license the brand to our franchisees. Through our strong relationship with the Radisson Hospitality, Inc., we benefit from the Radisson Hotel Group's global brand infrastructure, loyalty program, reservation system, training and other business initiatives, as well as the ability to draw upon the Radisson Hotel Group's extensive industry knowledge and operating experience in the travel and hospitality industry.

Low-leverage, asset-light business model

Management considers our business model to be asset light, as we do not own any hotel properties (except for a limited number of properties which we own through a joint venture or through a minority interest in the share capital), and the majority of our revenue is linked to the performance of the underlying hotels. The hotels in our portfolio are either operated by us under a lease or management agreement or by a separate operator using one of our brands under a franchise agreement. This provides us with the flexibility to choose from a range of operating contracts while allowing us to focus on managing hotels and brands without the capital requirements attached to property ownership.

The balance between leases, management contracts and franchise contracts strengthens the diversity of our revenue stream and reduces our fixed costs that could otherwise be burdensome

in the event of an economic downturn. Compared to a lease arrangement, our fee-based management and franchise businesses shift the risks of a potential earnings downside, as well as the responsibility of most investment expenses, towards the hotel owner. Our operating platform is asset-light in nature, with our growing fee business representing more than 80% of our operating portfolio by room number and 77.8% of our Radisson EBITDA as of March 31, 2018 (before "Other" and "Central Activities").

The operating leverage and high degree of variability in our lease structure provides significant upside from an improving market and new hotel openings while providing flexibility and resilience in potential downside scenarios. Nearly all our leases include a variable component or are capped, providing us with added protection in the event of an economic downturn. In the Fiscal Year 2017, 73% of our leased hotels paid the variable component of the lease contract. Of the six hotels without a cap or variable leases, five of those hotels are located in top locations (primarily in city centers and near airports) in Tier 1 cities. Moreover, 51% of revenue from leases in the Fiscal Year 2017 was derived from hotels in prime locations in top cities in the Nordic Region, the United Kingdom and Germany, which are less susceptible to economic volatility than certain developing markets. Although the responsibility to maintain each hotel property typically falls on us under our lease agreements, our management believes that our capital expenditure requirements are relatively flexible, as 80% of investments require a decision with only six months' notice and can usually be reduced or rescheduled subject to certain conditions.

Management believes we are well protected against a potential downturn compared to our position at the time of the last global recession in 2009. For example, our fee business represented 13.8% of our revenue from hotel operations before other central activities in Fiscal Year 2017, up from to approximately 11% in Fiscal Year 2009. In the last twelve months ended March 31, 2018 only six of the hotels in our lease portfolio were loss making with a combined *Pro forma* Adjusted EBITDA of negative €3.2 million, compared to 36 loss-making hotels with a combined *Pro forma* Adjusted EBITDA of approximately negative €29 million in 2009. With the goal of improving the quality of our portfolio, we have exited 26 leased hotels since 2009 at an aggregate cost of approximately €45 million. Our revenue management capabilities, which were non-existent in 2009, have now been built up to fully cover our business requirements. Our lease coverage ratio, measured as *Pro forma* Adjusted EBITDAR as a proportion of *Pro forma* adjusted total rent, has increased from approximately 1.1 times in Fiscal Year 2009 to 1.4 times for the last twelve months ended March 31, 2018. By the end of 2019, we expect the quality of our portfolio to have improved considerably, whereas in 2009 our capital expenditures in refurbishment investments were lagging behind by approximately €100 million to €110 million. Our positioning in our local markets has also improved since 2009, with a revenue generation index of 111 in the last twelve months ended March 31, 2018, compared to only 95 in Fiscal Year 2009. Our pipeline of hotels under development was comprised of 23,718 rooms as of March 31, 2018, compared to approximately 22,500 rooms at the end of 2009.

Our asset-light business model is supported by our low leverage, marked by a net leverage ratio, measured as total financial liabilities less cash and cash expenses as a proportion of Radisson EBITDA, of 0.4 times as of March 31, 2018, after giving *pro forma* effect to this Offering. Management believes that the relatively low investment required to grow our business and our disciplined approach to capital allocation positions us to maximize opportunities for profitability and growth.

Robust cash flow generation and flexible cost base

Our asset-light business model, with a flexible cost base and performance-linked revenue streams, generates attractive cash flow from operating activities. Over the past three years ended December 31, 2017, our operating activities have generated cash flow of €85.8 million for 2015, €33.9 million for 2016 and €72.4 million for 2017, for a total cash flow over this period of €192.0 million. In addition, we have a flexible cost base, with 58% of our costs linked to revenues. Through a number of concrete cost-saving and revenue-improving initiatives being implemented as part of our Five-Year Operating Plan, we expect our cash flow generation to significantly

improve over the intermediate to long-term. We expect our Recurring Adjusted Free Cash Flow over the next five years to be approximately €90 million annually, assuming recurring capital expenditures at the average of amounts incurred in Fiscal Years 2016-2017 (approximately €27 million), no change in working capital to reflect the mid-point of guidance (+/-€5 million) and no future growth in Adjusted Radisson EBITDA. In addition, changes to our working capital have a low impact on cash flow and we have a maintenance capital expenditure which is expected to remain flat at around €20 million for the period between 2018 and 2022.

As our portfolio matures, management aims to extract more value from our existing hotels by renewing profitable lease and management agreements on more favorable terms and exiting hotel properties that fail to meet criteria set by management. In addition, as we seek to grow our portfolio, management believes that the range of brands and contract types that we offer makes us an attractive partner for adding both individual hotels and hotel portfolios to our hotel portfolio. Our refined focus on asset-light, fee-based growth by gradually increasing the number of managed and franchised hotels in proportion to leased hotels, combined with the implementation of cost-savings initiatives, has enabled us to establish an operational platform that is more resilient to market volatility and well-suited to capture future growth opportunities with sustained profitability.

Proven success in driving operational transformation

The implementation of our Five-Year Operating Plan, though still in its early stages, is on track and has already begun to bear fruit. We successfully exited eight leases in 2017 and restructured our existing contracts in two hotels. We have reduced the number of loss-making leased hotels from 22 in 2017 to six, of which eight were exited at the end of the year. Our eight lease exits in Fiscal Year 2017 resulted in an increase of our Radisson EBITDA of €1.3 million in Q1 2018. We expect that we will have six loss-making leased hotels in 2018. It is also noteworthy that our business plan is flexible and the performance of our projects are regularly monitored. To the extent that we need to halt or amend one of our projects for a reason which is financial or otherwise, this is generally possible with a six months' notice. Out of 18 renovations planned for 2018, we have already completed three renovations in line with the expected capital expenditures and four renovations are currently in progress below the expected capital expenditure.

Our continued focus on overall costs has driven a 1.9% increase in Radisson EBITDA margin in Q1 2018 compared to the corresponding period in 2017. In addition, we have identified further concrete cost-saving opportunities that are currently being implemented, which management estimates could result in savings of around €28 million over 2018-2022. Through the systematic pursuit of the achievable step changes laid out in our Five-Year Operating Plan, management expects our financial and operational metrics to continue to improve as we complete the planned transformation of our business.

Management team with proven track record

We have an experienced management team with a clearly defined, long-term focus on developing our operations. Our management team has a long history in the hospitality industry and come with a proven track-record in the management of sustainable, value-adding and profitable growth. Our President & CEO, Federico J. González, joined us in May 2017 after previously serving as CEO of Carlson Hotels Inc. (now Radisson Hospitality, Inc.) and CEO of NH Hotel Group, where he oversaw the successful implementation of their strategic plan. Three out of the seven members of our management team held senior positions at NH Hotel Group during their transformation. Our CFO, Knut Kleiven, has more than 30 years of experience with our business, having joined us in 1986. In addition, our management has joined up with the management of Radisson Hospitality, Inc. to form a global steering committee with the aim of providing an overall strategic direction for the Radisson Hotel Group and in order to foster greater collaboration and maximize value across both companies.

Our strategy

Our long-term vision is to become one of the top three hotel companies in the world and the company of choice for guests, owners and talent. To guide us in achieving this vision, we have a clear strategy for the future supported by our Five-Year Operating Plan that was announced to the market in January 2018. Our Five-Year Operating Plan sets out a road map of incremental changes with the goal of delivering higher revenue growth and Radisson EBITDA margin in the long run. We will know we have achieved success when, one day, whenever a guest plans a trip, or whenever an investor or owner thinks of a partner, or whenever a person wants to work in hospitality, they will always think of the Radisson Hotel Group first.

To achieve this vision, we are pursuing the following key strategies:

Add new value through the strengthening of the Radisson brand and product offering globally

Following the launch of the Radisson Hotel Group in March 2018, the Radisson Hospitality, Inc. Group and we now operate under a united identity that leverages the powerful, international brand equity of the Radisson name to drive awareness in the marketplace and increase marketing efficiency across the global portfolio of both companies. We plan to invest between €10 and €15 million over the next five years. We seek to capitalize on this strong partnership to further strengthen our powerful brands through the introduction of an updated global brand architecture across all hotel segments. Our strategy focuses on investing in the urban and business segments under the brands Radisson Collection, Radisson Blu, Radisson and Radisson RED. In addition, we plan to redefine the Park Inn by Radisson brand to more directly target the midscale segment while converting some higher quality hotels within this brand to the Radisson brand with the aim of maximizing our portfolio value.

In coordination with the rebranding of the Radisson Hotel Group, we also launched our newly refreshed loyalty program, Radisson Rewards, in March 2018, which entails a unified and easy-to-use rewards program for all our members worldwide. Through Radisson Rewards we hope to boost the global brand awareness of our loyalty program and increase the amount of revenue generated from repeat customers.

Our Five-Year Operating Plan also introduced a new room and rate type strategy that is aligned across the global Radisson Hotel Group. As part of this strategy, we intend to roll out new room types by brand, incorporating key attributes, such as room size, view and balcony, better enabling us to upsell our existing products while at the same time offering a more individualized experience to our customers.

Optimize our portfolio by repositioning and rebranding properties

As part of our new global brand architecture defined in our Five-Year Operating Plan, we intend to invest between €140 million and €150 million over the next three years to reposition approximately 30 to 35 hotels in our existing portfolio. On top of this planned capital expenditure, we also intend to invest between €75 million and €80 million over the same period to purchase new fixtures, furniture and equipment across our portfolio of hotels. Our repositioning strategy includes the expansion of the Radisson Collection, our newest brand of hotels in the luxury segment, by rebranding former Quorvus Collection hotels and certain Radisson Blu hotels in key locations.

We also intend to further develop our position in the lifestyle segment through our Radisson RED hotels, which management believes offers an appealing value proposition for owners looking for modern and design hotels. In the upscale segment, we have recently launched our newly branded Radisson hotels to cover a perceived gap in this segment of the market and aim to capitalize on the expected growth of this segment by continuing to expand this brand through new openings and re-brandings of existing hotels over the next five years.

Deliver additional efficiencies through cost-saving initiatives

Our repositioning plan is complemented by performance improvement efforts across our portfolio with the goal of improving GOP margin and Radisson EBITDA margin. Our Five-Year

Operating Plan identifies specific areas where revenue can be optimized as well as concrete cost-saving initiatives, many of which we are already in the process of implementing. We plan to invest between €14 million and €18 million in cost saving initiatives over the next five years. For example, our Five-Year Operating Plan envisions the introduction of a new standardized operational model, the outsourcing of housekeeping functions, the implementation of a new Food & Drinks model and the implementation of a uniform maintenance model. We are also working with our managed and franchised hotels to create concrete action plans with the potential to increase the profitability of owners and franchisees, which would have a positive impact on the revenue and fees we generate from these contracts.

Additionally, one of the main initiatives of the cost advantage component of our Five-Year Operating Plan is the redefinition of a clear sales strategy and the optimization of reservation costs. This new strategy seeks to define an optimal mix of channels through which reservations are booked with the goal of maximizing our profit. Underpinned by a new consolidated, multi-brand website and app platform that is expected to be rolled out in the first quarter of 2019, our Five-Year Operating Plan envisions a modest increase in the amount of sales booked directly through our branded websites. To support our cost advantage strategy, we are expecting to develop a new account management system with improved KPI tracking and new business intelligence. Through optimization of our reservation costs, we hope to not only add value to our proposition to existing and potential hotel owners and franchisees, but also positively impact the profit earned from our leased hotels.

Adopt an industry-leading IT platform and organizational system

Over the next three years we plan to invest between €40 million and €45 million to develop our global IT infrastructure with the goal of creating a competitive and industry-leading IT platform. Our IT transformation program was launched in the first quarter of 2018 and targets a first wave of hotel implementation beginning in the second quarter of 2019. The key elements of our plan involve every aspect of our business, from our core hospitality functions, such as our central reservations system and property management system, to our customer-facing platforms, such as Radisson Rewards and our marketing and customer relationship management tools, and also extend to our back-office functions, such as our human resources information system, business intelligence and an integrated software for real-time management of our enterprise resource planning.

Our efforts to achieve competitive systems extend beyond our IT platform and also encompass human resources and our responsible business program. We aim to be a trusted industry leader for responsible business in our interactions with all of our stakeholders including: owners, developers, partners, guests, employees and the local communities in which we operate. We strive to maintain our reputation as a responsible, safe and secure business. In this way, we are continuing in our efforts to drive our global culture and talent management strategy. Through the implementation of these system improvements, we believe we are building a strong foundation to enable the next stage of our growth.

Scale our business in established markets

Management believes we can increase our global footprint by scaling our business across our established markets. The disciplined criteria of our Five-Year Operating Plan focus on key Tier 1 cities, particularly in the United Kingdom, Germany, Poland, Italy, Russia, the United Arab Emirates, the Kingdom of Saudi Arabia and South Africa. Our Five-Year Operating Plan incorporates an appropriate degree of flexibility while also setting clear goals as to year-to-year commitments for signings, openings and exits.

Moreover, we seek to adapt our growth strategy to each market through an asset-right business model. In our Nordic, Western Europe and, to a lesser extent, Eastern Europe and the Middle East in Africa regions, for example, we have identified 60 target cities and have allocated approximately €83 million to €87 million over the next five years towards investing in strategic projects to fuel further growth in these cities. In Eastern Europe, our strategy is primarily focused

on an asset-light approach that prioritizes management contracts and franchises with select partners, while in the Middle East and Africa we are focusing mainly on management contracts with selected industrial investments and commitments. As we scale our business globally, we plan to exploit our new brand architecture to refine our brand offering based on the needs of the particular market.

We are currently in discussions with Radisson Hospitality, Inc. in connection with entering into a licensing agreement, which would strengthen our franchising capabilities in one of our key markets.

We are also in negotiations to obtain a significant shareholding in a hotel brand with operations in Germany which would add four new hotels to our existing portfolio, and seven new hotels to our pipeline.

We maintain a prudent financial policy as part of our prudent risk management strategy. Our financial policy prioritizes a conservative leverage profile of 2.3x gross profit and 0.4x net profit. Our financial policy also emphasizes strong liquidity through cash overfunding and financing arrangements. Our commitment to conservative leverage ratios and strong liquidity enables us to focus on continued improvement in cash generation, as we seek to realize the progressively improved growth through Phase II of our Five-Year Operating Plan.

History

Our hotel management operations were previously part of the SAS group. The history of our operations dates back to year 1960 when The SAS Royal Hotel in Copenhagen, Denmark, opened as the first SAS hotel. The hotel is still one of the flagships of our hotel portfolio. In 1982, SAS hotels became an independent business unit, SAS International Hotels. By 1994, we owned and operated 29 hotels in key cities throughout SAS group's network.

In 1995, we signed our first Master Franchise Agreement with the Carlson Hotels group (now the Radisson Hospitality, Inc. Group) and as a result, the Radisson SAS brand was introduced in Europe, the Middle East and some parts of Africa. In 1997, we made a strategic decision to focus on hotel management and divest the hotel properties we owned. In 2002, Park Inn was added to the brand portfolio, further developing our partnership with Carlson.

The Parent Company was established in 2004, and in 2006 its shares were listed on NASDAQ OMX Stockholm. Following the listing, Carlson became the Parent Company's principal shareholder. In 2007, Carlson acquired the remaining shares of the Parent Company held by SAS. As part of the listing and separation from the SAS group, we agreed to phase out the SAS trademark and, hence, the Radisson Blu brand was introduced in 2009. Our portfolio of brands was further expanded in 2014 with the launch of two new brands: Quorvus Collection (now Radisson Collection) and Radisson RED.

In December 2016, HNA Tourism became the majority shareholder of Radisson Hospitality AB (publ). In the same month, HNA Tourism acquired 100% of Carlson Hotels (now Radisson Hospitality, Inc.), underscoring our partnership with the Radisson Hospitality, Inc. Group. HNA Tourism is a division of HNA, a Fortune Global 500 company with operations across aviation, tourism, hospitality, finance and online services among other sectors.

In January 2018, we launched our Five-Year Operating Plan, aimed at building on our competitive position in Europe, the Middle East and Africa while leveraging our strategic partnership with Radisson Hospitality, Inc. to further strengthen our powerful brands. As part of the Five-Year Operating Plan and a strategic and conscious move to align the worldwide businesses of the Radisson Hotel Group, the Parent Company changed its name to Radisson Hospitality AB (publ) in May 2018.

Our brands

We have a distinctive brand strategy for each of our core hotel brands targeting the needs of defined customer groups.

Radisson Collection



Radisson Collection is a premium lifestyle collection of exceptional hotels offering the ultimate template for contemporary living united by modern design and exceptional experiences across dining, fitness, wellness and sustainability. Radisson Collection hotels are primarily located in prestigious locations, close to prime leisure attractions. As of March 31, 2018, our portfolio included three hotels and 542 rooms in operation under the Radisson Collection brand, as well as five hotels and 848 rooms under development.

Radisson Blu



Radisson Blu is our first-class, full-service hotel brand targeting the upper upscale segment, which differentiates itself through innovative design and technology and by providing superior service. Radisson Blu hotels are primarily located in major cities, key airport gateways and leisure destinations. As of March 31, 2018, our portfolio included 248 hotels and 58,345 rooms in operation under the Radisson Blue brand, as well as 59 hotels and 12,927 rooms under development.

Radisson



Radisson is an upscale hotel brand that seeks to deliver Scandinavian inspired hospitality and enable guests to focus on work/life balance and find more harmony in their travel experience. Radisson hotels are primarily located in suburban and city settings, near airports and leisure destinations. As of March 31, 2018, our portfolio included one hotel and 152 rooms in operation under the Radisson brand, as well as two hotels and 339 rooms under development.

Radisson RED



Radisson RED is an upscale “lifestyle select” brand inspired by the millennial lifestyle. Radisson RED hotels are primarily located in vibrant, urban locations. As of March 31, 2018, our portfolio included two hotels and 401 rooms in operation under the Radisson RED brand, as well as nine hotels and 1,671 rooms under development.

Park Inn by Radisson



Park Inn by Radisson is an upper midscale brand that seeks to deliver stress-free experiences, good food and upbeat environments. Park Inn by Radisson hotels are primarily located in capital cities, around economic and transit hubs and conveniently situated near airports and railway stations. As of March 31, 2018, our portfolio included 117 hotels and 22,836 rooms in operation under the Park Inn by Radisson brand, as well as 27 hotels and 7,063 rooms under development.

Prizeotel



Prizeotel is a modern economy brand with a high design hotel concept that aims to be affordable to all. Prizeotel hotels are primarily located in city centers near public transportation, dining and local sites. As of March 31, 2018, prizeotel operated three hotels and 732 rooms, as well as seven hotels and 1,560 rooms under development. As we hold a minority interest in prize Holding GmbH, we do not include prizeotel in our portfolio figures disclosed in this offering memorandum.

Unbranded hotels

In addition, our portfolio includes three unbranded hotels: the Hotel Rezydent in Krakow, Poland, the Astor Hotel in Riga, Latvia and the Oasis Hotel in Kuwait City, Kuwait.

Principal business activities

Hotel contract types

The hotels in our portfolio are operated under three types of contractual arrangements: lease agreements, management agreements and franchise agreements. The following tables set forth financial comparisons between the contractual arrangements, and the total number of hotels and hotel rooms in operation under each type of contractual arrangement as of the dates indicated.

	Leased	Managed	Franchised
Contract Type	57 hotels, 15,404 rooms (as of March 31, 2018)	206 hotels, 45,139 rooms (as of March 31, 2018)	111 hotels, 21,921 rooms (as of March 31, 2018)
% Revenues⁽¹⁾	86%	11%	3%
% Radisson EBITDA⁽¹⁾	46%	44%	10%
Overview	We own the entire profit and loss, collect all revenues and cover all operating costs (such as staff and rents) We provide all management services including hiring and training staff, brand, sales and marketing, the reservation systems and purchasing	We charge a fee of 7-8% of total revenue. We provide all management services including hiring and training staff, brand, sales and marketing, the reservation systems and purchasing	We charge a fee of 5-6% of total revenue. We provide the brand, sales and marketing support, the reservation system and purchasing
Operations/ employees . . .	Belong to us	Belong to a third party	Belong to a third party
Region	Nordics (46%) Western Europe (54%)	Nordics (2%) Western Europe (19%), Eastern Europe (42%) and Middle East and Africa (37%)	Nordics (29%), Western Europe (43%) and Eastern Europe (27%) Middle East and Africa (1%)
Contract Term	20+ years	15-20 years (75% renewal rate)	10 years (87% renewal rate)

(1) Figures relate to hotel operations only; before central and other activities and are as of December 31, 2017.

	As of December 31,						As of March 31,			
	2015		2016		2017		2017		2018	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
Leased	71	17,789	67	16,701	64	16,269	66	16,535	57	15,404
Managed	189	42,073	186	42,222	196	43,584	189	42,601	206	45,139
Franchised	95	18,766	110	21,579	109	21,279	109	21,333	111	21,921
Total	355	78,628	363	80,502	369	81,132	364	80,469	374	82,464

We strive to actively manage our management and lease agreements by trying to re-negotiate conditions which we believe are not favorable to us and by, for example, terminating leases of hotels with poor performance. To this end, we terminated eight leases in 2017. As of March 31, 2018, our leased hotels, managed hotels and franchised hotels represented 18.7%, 54.7% and 26.6%, respectively of our total rooms in operation.

Management evaluates our hotels using a range of key performance indicators depending on contract type. For lease agreements, we target a gross operating profit above 40%, a coverage

ratio of between 1.3 and 1.5 (approximately 27% to 31% of revenue) and an EBITDA margin of approximately 10% to 15% (approximately €4.5 thousand to €5.0 thousand per room). For management agreements, we target a ratio of fees to total revenue above 7.5% and an EBITDA margin of approximately 70% (approximately €1.5 thousand to €1.6 thousand per room). For franchise agreements, we target a ratio of fees to total revenue above 8.0% and an EBITDA margin of approximately 50% (approximately €0.6 thousand to €0.7 thousand per room).

Lease agreements

As of March 31, 2018, we had 57 leased hotels consisting of 15,404 rooms, representing 18.7% of the total number of rooms in operation.

Under our lease agreements, we lease hotel buildings from hotel owners or other investment partners, and we are entitled to the benefits and carry the risks associated with operating the hotel. We do not bear the risks of property ownership, we are not required to make a significant initial capital investment in the hotel and we are not subject to volatility in the real estate market to the same extent as if we owned the property. We derive revenue primarily from room sales and food and drink sales from restaurants, bars, conference facilities and in-room dining. Our main costs arising under a lease agreement are the fixed or variable rent paid to the lessor, personnel expenses and other operating expenses, such as marketing, repair and maintenance obligations and renovation. Subject to applicable law and in accordance with market practice, under some lease agreements, we also reimburse the owner of the hotel property for property taxes and property insurance.

Typically, our lease agreements include a variable rent clause under which we are obligated to pay a variable rent based on a percentage of the total revenue generated by a hotel or based upon a percentage of gross operating profit. The majority of our lease agreements also include a minimum rent payment obligation that is independent of the revenue generated by the hotel. The fixed rent is typically adjusted annually to take into account changes in a specified consumer price index. Generally, under contracts containing variable and fixed rent clauses, we pay the higher of the two to the lessor. To limit our financial exposure in our lease contracts, we typically limit the "shortfall" amount by which the fixed rent exceeds the variable rent to an amount corresponding to two to three years' aggregate fixed rent payment obligations. If cumulative shortfall payments reach this limit, the fixed rent payment obligation ceases and the lessor receives only the variable rent, but in certain lease agreements lessors have an early termination right in such a case. The terms and conditions of our lease agreements conform to the requirements of applicable local law and incorporate local market practice.

Nature of lease contracts ⁽¹⁾						
May-18	Variable	Max of fixed or variable		Fixed + Variable	Fixed	Total
		Variable	Fixed			
# hotels	7	29	11	4	6	57
% of total lease	12	51	19	7	11	100%
Mechanics	Variable linked to Revenue or Gross Operating Profit	Paying variable	Paying fixed	Fixed plus a variable component	Fixed cost linked to inflation	
FY18 Fixed (€m; % rev)	—	—	40.6 29%	16.1 20%	21.3 28%	78.0 10%
FY18 Variable (€m; % rev)	12.1 26%	123.5 27%	—	4.6 6%	—	140.2 17%
FY18 Rent (€m; % rev)	12.1 26%	123.5 27%	40.6 29%	20.7 25%	21.3 28%	218.2 27%
# hotels with CAP or only variable rent (#; %)	7 100%	27 93%	11 100%	4 80%	2 40%	51 89%
Remaining CAP (€m) per 1st June 2018	0.0	127.3	75.4	25.0	43.0	270.7
Remaining CAP / Total Rent (x)	—	1.0	1.9	1.2	2.0	1.2

Note: in the annual report the fixed lease includes the fixed part of the leases that account the max of fixed or variable formula

1. Company lease profile per 31st of May 2018. In the "Fixed" column there a hotel which contractually is a "Fixed + Variable" however as we only pay fixed rent it has been changed of column

Under most of our lease agreements, we are responsible for maintaining the hotel building, its furniture and its technical installations in good repair and condition over the term of the lease agreement. Under certain of our lease agreements, we are required to invest an agreed

percentage of the relevant hotel revenue in maintenance of the particular property over the contract period. If renovation works for a period have been lower than what is required under the lease agreement, the renovation works will have to be carried out at a later stage or settled in alternative ways. In circumstances where our investments in renovation do not meet the agreed levels and the term of the lease is ending, we typically seek to negotiate with lessors in order to reflect this shortfall in a new lease agreement. However, in circumstances where the lessor requires agreed investments to be made prior to the termination, the lease agreement is not extended or the parties do not reach an agreement on how to reflect the shortfall in the new agreement, we may be required to make the agreed investments or otherwise compensate the lessor for any such shortfall. We typically spend approximately 5% of annual hotel revenue on the maintenance and renovation of leased hotels. In certain circumstances when we expect it will lead to improved results from a hotel, we invest in total refurbishment of the hotel. In addition, under most of our lease agreements, the Group company that is party to the lease may transfer its benefits and obligations under the lease to any of our other subsidiaries.

In summary, our obligations and responsibilities as a lessee under lease agreements typically include:

- maintaining all permits and licenses necessary to operate the hotels;
- paying either fixed or variable rent as described above;
- maintaining and in certain circumstances replacing the furniture, fixtures and equipment;
- generally maintaining the hotel building, other than the façade and external structure, as well as the hotel's fixtures and technical installations;
- under certain of our lease agreements, assuming responsibility for full structural repairs, insurance costs and property taxes of the building;
- maintaining an insurance policy typically covering contents, benefit loss and civil liability; and
- hiring, training and supervising the managers and employees who operate the hotels, and assuming full responsibility regarding all obligations to employees.

However, there are important differences in local legal requirements among the different jurisdictions in which our leased hotels are located. These legal requirements affect a number of matters, including our responsibilities regarding maintenance, insurance and tax, the maximum lease duration and labor matters.

The duration of our lease agreements varies, but they are typically long-term agreements of 20 years or more. As of March 31, 2018, the average remaining term of our existing lease agreements was 13.4 years, not taking into account any extension rights we or the lessor may choose to exercise. The following table provides information on the expiry profile of our lease agreements as of March 31, 2018. The table does not reflect the renewal options provided in certain of our lease agreements, under which we, or the lessor, have the right to extend the terms of the agreement, or early termination rights of some lessors in accordance with the terms of certain agreements.

Year	Number of lease agreements expiring	Number of rooms
2018-2022	1	81
2023-2027	13	3,188
2028-2032	19	5,266
2033-2037	19	5,229
2038-2045	5	1,640
Total	57	15,404

Management agreements

As of March 31, 2018, we managed 206 hotels owned or leased by third parties, pursuant to management agreements, consisting of 45,139 rooms, representing 54.7% of the total number of rooms in operation.

Under our management agreements, we provide management services for third-party hotel owners. We derive revenue primarily from base fees determined as a percentage of total hotel revenue and incentive management fees determined as a percentage of the gross operating profit or adjusted gross operating profit of the hotel operations. In addition, we collect fees for global marketing expenditures (based on total hotel room revenue), reservations (based on the number of reservations made through the Radisson Hotel Group system) and other centralized expenditures, which we directly on-pay to the Radisson Hospitality, Inc. Group to cover the costs of such services. While not profit-driving, these cost recovery items enable us to be reimbursed for the costs we incur in these respects. Under some management agreements, we may offer the hotel proprietor a minimum guaranteed result, as further described below. When entering into management agreements, we sometimes also receive a fee in respect of the design and construction phase of developing hotel properties.

Under our management agreements, the hotel owner is responsible for investments in and costs of the hotel, including personnel expenses, funding maintenance and repair and insuring the hotel property. Moreover, these agreements generally require that the hotel owners, or owners of the leasehold interest in a hotel, as the case may be, invest a specified percentage of annual revenues to refurbish and maintain the hotels in accordance with operating standards we establish. The employees that operate the hotels are, in general, employees of the hotel owner. However, we may advise the hotel owners regarding the operations of the hotels, including procuring food and drink and other inventories, marketing the hotels, establishing room rates, processing reservations and staffing the hotels. As an established hotel operator under the management model, our influence over hotel operations enables us to deliver a consistent standard of quality across our branded hotels, regardless of the operating arrangements.

In summary, our responsibilities and scope of authority under our management agreements typically include:

- supervising compliance of the hotel with the brand standard and providing the system infrastructure necessary for the hotel to operate under the respective brand;
- administering the hotels, including the preparation of budgets and advice on accounting, purchasing, marketing, other commercial matters, compliance with applicable laws and regulations and routine legal matters;
- advising hotel owners regarding personnel hiring and remuneration, and supervising and training the hotel staff;
- installing and training the hotel staff to use our computer systems and applications for hotel management; and
- advising the hotel owners on designs for facilities, decoration and furnishing of the hotels.

Unlike our lease agreements, our management agreements do not vary significantly among jurisdictions. In certain countries particularly in Western Europe, management contracts are less common due to commercial reasons. In these countries, we pursue and undertake lease agreements instead of management agreements.

In certain circumstances, we guarantee the hotel owner a minimum result measured by adjusted gross operating profit or some other financial measure. Under such contracts, in the event that the actual result of a hotel is less than the guaranteed amount during a specified period, typically two or three consecutive years, we have the option to compensate the hotel owner for the shortfall or, if we elect not to pay the hotel owner, the hotel owner may terminate the agreement, in which case we have no further obligations to the hotel owner. Our obligation to

compensate for any such shortfall amount is typically limited to two to three times the annual guarantee. If this guarantee cap is reached, our guarantee ceases. In addition, under most agreements, we are entitled to recover past shortfall payments if the hotel exceeds the guaranteed level of performance in future years. We had 31 management contracts with a guarantee, as of December 31, 2017 and as of December 31, 2016.

Generally, after we have operated a hotel for typically a minimum of three financial years, the hotel owner has, subject to certain conditions, early termination rights based on certain defined performance criteria of the hotel. In some cases, the hotel proprietor may also have early termination rights when the guarantee cap has been reached. In addition, under certain of our more recent management agreements without guarantees, the hotel owner has a right to terminate if the hotel underperforms compared to other hotels in the same local market for two consecutive years. However, in the last three years, no management agreement has been terminated early due to its underperformance. Under most of our management agreements, we do not have the right to terminate the contract at will prior to its expiration except in the case of a persistent breach of the hotel owner's obligations or other circumstances specified in the agreement, including the insolvency of the hotel owner.

The duration of our management agreements varies, but they are typically long-term agreements of between 15 and 20 years. As of March 31, 2018, the average remaining term of our existing management agreements with third parties was approximately 12 years. The following table provides information on the expiry profile of our management agreements as of March 31, 2018. The table does not reflect the renewal options provided in certain of our management agreements, under which we have the right to extend the terms of such agreement, or early termination rights of some hotel owners in accordance with the terms of certain agreements.

<u>Year</u>	<u>Number of management agreements expiring</u>	<u>Number of rooms</u>
2018-2022	26	7,603
2023-2027	42	7,981
2028-2043	138	29,555
Total	206	45,139

Franchise agreements

As of March 31, 2018, 111 hotels in our portfolio were operated by third parties pursuant to franchise agreements, consisting of 21,921 rooms, representing 26.6% of the total number of rooms in operation.

Under franchise agreements, we authorize a third-party hotel operator or property owner to operate the hotel under one of the brands in our portfolio. Accordingly, under such agreements, we do not own, lease or manage the hotel. We derive revenue from brand royalties or from licensing fees, which, under most of the franchise agreements, are based on a percentage of total rooms revenue generated by a hotel. In addition, we collect marketing fees based on total rooms revenue and reservation fees based on the number of reservations made through our systems. In order to gain access to different concepts and programs associated with the brand, the hotel owners normally have to pay additional fees.

To maintain brand image and value, franchisees are obligated to meet specified brand standards. If these standards or other obligations set forth in a franchise agreement are not met, we have, subject to certain conditions, a right to terminate the franchise agreement. In some cases, the franchisees have been granted early termination rights after an initial period of between three to five years.

The duration of our franchise agreements varies, but they are typically for a term of ten years or longer. As of March 31, 2018, the average remaining term of our existing franchise agreements with third parties was approximately 9 years. The following table provides information on the

expiry profile of our franchise agreements as of March 31, 2018. The table does not reflect the renewal options provided in certain of our franchise agreements, under which we have the right to extend the terms of such agreement, or early termination rights of some hotel owners in accordance with the terms of certain agreements.

<u>Year</u>	<u>Number of franchise agreements expiring</u>	<u>Number of rooms</u>
2018-2022	35	7,977
2023-2027	28	5,245
2028-2040	48	8,699
Total	111	21,921

Operational structure

The Parent Company's board of directors approves the business plan and budget and the Executive Committee is responsible for executing a strategy to implement the business plan and the budget. We have a decentralized management structure, with individual hotels operated as separate profit centers.

Our operations are overseen by the Chief Operations Officer, who has direct responsibility for our six Area Vice Presidents (including the Senior Vice President Franchise Services). The Area Vice Presidents are responsible for preparing the business plans to execute the group strategy. Together the Area Vice Presidents oversee operations in all of our geographic areas. Our Area Vice Presidents are located in Dubai, which oversees the Middle East and Africa; Moscow, which oversees Eastern Europe; Frankfurt, which oversees Central Europe; Manchester, which oversees the United Kingdom, Ireland and Western Europe; and Stockholm, which oversees the Nordic Region. Our group headquarters in Brussels, Belgium, provides financing, sales and marketing, purchasing and information system for the Group network.

Our Area Vice Presidents in turn oversee area managers. The division of responsibilities between the Area Vice Presidents and the area managers are partly based on brands and contract types and do not entirely follow publicly reported geographic segmentation because the business plans are implemented locally by general managers who are accountable for customer, owner and employee satisfaction of individual hotels. Under the decentralized management structure, individual general managers are responsible for the profitability of their hotel.

Hotel development

Development process

Our business development department considers new hotel locations on an ongoing basis, continuously evaluating opportunities for entering into new hotel contracts. Our business development department is comprised of a total of 22 employees based in Brussels, Belgium, and Frankfurt, Germany, as well as in London, United Kingdom, Barcelona, Spain, Milan, Italy, Oslo, Norway, Moscow, Russia, Dubai, the United Arab Emirates, and Cape Town, South Africa. In addition, we work with a network of independent consultants with extensive industry experience, who investigates and brings to our attention new potential locations and provides valuable support for our hotel development operations.

Management's decision to lease, manage or franchise a new hotel is subject to a structured evaluation process. This process typically starts with the preparation of an internal assessment of the new location and potential development. During the detailed assessment we also study the performance of the hotel and carry out a benchmark analysis to compare the hotel's performance against peer hotels in the area. The process continues through the preparation of financial projections and an architectural review. In some cases, we also conduct a review of the background of the counterparties in the project. For new countries in emerging markets and specific locations, we consult with our corporate safety and security department for a risk assessment. Our tax department is also consulted for new countries and special contract structures to ensure a tax

efficient set up. Concurrently with the above process, we initiate negotiations of necessary legal agreements which are reviewed by our legal department. In certain instances, we obtain legal advice from external local counsel on our rights and obligations under the contractual arrangements, particularly in the context of negotiating lease agreements. Projects are reviewed internally by operations department, technical department, and the Chief Development Officer ("CDO") before being presented for approval to the Project Committee (consisting of the CEO, CFO, COO, CDO and Group General Counsel). Final approval depends on the total value of the project and our financial commitments, where the most significant projects are subject to review by the Parent Company's board of directors.

Once the project has been signed, it is taken over by our technical department, which supervises the construction process until completion of the construction phase. Our team in charge of future openings supervises final preparations prior to the opening as well as the first months of operation, in order to secure a successful launch of the hotel. New staff training takes part locally and is based on our strong management expertise.

The business development department's commitment to each project continues beyond the development process and lasts throughout the term of the agreement. The work going forward also involves other departments within the Group.

Asset management

Asset management includes optimization of the hotel portfolio through extension of profitable contracts, restructuring or termination of unprofitable contracts, as well as improved capital expenditure planning and deployment. Some agreements signed at the peak of the market cycle are unprofitable and have burdened our profitability in recent years. Efficient asset management is one of our top priorities and to further emphasize the strategic focus on asset management, we have established a dedicated asset management department. The department is authorized with a clear mandate to improve profitability of our leased portfolio through selective exits, and restructuring and extension of agreements, as well as to optimize capital expenditure management.

The early termination of an unprofitable lease contract will typically involve an upfront payment to the owner of the property and is preceded by a review of the property's historical and forecasted financial performance and evaluation of restructuring alternatives. If deemed appropriate, our asset management department may negotiate directly with the owner in order to restructure contracts, ideally to the benefit of both parties. Negotiations may include areas such as reductions in rent, joint renovations, contract prolongations and removal of rent caps. As regards distressed assets under management agreements, we must often work with the owners and lenders in order to secure our contracts and thereby ensure the long-term sustainability of our business. In the event of expiring contracts, an extension of such a contract must be negotiated, often linked to renovations. With regard to lease contracts, renovations and maintenance are generally jointly-funded by the tenant and owner.

In asset management, the extension of profitable contracts is equally as important as exiting or restructuring unprofitable assets. Furthermore, asset management involves the optimization of capital expenditure planning and deployment. On an annual basis, our asset management department reviews all investments required by our leased hotels, thereby assessing where the highest investment returns can be made. For projects requiring joint financial commitment, the department negotiates a scope and plan with the property owners.

Sales and marketing

Overview

Our centralized sales and marketing organization is operated from Brussels and consists of eight additional sales offices located in Copenhagen, Oslo and Stockholm (responsible for the Nordic Region), Moscow (responsible for Eastern Europe), Frankfurt (responsible for Central Europe), Manchester (responsible for United Kingdom and Ireland), Paris (responsible for Western Europe) and Dubai (responsible for the Middle East, Turkey and Africa). The operations of each sales

office are headed by a sales officer, who is supported by a team of local sales specialists. We focus on generating revenue and building brand awareness through strategic marketing and promotional campaigns, advertisements as well as media and communication activities. Our channel management network, e-commerce tools, and customer relationship management initiatives are aimed at developing a strong and loyal customer base.

Global sales

The main goal of our global sales organization is to increase revenue by making the Group and our brands some of the most visible and recognized in the market. We seek to achieve this goal by:

- maintaining a close collaboration with the Radisson Hotel Group to capture sales opportunities globally through efficient use of shared sales resources;
- defining and executing sales generating goals and priorities per region;
- building and strengthening trade relationships with key clients in all segments;
- building partnerships with airlines and other strategic travel partners;
- strengthening trade relationships with professional agencies and meeting & event organizers in the MICE (Meeting, Incentives, Conferences and Exhibitions) segment;
- extending our reach through affiliate marketing;
- supporting new hotel openings through special events and promotions;
- supporting, guiding and advising hotel managers in optimizing revenue generating opportunities;
- participating in leading trade shows, events and exhibitions around the world;
- organizing client events regionally and locally to sell, promote and build international, regional and local networks; and
- increasing sales and strengthening our international sales network.

Our global sales organization consists of nine strategically placed offices, with over 150 sales specialists, located in the EMEA area, each focusing on offering targeted support and guidance to all hotels in the relevant markets. Each region has its own global sales team focused on developing and sustaining the most important national and international key accounts in all relevant segments. In addition, through our cooperation with the Radisson Hotel Group, the focus of our global sales organization is continuously shifting from national to global sales.

Digital marketing and e-commerce

Digital marketing and e-commerce is becoming increasingly important as a result of the growth of online travel agencies, but also due to the digitalization of hotels and booking systems. The main objectives of our digital marketing strategy is to generate more traffic to our branded websites, to convert more online visitors to online bookers and to manage online customer relationship through an integrated CRM (as defined below) and e-mailing platform, including the Radisson Hotel Group's joint loyalty program, Radisson Rewards. In addition, we strive to create a more personalized online customer experience through, for example, private offer web pages, improved booking process, and enhanced meeting and event functionality. Moreover, through our collaboration with TripAdvisor, the world's largest travel site, we show TripAdvisor customer reviews on our branded websites, which contributes to further enhance customers' engagement and convert online visitors to online bookers.

Customer relationship management

We seek to reward customer loyalty through our customer relationship management ("CRM") programs. These help us to retain loyal customers and acquire new ones, to utilize information

provided by our partners, and to improve the hotels' communication with the guests. We reward loyalty in various forms through our carefully targeted initiatives, such as Radisson Rewards (the Radisson Hotel Group's loyalty program for business travellers, meeting planners and small and medium sized enterprises) and a number of partnerships. Through our CRM activities, we aim to create strong brand awareness and customer loyalty.

Radisson Rewards

Radisson Rewards, the Radisson Hotel Group's primary global loyalty program, is operated by Radisson Hospitality Inc. Loyalty points earned when guests have stayed at hotels are charged by Radisson Hospitality Inc. to those hotels. Similarly, when points have been redeemed at hotels, these hotels are reimbursed by Radisson Hospitality Inc. Radisson Rewards reached more than 4.3 million members in the EMEA area and 18.4 million members worldwide in 2017. Radisson Rewards members enjoy complimentary water and other benefits such as complimentary upgrades, F&D discounts, early check in and late check-out. Radisson Rewards allows us to build customer loyalty through personal recognition, benefits and rewards and represents great business potential for the Radisson Hotel Group.

Brand management

To secure brand control, avoid brand confusion, and ensure a consistent guest experience across geographies, all aspects of all our hotel brands, including but not limited to design, technical, services, graphics, promotion, training and finance, are carefully and strictly defined within brand manuals. In addition, we carry out yearly follow-up quality assurance inspections on all hotels to monitor quality and performance according to pre-defined service and standards criteria.

Most branded Radisson hotels contribute a percentage of room revenue into a central marketing fund to support the marketing costs for each brand. Central costs, such as marketing staff, sales, public relations, global directories and trade shows are also paid for from the central fund. All remaining funds are then allocated to support the marketing costs of each brand based on the percentage of brand contribution into the fund. All hotels are encouraged to follow brand marketing plans, which set global agendas and strategies that are then implemented at a regional level.

Communications and social media

Our communications team's focus is on making communications about our brands more successful, differentiated, and at the same time harmonized across geographic regions and communication channels. To support this approach, our internal communications team ensures that employees and partners are kept well-informed about developments, strategies and tools through the use of group-wide newsletters, group-wide Intranet and Hotline, our magazine for employees, hotel owners and strategic partners, which is also available on our Intranet and corporate website. The corporate communication team is also responsible for managing our website, which serves as one of the most important communication channels for media and investors.

We are active in social media, actively driving guest loyalty, online marketing and revenue through key channels like Facebook, Twitter, Instagram and Pinterest. On brand and channels, we increased the number of Facebook fans of Radisson Blu and Park Inn by Radisson to more than 437,000 in the course of 2017. In 2017, we counted 567,000 customer hotel reviews online through the main channels of Google, Booking.com and TripAdvisor, compared to 475,000 in 2016. In 2017, 53% of our hotels were in the Top 10 TripAdvisor ranking in their local category and 76% were in the Top 30 in their local category, which impacts hotels' ranking on TripAdvisor and the conversion on our branded websites.

Sales platforms

We have a relatively even split between the percentage of revenue which we derive through direct sales, made through our website, contact center or directly through our hotels, and

indirect sales, made through the internet, travel management companies (TMCs) and consortia, professional conference organizers (PCOs), tour operators and wholesalers. The following table sets out a breakdown of the percentage of revenue which was derived through each source for the Fiscal Year 2017.

Direct Sales	% for the Fiscal Year 2017	Indirect Sales	% for the Fiscal Year 2017
Brand Web	7 – 8	Internet	23 – 24
Contact Center	0 – 1	TMCs & consortia	11 – 12
Hotel Direct	45 – 46	PCOs	2-3
		Tour Operators/ Wholesalers	9 – 10
Total	53 – 55		45 – 47

Our Hotel Portfolio

Overview

The following table sets forth a breakdown of our hotel portfolio by geographic segment, brand and contract type as of March 31, 2018.

	In operation		Under development	
	Hotels	Rooms	Hotels	Rooms
By geographic segment				
Nordic Region	58	14,307	2	272
Rest of Western Europe	129	26,257	13	2,164
Eastern Europe	105	24,722	28	5,497
Middle East, Africa and Others	82	17,178	61	15,785
Total	374	82,464	104	23,718
By brand				
Radisson Blu	248	58,345	59	12,927
Park Inn by Radisson	117	22,836	27	7,063
Others	9	1,283	18	3,728
Total	374	82,464	104	23,718
By contract type				
Lease agreements	57	15,404	1	250
Management agreements	206	45,139	89	21,289
Franchise agreements	111	21,921	14	2,179
Total	374	82,464	104	23,718

Leased Properties

As of March 31, 2018, we leased the following 57 hotel properties, representing 15,404 rooms. We have the following number of leasehold properties in the following countries.

Country	Number of Leased Properties
Belgium	2
Denmark	3
France	3
Germany	12
Italy	1
Netherlands	1
Norway	15
Spain	1
Sweden	6
Switzerland	4
United Kingdom	9

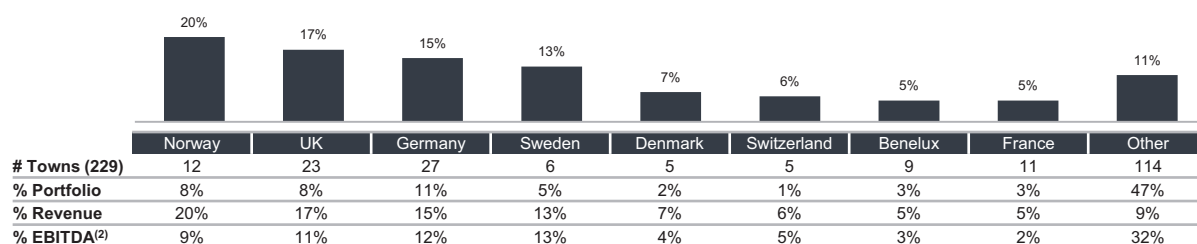
Joint Venture and Minority Interest Properties

As of March 31, 2018, we had a minority or non-controlling financial interest in and operated the following eight properties, representing 2,138 rooms.

Property	Location	Number of rooms	Ownership interest
prizeotel Bremen City	Germany	127	49.000%
prizeotel Hamburg City	Germany	393	49.00%
prizeotel Hannover City	Germany	212	49.00%
Radisson Blu Al Quesir	Egypt	247	20.00%
Radisson Blu Hotel, Beijing	China	360	50.00%
Radisson Blu Daugava Hotel	Latvia	354	9.00%
Radisson Blu Hotel, Kuwait	Kuwait	190	1.82%
Radisson Blu Hotel, Kiev	Ukraine	255	13.41%

Key Market Operations

As of December 31, 2017, 90% of our revenues came from low risk and developed markets across 115 towns.



Note: RoWE = Rest of Western Europe, EE = Eastern Europe, MEAO = Middle East, Africa and Others.

1. Hotel operations only, before other and central activities.

2. EBITDA % split excludes central costs.

3. Other includes one Radisson Blu hotel with 360 rooms in China.

Corporate Headquarters

Our corporate headquarters are located at Avenue du Bourget 44, 1130 Brussels, Belgium. These offices consist of approximately 3,000 square meters of leased space. The lease for this property expires on December 31, 2019 (the lease contains an automatic extension provision for an additional three year term). We also have corporate offices in Cape Town, South Africa, Copenhagen, Denmark, Dubai, United Arab Emirates, Duisburg and Frankfurt, Germany, Manchester, United Kingdom, Moscow, Russia, Oslo, Norway, Paris, France and Stockholm, Sweden.

We believe that our existing office properties are in good condition and are sufficient and suitable for the conduct of our business. In the event we need to expand our operations, we believe that suitable space will be available on commercially reasonable terms.

Five-Year Operating Plan

We presented our Five-Year Operating Plan to the market in January 2018, with a vision to be one of the top three hotel companies in the world and the company of choice for guests, owners and talent. Aimed at sustainably increasing our Radisson EBITDA performance in line with that of our competitors and peers in the hotel market, our Five-Year Operating Plan is comprised of 25 performance improvement initiatives across the following seven levers: (i) portfolio management; (ii) brand and products; (iii) marketing, sales and revenue management; (iv) organizational talent and responsible business; (v) cost advantage; (vi) best systems; and (vii) scale. We aim to achieve a benchmark 14% Radisson EBITDA margin with the Five-Year Operating Plan. In 2016 our Radisson EBITDA margin was 8.3%.

The Five-Year Operating Plan is split into two phases. Phase I, from announcement in January 2018 to year end 2020, will concentrate on setting the basics to grow; defining, managing and implementing a new value proposition and the new business model. During Phase II, from January 2021 until year end 2022, we aim to progressively achieve improved growth over the course of Phase II following the actions undertaken in Phase I.

Our ability to execute on the Five-Year Operating Plan and successfully implement our growth strategies is subject to a number of assumptions, including with respect to (i) macroeconomic considerations (e.g. inflation levels in key markets in which we operate and foreign exchange considerations), (ii) our ability to increase revenue generating capacity by achieving significant room growth and (iii) our ability to generate return on planned investments relating to IT capabilities and the repositioning of our property portfolio. The successful implementation of our Five-Year Operating Plan is subject to a number of factors, some of which are beyond our control. See *“Risk Factors—Risks Relating to our Business and Industry—We may be unsuccessful in implementing our growth strategy as outlined in the Five-Year Operating Plan and our planned growth strategy may not be achieved”*.

Brand and products

We have recently launched a new brand architecture, which includes the introduction of the Radisson Hotel Group as a strategic marketing initiative founded upon the strong recognition of the Radisson brand name, across all hotel segments, but with an emphasis on upscale and upper upscale brands.

An aligned global room and rate type strategy has been put in place, and the roll-out of new room types by brand (incorporating key attributes, such as room size, view, balcony) is underway. The new brand portfolio will also include:

- A new “Collection” tag attributed to 25 to 30 Radisson Blu hotels in key locations with an iconic design product, and a brand change for Quorvus hotels;
- the rebranding of Radisson hotels in EMEA to cover a perceived gap in the upscale segment; and
- development of the Radisson RED hotels as an appealing value proposition for owners looking for modern and design hotels.

We plan to invest between €140 and €150 million to upgrade 30 to 35 leased properties, with an estimated 15% to 20% return on capital expenditure and with a view to increasing ADR by 14%. As of the date of this offering memorandum, renovation work has already commenced in 10 properties and planning work is being carried out in respect of a further six properties to be executed in 2018. Properties repositioned in 2017 have enjoyed increased revenue in Q1 2018.

The repositioning plan is complemented by the implementation of a new Food & Drinks model, in line with our new brand architecture, and the establishment of a differentiated communication strategy for meetings, groups and events.

Portfolio management

Action plans have been established across our leased, managed and franchised hotel portfolio, focused on increasing revenues and profitability in line with brand, segment and standards. Our aim is to increase overall hotel performance by deploying a repositioning plan to upgrade certain rental properties, introducing a new hotel operational model and adopting a more dynamic asset management strategy, which we expect will generate a positive impact on our Radisson EBITDA margin across five years.

Our asset management strategy involves the renegotiation, exit and/or extension of existing lease contracts. Loss-making leased hotels are expected to be reduced from 19 in 2017 to six hotels in 2018. This reduction of loss-making leases is mainly due to the exit of eight leases at the end of 2017 and operational improvement. There are approximately 30 properties in which gross operating profit could be improved. To this end, we have already identified ten key hotels with performance issues and plans to drive improvement through specific action across sales, marketing, revenue generation and operations, and regular review of set targets in respect of individual hotels.

Marketing, sales and revenue management

The focus on customer facing activities has resulted in the improvement of the loyalty program and upgrading of web and mobile capabilities, including a consolidated, multi-brand platform. Radisson Rewards, which targets B2B and B2C channels separately, was launched on March 5, 2018, and features a rebranded web and loyalty app. The targeted go-live date for the consolidated website is Q1 2019. Agreements with key online travel agencies have been targeted for renegotiation with the aim of reducing reservation costs, though there is also a drive to increase direct online sales via the new digital platform.

A new homogenized revenue management system is being implemented supporting the Group's growth across approximately 80 hotels which have already adopted the new system.

Cost advantage

The costs initiative is geared towards increasing cost efficiency to allow us to remain competitive, and has an estimated positive Radisson EBITDA impact of €18 million across five years.

This includes the redefinition of a clear sales strategy and reservation cost optimization across the portfolio, tailored to the specific hotel, area, theatre or headquarters (as applicable); driving cost reductions by strengthening collaboration between the Radisson Hospitality, Inc. Group and us, the redefinition of roles, function and cost at each organizational level, including restructuring of support functions and an operating model that supports the delivery of key performance targets, and the determination of total rebates potential by property type and product category.

Organizational Talent and Responsible Business

We are continuing in our efforts to drive our global culture and talent management strategy to enable the vision of the Group to be realized. As part of the strategy, a new human resources transformation plan and a responsible business plan have been launched, and a new office layout finalized. During Phase I, the focus is on transmitting the new values and to consolidate the Group as a customer-oriented multinational. Phase II will see the focus move towards boosting and maintaining employee engagement and ensuring talent retention.

Best systems

We have commenced a cost-saving global IT systems improvement, focused not only on development and modernization of guest-centric features such as app and web services, but also the development of better IT functional support in order to minimize project delays. Our IT

transformation program was launched in the first quarter of 2018 with the first wave of hotel implementation targeted for the second quarter of 2019.

Scale

Our strategy is focused on organic growth based on strengthening presence in the European Union. Key plan elements include pipeline review, rebrand, clean up and delivery, with a development plan tailored by geography, brand and business model; a global approach to business development, a plan to exit non-profitable or brand damaging properties, and a new value proposition for owners that creates revenue and cost advantage and improves engagement with owners. The portfolio is expected to reach approximately 100,000 rooms via organic growth; the current forecast is to end 2018 at approximately 82,253 rooms, ahead of the 2018 target (which is 80,759 rooms).

Regulation

We are subject to numerous national, regional and local laws and regulations in the various jurisdictions in which we manage, lease and franchise hotels, including those requirements relating to the preparation and sale of food and drinks, building and zoning, competition and general business licenses and permits. Our ability to develop new hotel properties and to remodel, refurbish or add to existing properties also depends upon obtaining permits from local authorities. In addition, we are subject to European Union and national laws and regulations on data protection. In the European Union, the new General Data Protection Regulation (“**GDPR**”) entered into force on May 25, 2018. The GDPR implements more stringent operational requirements for processors and controllers of personal data, including, for example, expanded disclosures about how personal information is to be used, limitations on retention of information, mandatory data breach notification requirements and higher standards for data controllers to demonstrate that they have obtained valid consent for certain data processing activities. The GDPR establishes penalties for violations.

We are also subject to laws requiring us to pay taxes or governing our relationships with employees, including minimum wage requirements, overtime, working conditions, hiring and terminating, non-discrimination for disabilities and other individual characteristics, work permits and benefit offerings. National, regional and local laws and regulations also require certain registration, disclosure statements, compliance with specific standards of conduct and other practices with respect to operating hotels. Compliance with these various laws and regulations can affect the net turnover and profits generated by the hotels we manage, lease and own and could adversely affect our operations. We believe that our business is conducted in substantial compliance with applicable laws and regulations, and we have not received any notice of non-compliance that may have material effects on our business.

The rating of our hotels is determined by designated authorities pursuant to standards in the jurisdiction in which the hotel is located. To obtain a rating for our hotels, we first determine how and where we want to position the hotel or hotel project from a commercial point of view as this will affect the type of client we attract, the rates we can charge and the available sales channels, among other things. The location of a hotel also has an effect on the level of local competition the hotel will face, the destination possibilities for our clients and the local law standards with which we will have to comply.

After a decision is made regarding the positioning of the hotel, we must comply with the requirements set forth in the classification rating and ensure that we are able to offer the products and services that our selected star classification demands. In addition, each of our hotels must also be aligned with our internal standards for each hotel category.

Environmental matters

Our properties and operations are subject to certain legal requirements under various national and regional environmental laws and regulations, including those related to health and safety,

air emissions, the use and disposal of solid and hazardous materials or waste and prevention and control for the contamination of water, air and soil ("**Environmental Laws**"). Governmental authorities may impose certain administrative and criminal penalties or fines for violation of Environmental Laws and may also, among other things, close, either indefinitely or temporarily, operations of any businesses found in violation of any Environmental Law. Environmental Laws relating to contamination may impose liability for clean up without regard to whether the owner or operator knew of, or was responsible for, the presence of hazardous or toxic substances. Although we are not aware of any current material obligations for the removal of hazardous substances or any other environmental condition at any of our locations, the future discovery of hazardous or toxic substances may adversely affect our ability to operate our hotels or to sell or rent our owned real property or to borrow using our owned real property as collateral. Persons who arrange for the disposal or treatment of hazardous or toxic wastes may be liable for the costs of removal or remediation of such wastes at the treatment, storage or disposal facility, regardless of whether such facility is owned or operated by that person.

We are also subject to other laws and regulations relating to preservation of wetlands, coastal zones or endangered species, which could limit our ability to develop, use, sell or lease our real property. Future changes in environmental laws or the discovery of currently unknown environmental conditions may have a material adverse effect on our financial condition and results of operations. In addition, European environmental regulations have become increasingly stringent over the last decade and this trend is likely to continue.

Intellectual property

Overview

We have been granted the right from the Radisson Hospitality, Inc. Group to use the following trademarks under the Master Franchise Agreements discussed in more detail below.

A master franchise agreement with Radisson Hotels International, Inc., a subsidiary of Radisson Hospitality, Inc., dated February 21, 1995 and amended on July 16, 2001, August 29, 2002, December 21, 2002, June 30, 2005, October 26, 2010, December 15, 2013, April 23, 2015 and May 3, 2018 (the "**Radisson Master Franchise Agreement**") provides us with a right to use the Radisson, Radisson Blu, Radisson RED and Radisson Collection trademarks and other trademarks, trade names, service marks, copyrights, logos and other commercial symbols related to Radisson Blu hotels for the operation of hotels.

A master licensing agreement with Park Global Holdings SAS, Inc., a subsidiary of Radisson Hospitality, Inc., dated August 29, 2002 and amended on June 30, 2005 (the "**Park Inn Master Franchise Agreement**", and together with the Radisson Master Franchise Agreement, the "**Master Franchise Agreements**") provides us with a right to use the Park Inn trademark and other trademarks, trade names, service marks, copyrights, logos and other commercial symbols related to Park Inn by Radisson hotels for the operation of hotels. The term of the Master Franchise Agreements expires on December 31, 2052.

In addition, we have registered certain food and drink related trademarks, such as "Brasserie de Verres en vers", "Filini bar and restaurant" and "RBG" for use in our business.

Radisson Master Franchise Agreement

Our right to use the Radisson, Radisson Blu, Radisson RED and Radisson Collection trademarks is set out in the Radisson Master Franchise Agreement. Under the Radisson Master Franchise Agreement, we have an exclusive right to use the Radisson, Radisson Blu, Radisson RED and Radisson Collection trademarks in the EMEA area (including the CIS countries and Mongolia), subject to certain exceptions further discussed herein. Our right to use the Radisson, Radisson Blu, Radisson RED and Radisson Collection trademarks in the United Kingdom, Lebanon and the Maldives is non-exclusive. In Asia, our right to use the Radisson, Radisson Blu, Radisson RED and Radisson Collection trademarks is limited to one hotel in each of Tokyo, Japan; Singapore, Singapore; Bangkok, Thailand and one hotel at a SAS gateway airport in each of these locations.

In addition, we have a right to operate one existing hotel in Beijing, China. The area within the M25 ring in London, England is not covered by the Radisson Master Franchise Agreement, although we have a special exemption to operate the Radisson Blu Portman Hotel located within the M25 ring in London. In addition, the Radisson Master Franchise Agreement excludes the Chagos Archipelago.

Further to the Radisson Master Franchise Agreement, Radisson Hospitality, Inc. has the right to change the Radisson, Radisson Blu, Radisson RED and Radisson Collection trademarks without our approval if, in the opinion of Radisson Hospitality, Inc., it would be beneficial or appropriate from a global image perspective. In such case, we must, upon written notice of any such changes, use all reasonable endeavors to ensure that the relevant changes are implemented at our relevant hotels at no cost to Radisson Hospitality, Inc.

Under the Radisson Master Franchise Agreement, we are obligated to enter into legally binding contracts for Radisson/Radisson Blu/Radisson RED/Radisson Collection branded hotels in accordance with an agreed development schedule. Pursuant to the development schedule set forth in the Radisson Master Franchise Agreement, we are required to increase the net number of Radisson/Radisson Blu branded hotels by ten (net) each year until 2032 and we are required to increase the net number of Radisson RED branded hotels by one in 2018 and 2019 respectively, by two in 2020 and 2021 respectively and by three (net) each year from 2022 until 2032.

Failure to meet the development schedule will result in a loss of exclusivity for the Radisson, Radisson Blu, Radisson RED and Radisson Collection trademarks in the areas covered by the Radisson Master Franchise Agreement but will not result in termination of the agreement, absent other breaches. In the event of termination of the Radisson Master Franchise Agreement by Radisson Hospitality, Inc., we will have the right to continue to use the trademarks with respect to any existing hotels leased or managed by us for the duration of the term of the applicable agreement and must continue to pay fees to Radisson Hospitality, Inc. in connection with such existing hotels, on the same terms as set forth in the Radisson Master Franchise Agreement. However, with respect to any existing franchised hotels, Radisson Hospitality, Inc. will assume all rights and obligations in connection with the related license agreement and we and Radisson Hospitality, Inc. will cooperate to ensure that Radisson Hospitality, Inc. directly assumes all liability vis-à-vis third parties. We will have no continuing right to receive, or obligation to pay, fees related to such license agreement. In addition, following termination of the Radisson Master Franchise Agreement, we will no longer have the right to enter into contracts to open new Radisson, Radisson Blu, Radisson RED or Radisson Collection branded hotels, and such right reverts to Radisson Hospitality, Inc.

For the use of the Radisson, Radisson Blu, Radisson RED and Radisson Collection brand, we pay Radisson Hospitality, Inc. a royalty fee based on gross rooms revenue, a reservation fee based on gross rooms revenue, including a third-party reservation fee corresponding to actual payments made by Radisson Hospitality, Inc. for reservations made via third-party systems, and for certain hotels, we pay a percentage of the fees collected by us in connection with such hotel's use of Radisson Hospitality, Inc.'s reservation system. Moreover, we pay a marketing fee based on gross rooms revenue from Radisson branded hotels to a separate fund to be used for marketing and advertising expenses in accordance with an annual marketing and advertising budget prepared by us. From this fund, we also pay Radisson Hospitality, Inc. a percentage of marketing fees based on gross rooms revenue from Radisson, Radisson Blu, Radisson RED and Radisson Collection branded hotels. In addition, if we receive any technical assistance, construction, pre-opening or other similar fees as initial fees when contracting new hotels, we pay Radisson Hospitality, Inc. a fee based on the said fee collected by us.

Park Inn Master Franchise Agreement

Our right to use the Park Inn trademark is set out in the Park Inn Master Franchise Agreement. Under the Park Inn Master Franchise Agreement, we have an exclusive right to use the Park Inn trademark in all countries in the EMEA area (including the CIS countries and Mongolia), excluding the Maldives and the Chagos Archipelago. In addition, subject to a letter dated

March 22, 2010, the terms of which expire at the same time as the Park Inn Master Franchise Agreement, Radisson Hospitality, Inc. has agreed, subject to certain conditions, to permit us to use the Park Inn by Radisson designation in portions of the aforesaid territory, excluding the M25 area of London, England.

Under the Park Inn Master Franchise Agreement, we are obligated to enter into legally binding contracts for Park Inn branded hotels in accordance with an agreed development schedule. The development schedule requires a cumulative minimum number of rooms to be opened or to be placed under construction since October 1, 2002.

Failure to meet the development schedule is a material breach of the agreement and will form a basis for the termination of the Park Inn Master Franchise Agreement. Radisson Hospitality, Inc. will not have a right to claim damages only as a result of a failure to meet the development schedule. In the event of termination of the Park Inn Master Franchise Agreement by Radisson Hospitality, Inc., we will have the right to continue to use the Park Inn trademark with respect to any hotels for which it has entered into legally binding contracts for the duration of the relative agreement and must continue to pay fees to Radisson Hospitality, Inc. in connection with such existing hotels, on the same terms as set forth in the Park Inn Master Franchise Agreement. However, with respect to any existing franchised hotel, Radisson Hospitality, Inc. will assume all rights and obligations in connection with the related license agreement and will undertake to directly assume all liability vis-à-vis third parties. We will have no continuing right to receive, or obligation to pay, fees related to such license agreement. In addition, following termination of the Park Inn Master Franchise Agreement, we will no longer have the right to enter into contracts to open new Park Inn branded hotels.

For the use of the Park Inn brand, we pay Radisson Hospitality, Inc. a royalty fee based on gross rooms revenue, a reservation fee equal to the actual average cost per net delivered reservation through the Radisson Hospitality, Inc. reservation system for the Park Inn brand hotels. Moreover, we pay a marketing fee based on gross rooms revenue from Park Inn branded hotels to a separate fund to be used for marketing and advertising expenses in accordance with an annual marketing and advertising budget prepared by us. From this fund, we also pay Radisson Hospitality, Inc. a percentage of marketing fees based on gross rooms revenue from Park Inn branded hotels. In addition, if we receive any technical assistance, construction, pre-opening or other similar fees as initial fees when contracting new hotels, we pay Radisson Hospitality, Inc. a fee based on the said fee collected by us.

Insurance

We have international umbrella insurance policies under which we are insured against certain risks, including property damage, business interruption and civil liability claims brought by hotel guests. Our international umbrella policies are centrally managed in cooperation with our insurance brokers and adjusted on an ongoing basis. We also obtain local insurance policies to cover particular risks in the countries in which we operate. Deductibles and limits are agreed upon as appropriate. We also have directors and officers insurance as well as travel and personal insurance for our employees. We believe that our insurance coverage, including the maximum coverage amounts and terms and conditions of the insurance policies, are both standard for our industry and appropriate. We cannot, however, guarantee that we will not incur any losses or be the subject of claims that exceed the scope of the relevant insurance coverage.

Seasonality

Our industry is seasonal in nature, and, because the majority of our customers are business travelers, we experience higher revenue between March and June and between September and November when there are more business travelers in our primary markets compared to the rest of the year. In contrast, Occupancy is at its lowest, during the first quarter of each year. See *“Management’s discussion and analysis of financial condition and results of operations—Key factors affecting our financial condition and results of operations—Consumer demand, global economic conditions and seasonality and weather.”*

Employees

The following table sets forth the average number of our employees by location for the periods indicated:

	Fiscal Year		
	2015	2016	2017
Denmark	477	489	392
Norway	1,198	1,009	932
Sweden	644	535	524
United Kingdom	1,295	1,201	1,238
Germany	851	842	854
France	328	305	326
Belgium	273	260	255
Other	495	501	512
Total	5,561	5,142	5,033

Pursuant to the European Union directive on works councils (94/45/EC, the “**Works Council Directive**”), we have established a European works council, which has been entered into by and between representatives of our central management and employee representatives. As provided by the Works Council Directive, the Radisson European Works Council is entitled to a meeting with our senior central management at least once a year in order to be informed and consulted on certain operational matters, such as our strategy, financial situation and prospects, business development and employment situation and prospects. Furthermore, an additional meeting can be called if there are exceptional circumstances having pan-European application or impact and such circumstances would require discussion and consultation with the Radisson European Works Council.

A significant portion of our employees, and the employees of our hotel owners and franchisees, are members of labor unions in their home countries. Collective bargaining agreements that apply to our hotel employees are negotiated between the management of the relevant hotel and our human resources department, on the one hand, and the unionized employees and their respective unions, on the other. We strive to maintain an open and stable employer-employee working relationship. However, we have experienced a number of smaller-scale strikes throughout the years, and in 2016 certain of our hotels in Norway were affected by a labor strike, initiated by the local labor union, across the wider Norwegian restaurant and hospitality industry. Among the hotels affected were our hotels Radisson Blu Scandinavia in Oslo and Radisson Blu Hotel Norge in Bergen. As a result of the strike, these hotels were closed for over three weeks, which affected revenue at these locations for this period. We have not experienced any other significant strikes or labor disputes in recent years that materially impacted our overall operations and financial results.

In addition to salary and other benefits in kind, we provide pension plans for our employees. These pension plans are provided on a country-by-country basis.

Legal proceedings

From time to time, we are subject to certain legal proceedings and claims in the ordinary course of business. We are exposed to the risk of litigation from guests, customers, potential partners, suppliers, employees, regulatory authorities, franchisees and/or the owners of hotels leased or managed by us for breach of legal, contractual or other duties. For example, we may be facing a claim in Togo. In this case, the owner of a managed hotel is threatening to file a mismanagement claim and has brought criminal claims against eight employees of the hotel. The terrorist attack of our Bamako hotel is subject to governmental investigations. As of December 31, 2017, a few surviving guests have brought claims or threatened to bring claims for injuries and for emotional suffering and the families of two of the deceased guests have brought claims for the death of their family members. We are not able at this stage to understand the potential financial impact of these claims, but it is possible that these claims could have an adverse effect on our reputation and brands.

On the basis of current information, we do not expect that the current claims, lawsuits and other proceedings to which we are subject, or potential claims, lawsuits and other proceedings relating to matters of which we are aware, will ultimately have a material adverse effect on our results of operations, financial condition or liquidity.

Board of Directors and Management

The following paragraphs summarize the management structure of the Parent Company and the Issuer.

The Parent Company

Radisson Hospitality AB (publ) is a public limited liability company incorporated under the laws of Sweden (*Sw. publikt aktiebolag*) with registration number 556674-0964. The issued share capital of Radisson Hospitality AB (publ) is EUR11,625,765.69, divided into 174,388,857 fully paid up registered shares (*Sw. stamaktier*). Its shares are listed on NASDAQ OMX Stockholm under the ticker REZT.

Board of Directors of the Parent Company

The board of directors of the Parent Company (the “**Board of Directors**”) is comprised of ten directors and is responsible for managing the Parent Company in accordance with external and internal regulatory frameworks, including the Articles of Association, the Swedish Companies Act, the Swedish Code of Corporate Governance, other applicable Swedish and foreign legislation and regulations, as well as internal codes, policies and guidelines. The Board of Directors is also responsible for the ultimate direction of the Parent Company, as well as the supervision and control of the Parent Company’s management.

The following table sets forth the current members of the Board of Directors:

Name	Age	Position
Di Xin	50	Chairman
Daoqi Liu	40	Vice Chairman
Xiang Song	38	Board member
Wolfgang M. Neumann	56	Board member
Andreas Schmid	61	Board member
Thomas Staehelin	70	Board member
Kin Ching Lo	62	Board member
Göran Larsson	57	Employee representative
Ulf Petersson	39	Employee representative

The following is biographical information for each of the members of the Board of Directors:

Di Xin – Chairman of the Board and Board member since 2017

From March 1992 to March 2000, Mr. Xin worked for Hainan Airlines and had successively held the posts of Director of Production, General Manager of Operation Control Department, General Manager of Flight Department, Deputy Chief Operating Officer. In March 2007, he served as the HNA Group Executive CEO Assistant. In September 2010, he served as the Chairman of E-Food Group CO., LT. In December 2011, he served as the Chairman of Tianjin Airlines. In April 2014, he served as the Chairman of Hainan Airlines. From November 2014 to February 2016, he served as the Executive Vice Chairman and CEO of HNA Aviation Group. From January 2017 to October 2017, Mr. Xin served as a member of the Board of Directors of HNA Group, as well as the Chairman of HNA Tourism. Mr. Xin was also Chief Executive Officer of HNA Tourism between June 2016 and July 2017. Mr Xin holds a Master’s Degree in flight dynamics and fluid mechanics from Nanjing Institute of Aeronautics (China).

Daoqi Liu – Vice Chairman and Board member since 2017

Mr. Liu is the Chief Operating officer of HNA Tourism Investment Holding Co. Ltd. Mr. Liu joined HNA Group in 1999. Mr. Liu served as an External Proprietary Director of NH Hotels S.A. from April 17, 2013 to February 27, 2014. He has extensive knowledge and experience of investment and corporate management. Mr Liu holds a Bachelor’s degree in computer science from the Nanjing University of Aeronautics and Astronautics, the PRC (China).

Xiang Song – Board member since 2017

Mr. Song entered the hotel industry in July 1997. He began his career working for Hilton Hotels, where he served as Front Office Manager and Deputy Director of Sales at several Hilton locations in China. In July 2006, he joined HNA as the Deputy General Manager of the APAC International Convention Center. From November 2006 to August 2009, he served as the General Manager of three different HNA hotel properties successively. In September 2009, he entered the executive ranks of HNA Hospitality Group, first as President of Operations, and later as President and Executive Chairman. In June 2015, he was appointed as Chairman of HNA Tourism Development. Currently, Mr. Song is the Chief Operating Officer of HNA Hospitality Group. Mr Song holds a Bachelor's Degree in English from the University of International Studies in Nanjing and a Master's of Science in Hotel & Tourism Management from Hong Kong Polytechnic University. Currently, Mr. Song is pursuing a Doctorate in Hotel and Tourism Management at Hong Kong Polytechnic University.

Wolfgang M. Neumann – Board member since 2017

Mr. Neumann was President & Chief Executive Officer of the Group from January 2013 until May 2017. He spent more than 20 years with Hilton International – building his career from General Manager positions at Hilton hotels in Brussels, London, Paris and Frankfurt to Vice President Western & Northern Europe, Senior Vice President Scandic/Nordic Region, President UK & Ireland, and President, Hilton Europe & Africa. Before joining the Group in May 2011 as Chief Operating Officer, he served as Chief Executive Officer for Arabella Hospitality Group in Munich, Germany and was a member of the supervisory board of Schörghuber Holding. In January 2018, Wolfgang became Chairman of the Board of Trustees of the Hotelschool The Hague, the Netherlands where he joined the board in 2014. He also serves as Chairman of the International Tourism Partnership (ITP) since June 2015. Mr Neumann was educated at the Institute for Hotel & Tourism Management Klessheim (Austria), and attended Senior Executive Management Courses at Insead Management School (Fontainebleau, France) and Cornell University (Ithaca/N.Y., USA).

Andreas Schmid – Board member since 2017

Mr. Schmid is an entrepreneur and has served as Chairman and Co-owner of Helvetica Capital AG since 2017. Helvetica Capital is an entrepreneurial investor with strong focus on Swiss mid-size companies. Furthermore he has been Chairman of the Board of Zurich Airport since 2000. In 2008 Mr. Schmid was elected into the Board of Steiner AG and two years later into the Board of Wirz Partner Holding AG, where he has served as Chairman of the Board since 2017. In 2014 he became Chairman of the Board of Trustees of Avenir Suisse. In the past Mr. Schmid served as Executive Chairman and Co-owner of Oettinger Davidoff AG (2007 – 2017), Chairman of gategroup holding AG (2009 – 2016), Chairman of the Supervisory Board of Symrise AG (2007 – 2011) and Chairman of Kuoni Travel Holding (2002 – 2006). In 1998 he was appointed CEO of the Jacobs Holding AG (Adecco SA, Barry Callebaut AG and Brach's Confections Inc.) and in 1999 he became Chairman of the Board and CEO of Barry Callebaut AG. In 2002, Mr. Schmid handed over the CEO function but continued as Chairman until 2005. Thereafter he had served as Vice Chairman of Barry Callebaut until 2014 and was a Member of the Board until 2017. Mr Schmid holds a Master's degree in law (lic. iur.) from the University of Zürich (Switzerland), where he also studied economics and management.

Thomas Staehelin – Board member since 2017

Dr. Staehelin serves as Senior Managing partner and Swiss Corporate and Tax Attorney of FROMER Law Firm. Dr. Staehelin is primarily focused on corporate and organizational law and tax law. As a lawyer, he specializes in tax, corporate, contract and company law. He serves as the Chairman of the Board of Directors of Scobag Privatbank AG, of Lantal Textiles AG and of Stamm Bau AG. He serves as Member of the Board of Directors of Kühne Holding AG, Kühne + Nagel International AG, Swissport International Ltd. (before as Chairman) and of INFICON Holding AG. He served as Deputy Chairman of Lenzerheide Bergbahnen AG, as Chairman and then Vice Chairman of Siegfried Holding AG. He further served as Chairman of the Vereinigung der Privaten Aktiengesellschaften. He is a Director of Mymetics Corporation. He was a Member of the

Cantonal parliament of Basel and he served as a Member of Council of Basel Cantonal Bank. He was the Chairman of the Basel Chamber of Commerce and a Board Member of the Swiss Business Federation (economieuisse). He used to be a Member of the Expert Committee on Swiss Financial Reporting (SWISS GAAP FER). Barney Group (New York), a Vice President and Shareholder of Kidder Peabody & Co., Inc. (New York) and an Assistant Vice President with Citicorp (New York). He began his career at Midlantic Banks Inc. Mr Staehelin holds a Ph.D. in Law from the University of Basel.

Ki Ching Lo – Board member since 2017

Mr. Lo is a chartered certified accountant, fellow of the ACCA, UK, a certified public accountant, fellow of the HKICPA. He is a past Chairman of the ACCA, Hong Kong Branch. He is a fellow of the Hong Kong Polytechnic University. Mr. Lo has worked with Deloitte for 36 years of which as a Partner for 28 years. He has served many years in Deloitte's management committee, as head of the Financial Advisory Services, Chairman of Deloitte Hong Kong and Deloitte China. He retired from Deloitte in 2016. He has 40 years of professional experience in providing auditing, financial advisory, restructuring, insolvency, mergers & acquisitions and IPO services. Mr. Lo has a number of public appointments. He was a Council member and Treasurer and currently a member of the Court of the Hong Kong Polytechnic University. He is a member of the Standing Commission on Civil Service Salaries and Conditions of Service, Hong Kong; member of the Hospital Governing Committee of Queen Mary Hospital and Tsan Yuk Hospital, Hong Kong; member of the Committee of Overseers of Wu Yee Sun College, the Chinese University of Hong Kong; member of the Board of Governors of Chu Hai College of Higher Education, Hong Kong; committee member of the Hong Kong Arts Development Council Fund; Director of Hong Kong Design Centre Ltd., member of 10th and 11th of Hebei Provincial Committee of the Chinese People's Political Consultative Conference (CPPCC); Advisor for the China Accounting Standards Committee of the Ministry of Finance of the People's Republic of China. Mr. Lo Graduated from the Hong Kong Polytechnic University in 1976 with a Higher Diploma in Accountancy.

Göran Larsson – Employee representative since 2009

Mr. Larsson is employed by the Royal Viking Hotel Aktiebolag. Mr. Larsson studied East Asia Studies, 240 ects, at Stockholm University, Sweden.

Ulf Petersson – Employee representative since 2017

Mr. Petersson has worked in the hospitality industry since 2003 and joined the Group in 2009. He is the Chairman of the Board of the HRF Union Club at Radisson Arlandia Hotel AB where he is employed. Mr. Petersson holds a Degree in Computer System Science from Stockholm University, Sweden.

Management of the Parent Company

The President and Chief Executive Officer together with the management team are responsible for day to day activities of the Parent Company.

The following table sets forth the current management team of the Parent Company:

Name	Age	Position
Federico J. Gonzalez	54	President and Chief Executive Officer
Knut Kleiven	64	Deputy President & Chief Financial Officer
Eric De Neef	54	Executive Vice President & Global Chief Branding & Commercial Officer
Chema Basterrechea	49	Executive Vice President & Chief Operating Officer
Iñigo Capell	43	Executive Vice President & Global Chief Resources Officer
Elie Younes	41	Executive Vice President & Chief Development Officer
Eva-Maria Erauw	41	Executive Vice President & General Council

The following is biographical information for each of the members of the management team of the Parent Company.

Federico J. Gonzalez – President and Chief Executive Officer (CEO)

Mr. González joined the Group in 2017 as President and the CEO. Prior to his appointment, he served as Global Chief Executive Officer of Carlson Hotels Group, as Chief Executive Officer of NH Hotel Group, and as Deputy General Manager at Disneyland Paris. He also worked at Procter & Gamble in Madrid, Brussels, and Stockholm, and served as Country Head of Portugal. Mr. Gonzalez holds a Major in Economics at the Universidad Complutense de Madrid (Spain) and Master of International Trade and Finance from the École Supérieure de Commerce de Paris (France).

Knut Kleiven – Deputy President and Chief Financial Officer

Mr. Kleiven joined the Group in 1986 as Accounting Manager, and soon became Operational and Corporate Controller. In 1994, he was appointed Senior Vice President & Chief Financial Officer. Since the Group's IPO in 2006, Mr. Kleiven is also responsible for the group's Investor Relations. Prior to joining the Group, he held the position of Internal Auditor for the SAS Group (Scandinavian Airlines). Mr. Kleiven holds a Degree in Philosophy, Psychology and Law from University of Oslo (Norway).

Eric de Neef – Executive Vice President and Global Chief Branding Commercial Officer

Mr. De Neef joined the Group in 2011 as Senior Vice President Park Inn by Radisson. In 2013, he was appointed Senior Vice President Marketing, CRM & Global Branding; and in 2014, he was promoted to Executive Vice President & Chief Commercial Officer. Prior to his career with the Group, Mr. De Neef served as Managing Director for Accor's All Seasons, Mercure and M Gallery Hotels brands in France and worked more than 20 years for Accor. Mr De Neef is a Graduate in Hotel Management from CERIA-IPIAT Brussels (Belgium).

Chema Basterrechea – Executive Vice President and Chief Operating Officer

Mr. Basterrechea joined the Group in 2017 as Executive Vice President & Chief Operating Officer. Prior to this, he worked for NH Hotel Group for more than 23 years, as Chief Operating Officer, Managing Director of different Business Units, Senior Vice President of Food & Beverage, Director of Integration, Merger Integration Officer and General Manager. Mr Basterrechea holds a Master's degree in Business Finance from the University of Wisconsin and a Master of Business Administration degree from the University of Oviedo. He is a graduate of the London Business School's Senior Executive Program, IESE Business.

Iñigo Capell – Executive Vice President and Global Chief Resources Officer

Mr. Capell joined the Group in 2017 as Executive Vice President & Global Chief Resources Officer. His most recent position was Chief Resources Officer for NH Hotel Group, based in Madrid, Spain. Prior to this, he was appointed as Senior Vice President, Human Resources for NH Hotel Group in 2011, after being Vice President, International HR for NH Hotel Group from 2002-2010. Before joining NH, Mr. Capell was HR Director at Broadnet (Comcast Group) from 2000-2002; HR Director at Netjuice Technologies Pvt. Ltd from 1999-2000 and HR Analyst at BBVA from 1997-1999. Mr Capell attended IESE Business School, Madrid (Spain).

Elie Younes – Executive Vice President and Chief Development Officer

Mr. Younes joined the Group in 2010 as Vice President Business Development Middle East, based in Dubai. He was appointed Vice President Business Development for the entire Group in 2012 and moved to Brussels. In 2013, he was promoted to Senior Vice President & Head of Group Development, and in 2015 to Executive Vice President & Chief Development Officer. Prior to coming to the Group, Mr. Younes served as Vice President Business Development Middle East for Hilton, as Senior Director of Acquisitions & Development for Starwood, and as Director at the London office of HVS. Mr Younes has studied at the universities of Notre Dame Beirut (Lebanon), IMH/Essec and Insead (France), Cornell (USA) and London City (UK).

Eva-Maria Erauw – Executive Vice President & General Counsel

Mrs. Erauw joined the Group in 2017 as Senior Vice President & General Counsel. In 2018, she was promoted to Executive Vice President & General Counsel and was appointed as Secretary to the Board. Prior to joining the Group, she was Vice President Legal EAME with Starwood Hotels & Resorts Worldwide, Inc. Mrs. Erauw holds a Master of Law degree from the University of Ghent (Belgium) and from New York University (USA).

The Issuer

Radisson Hotel Holdings AB (publ) is a registered Swedish public limited liability company (*Sw. publikt aktiebolag*) registered with the Swedish Companies Registration Office under registration number 556674-0972. The issued share capital of Radisson Hotel Holdings AB (publ) is EUR 106,667, divided into 106,667 fully paid up registered shares (*Sw. stamaktier*). Radisson Hotel Holdings AB (publ) is a wholly owned subsidiary of Radisson Hospitality AB (publ).

Board of Directors of the Issuer

The board of directors of the Issuer is responsible for the ultimate direction of the Issuer. The following table presents information concerning the members of the board of directors of the Issuer.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Andreas Fondell	44	Chairman
Knut Kleiven	64	Board member
Iñigo Capell	43	Board member
Eva-Maria Erauw	41	Board member

Andreas Fondell – Chairman of the Board since 2018 and Board member since 2015

Mr. Fondell joined the Group in 2013 as Vice President Group Accounting. Prior to joining the Group, he worked for PricewaterhouseCoopers as an Authorized Public Accountant. Mr. Fondell holds a Master of Science in Business Administration from Lund University (Sweden).

Knut Kleiven – Board member since 2006

Mr. Kleiven joined the Group in 1986 as Accounting Manager, and soon became Operational and Corporate Controller. In 1994, he was appointed Senior Vice President & Chief Financial Officer. Since the Group's IPO in 2006, Mr. Kleiven is also responsible for the group's Investor Relations. Prior to joining the Group, he held the position of Internal Auditor for the SAS Group (Scandinavian Airlines). Mr. Kleiven holds a Degree in Philosophy, Psychology and Law from University of Oslo (Norway).

Iñigo Capell – Board member since 2017

Mr. Capell joined the Group in 2017 as Executive Vice President & Global Chief Resources Officer. His most recent position was Chief Resources Officer for NH Hotel Group, based in Madrid, Spain. Prior to this, he was appointed as Senior Vice President, Human Resources for NH Hotel Group in 2011, after being Vice President, International HR for NH Hotel Group from 2002-2010. Before joining NH, Mr. Capell was HR Director at Broadnet (Comcast Group) from 2000-2002; HR Director at Netjuice Technologies Pvt. Ltd from 1999-2000 and HR Analyst at BBVA from 1997-1999. Mr. Capell attended IESE Business School, Madrid (Spain).

Eva-Maria Erauw – Board member since 2018

Mrs. Erauw joined the Group in 2017 as Senior Vice President & General Counsel. In 2018, she was promoted to Executive Vice President & General Counsel and was appointed as Secretary to the Board. Prior to joining the Group, she was Vice President Legal EAME with Starwood Hotels & Resorts Worldwide, Inc. Mrs. Erauw holds a Master of Law degree from the University of Ghent (Belgium) and from New York University (USA).

Management of the Issuer

The management of the Issuer consists of the Chief Executive Officer, who is responsible for day to day activities of the Issuer.

The following table sets forth the current management of the Issuer.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Knut Kleiven	64	Chief Executive Officer

Mr. Kleiven joined the Group in 1986 as Accounting Manager, and soon became Operational and Corporate Controller. In 1994, he was appointed Senior Vice President & Chief Financial Officer. Since the Group's IPO in 2006, Mr. Kleiven is also responsible for the group's Investor Relations. Prior to joining the Group, he held the position of Internal Auditor for the SAS Group (Scandinavian Airlines). Mr. Kleiven holds a Degree in Philosophy, Psychology and Law from University of Oslo (Norway).

Committees

To streamline and increase the efficiency of the Board of Directors on remuneration and audit matters, the Board of Directors annually appoints a Compensation Committee and an Audit Committee. The committees are appointed for a maximum of one year, and are appointed among the members of the Board of Directors itself. The primary objective of the committees is to provide preparatory and administrative support to the Board of Directors.

Audit Committee

The principal purpose of the Audit Committee is to ensure the quality of our external financial reporting and that internal controls are conducted in an appropriate way. The Audit Committee reviews the financial reports that are issued by the Board of Directors and assesses that the information provided to the market reflects our activities. The Audit Committee meets with the auditors at regular intervals in order to inform itself of the objectives and scope for the external audit, and evaluates the external auditor's work and performance, including the extent of the auditors possible non-audit related work for the Group. The members of the Audit Committee are Kin Ching Lo as Chairman, Xiang Song and Thomas Staehelin.

Compensation Committee

The Compensation Committee is responsible for preparing materials and proposals with respect to compensation and other employment benefits for the management and key officers of the Group. The Compensation Committee also, if applicable, involves in the preparation of proposals of any share- or option-based incentive programs within the Group. The Compensation

Committee operates in accordance with instructions set annually by the Board of Directors and reports the results of its findings to the Board of Directors. The members of the Compensation Committee are Daoqi Liu as Chairman, Xiang Song and Andreas Schmid.

Compensation

Remuneration to the Board of Directors

The amount of remuneration granted to the Board of Directors, including the Chairman, is determined by resolution at the annual general meeting of Radisson Hospitality AB (publ) (the “**Annual General Meeting**”). The total compensation paid in 2017 to the members of the Board of Directors amounted to €0.2 million. Pursuant to the resolution by the 2018 Annual General Meeting, the annual fee paid to each other board member was decided to be €42,000. In addition, €9,500 was decided to be paid to the Chairman of the Audit Committee, €6,300 to the Chairman of the Compensation Committee, €6,900 for each member of the Audit Committee and €4,200 for each member of the Compensation Committee.

The members of the Board of Directors are not entitled to any benefits upon ceasing to serve as a member of the Board of Directors.

For details on the equity participation of our members of the Board of Directors and management, see “*Related party transactions*”.

Remuneration to the CEO and management

Pursuant to the guidelines determined by the Annual General Meeting, remuneration to the CEO and other members of the management shall be competitive and in line with international market practice as defined by a peer group of international companies, both in terms of the level and the structure of the individual components of remuneration. The individual components of total remuneration may consist of fixed annual base remuneration, variable remuneration (annual and multi-year), pension contributions and may include other benefits.

Depending on the level of performance achieved, annual variable remuneration can vary from no variable payment up to 100% of the fixed annual base remuneration for members of the management and up to 200% for the CEO. One member of the management participates in an additional performance based variable remuneration plan for 2018, 2019 and 2020. This additional performance-based bonus may vary from 0 up to EUR 50,000 per year, with up to an additional EUR 150,000 payable at the end of 2020 based on the member’s cumulative performance in the years 2018, 2019 and 2020.

Conflicts of interests

We believe that there are currently no conflicts of interest between the duties owed by the boards of directors or management to us and their private interests.

Principal shareholders

The Issuer is wholly owned by the Parent Company. The following table sets forth certain information with respect to the ownership of ordinary shares, with a par value of €0.067 per share, of the Parent Company by shareholders of record as of May 31, 2018. All shares are entitled to identical voting and economic rights and are traded on NASDAQ OMX Stockholm.

Name of owner of record ⁽¹⁾	Percentage of shares
HNA Tourism Group ⁽²⁾	79.7%
<i>Radisson Hospitality Inc.</i>	51.2%
<i>HNA Sweden Hospitality Management AB</i> <i>(SE)</i>	18.5%
Others ⁽³⁾	30.3%
Total	100.000%

(1) Shareholder information is derived from the Parent Company's website as of May 31, 2018.

(2) Includes the shares pledged by HNA Tourism Group as of May 31, 2018.

(3) Free float.

Related party transactions

HNA and its affiliates, including Radisson Hospitality, Inc. (previously Carlson Hotels, Inc.), are related parties with significant influence. We maintain various business relationships with related parties. Our material transactions and agreements with related parties are summarized below. For further descriptions of our related party transactions see Note 36 to Audited Consolidated Financial Statements of the Group as of and for the Fiscal Year 2017.

Radisson Hospitality, Inc.

On December 31, 2017, we had receivables of EUR 1.3 million related to Radisson Hospitality, Inc. (none as of December 31, 2016) and current liabilities of EUR 1.01 million (EUR 1.3 million as of December 31, 2016). Our business relationship with Radisson Hospitality, Inc. mainly consists of operating costs related to the use of the brands and for the use of the reservation system of Radisson Hospitality, Inc. We are also paying commissions to a network of travel agencies owned by Radisson Hospitality, Inc.

We have two master franchise agreements with Radisson Hospitality, Inc. See “—Business—Overview—Radisson Master Franchise Agreement and Park Inn Master Franchise Agreement”.

Joint Ventures

On December 31, 2017, we were owed an amount equal to €12.6 million pursuant to a loan which we made to the Beijing JV, and we generated revenue in an amount equal to €0.3 million from our relationships the joint ventures and associated companies.

Other than as described in this “Related Party Transactions” section, we are not party to any transactions or series of related transactions with any affiliate of ours.

Description of certain financing arrangements

The following is a summary of the material terms of our principal financing arrangements in addition to the Indenture. The following summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents. Certain capitalized terms used in this section refer to those terms as defined in the underlying agreements described in this section. We will enter into the Revolving Credit Facility Agreement. While we believe the material terms of the Revolving Credit Facility Agreement which we will enter into are summarized below, the final terms of the Revolving Credit Facility Agreement may differ.

Revolving Credit Facility

Overview and structure

On or prior to the issuance of the Notes, the Issuer and certain of its subsidiaries will enter into a super senior revolving credit facility agreement (the **"Revolving Credit Facility Agreement"**) expressed to be governed by English law, providing for up to €20 million multicurrency revolving credit facility (the **"Revolving Credit Facility"**). Subject to certain exceptions, loans may be borrowed, repaid and re-borrowed at any time. The Revolving Credit Facility may be utilized by loans (in currencies agreed to by the relevant lenders), letters of credit or ancillary facilities. Utilizations under the Revolving Credit Facility may be used for (i) general corporate and working capital purposes of the Restricted Group and financing or refinancing any Permitted Acquisition of a company, any shares or securities or a business or an undertaking (or, in each case, any interest in any of them) or the incorporation of a company, an investment in or the acquisition of (or agreement to acquire) any shares, stocks, securities or other interests in a permitted joint venture or any permitted capital expenditure, but may not be used for: (i) the prepayment, repayment, purchase, defeasance or redemption of any Senior Secured Notes Liabilities or Pari Passu Debt Liabilities, (ii) the declaration or payment of any dividend or any other distribution in respect of the Parent's share capital or distribution of any share premium reserve by the Parent or the redemption or purchase of any of the Parent's share capital or (iii) the repayment, prepayment, purchase, redemption, defeasance or discharge of any principal amount (or capitalized or any other interest) outstanding in respect of any Shareholder Liabilities or similar distributions in respect of the share capital of the Parent or Shareholder Liabilities).

Under the Revolving Credit Facility, a lender may make all or a portion of its commitment under the Revolving Credit Facility available by way of Letters of Credit or as an ancillary facility, including overdraft facilities, guarantee, bonding, documentary or standby letter of credit facilities, short-term loan facilities, derivatives facilities and foreign exchange facilities, subject in each case to the satisfaction of certain conditions precedent.

The Revolving Credit Facility Agreement has not been entered into as of the date of this offering memorandum.

Additional Facilities

Subject to the terms of the Revolving Credit Facility Agreement, the Issuer may establish one or more additional revolving credit facilities (each an **"Additional Facility"** and, together, the **"Additional Facilities"**) under the Revolving Credit Facility Agreement, provided that the aggregate amount of the indebtedness outstanding under all Additional Facilities may not at any time exceed the amount permitted to be incurred under paragraph (1) of the definition of "Permitted Debt" less the total commitments under the Revolving Credit Facility Agreement. An Additional Facility may only be established so long as no event of default has occurred and is continuing at the time of, or would arise as a result of the establishment of such Additional Facility. Each Additional Facility shall rank pari passu in right of payment and security with the Revolving Credit Facility and shall benefit from the same guarantees and security as the Revolving Credit Facility.

Maturity and repayment requirements

Each loan drawn under each Revolving Credit Facility and any Additional Facility must be repaid on the last day of the interest period relating thereto. The Revolving Credit Facility matures on the date falling four years and six months after the Issue Date, provided that the maturity of any Additional Facility shall be determined by the Issuer and the relevant Additional Facility Lenders.

Interest and fees

Interest will be payable on utilizations under the Revolving Credit Facility in an amount equal to the European Interbank Offered Rate (in the case of utilizations drawn in Euros), the Stockholm interbank offered rate (in the case of utilizations drawn in Swedish Krona), the Copenhagen interbank offered rate (in the case of utilizations drawn in Danish Krone), the Norwegian interbank offered rate (in the case of utilizations drawn in Norwegian Krone) or the London Interbank Offered Rate (in the case of utilizations drawn in Dollars or Sterling), plus a margin. The margin may be subject to a ratchet in accordance with a consolidated net leverage ratio.

We are also required to pay a commitment fee in arrears on the last day of each successive three-month period during the availability of the Revolving Credit Facility, on the available but unused commitments under the Revolving Credit Facility at a rate of 35% of the applicable margin under the Revolving Credit Facility.

Guarantees and security

The Revolving Credit Facility will be guaranteed by the Issuer and the other Guarantors and will be secured by the same Collateral that secures the Notes and the Notes Guarantees.

The Revolving Credit Facility Agreement will require that (subject to the Agreed Security Principles) each subsidiary of the Parent that is or becomes a Material Company (which definition will include, among other things, any Restricted Subsidiary of the Parent Company which has earnings before interest, tax, depreciation and amortization calculated on the same basis as Consolidated EBITDA or has gross assets (excluding goodwill and intra-Group items) representing 5% or more of the gross assets of the Restricted Group) becomes a guarantor under the Revolving Credit Facility Agreement.

The Revolving Credit Facility also provides that, at the Issue Date and thereafter by reference to the Group's audited consolidated financial statements, the aggregate gross assets (calculated on an unconsolidated basis and excluding goodwill and intragroup debt) and EBITDA (calculated on the same basis as Consolidated EBITDA) of the Guarantors must (subject to certain limitations) represent not less than 80% of the Group's consolidated gross assets (excluding goodwill and intragroup debt) and consolidated EBITDA (the "**Guarantor Threshold Test**").

In addition, any Material Company or other member of the Group which becomes a guarantor of the Revolving Credit Facility will be required (subject to the Agreed Security Principles) to grant security over its material assets in favor of the Security Agents.

Prepayments

Subject to certain conditions, we may voluntarily prepay all or part of our utilizations or permanently cancel all or part of the available commitments under the Revolving Credit Facility, by giving , in each case, not less than three business days' prior written notice to the RCF Agent. Amounts prepaid or repaid may (subject to the terms of the Revolving Credit Facility Agreement) be re-borrowed.

In addition to any voluntary prepayments, the Revolving Credit Facility will be required to be prepaid and, in certain circumstances, cancelled, in the following circumstances (the "**Mandatory Prepayment Provisions**"): (1) with respect to any lender under the Revolving Credit Facility (a "Lender" and, collectively, the "Lenders"), if it is or will become unlawful for such Lender to perform any of its obligations under the Revolving Credit Facility or if it does not consent or agree to such waiver or amendment which requires the approval of all the Lenders or the Super Majority Lenders and the Majority Lenders have consented or agreed to such waiver or

amendment, (2) a “change of control” or the sale of all or substantially all of the assets of the Group whether in a single transaction or series of related transactions.

Representations and Warranties

The Revolving Credit Facility Agreement will contain certain customary representations and warranties (subject to certain exceptions and qualifications and with certain representations and warranties being repeated), including status and incorporation, binding obligations, non-conflict with constitutional documents, laws or other obligations, power and authority, validity and admissibility in evidence, governing law and enforcement, no filings or stamp taxes, no insolvency, no default, no misleading information, financial statements, no proceedings pending or threatened, no breach of laws, environmental laws, taxation, security and financial indebtedness, assets, shares, intellectual property, group structure chart, insurances, center of main interests, pensions, sanctions and anti-corruption laws, holding company, ranking and material companies.

Covenants

Our Group will be subject to certain restrictive and, as the case may be, affirmative covenants under the Revolving Credit Facility Agreement customary for this type of financing, subject to certain specified exceptions and/or qualifications (customized to our business and adjusted to our current credit standing). These restrictive and affirmative covenants largely replicate those covenants which apply under the Notes subject to certain agreed amendments and exceptions, but will also provide for further customary restrictive and affirmative covenants.

The covenants will include, among other things: maintenance of authorizations; compliance with laws; environmental compliance; compliance with sanctions and anti-corruption laws; comply with taxation; preservation of assets; maintenance of the pari passu ranking of the Revolving Credit Facility; maintenance of insurance; maintenance of pension liabilities; comply with access undertakings; maintenance of intellectual property; maintenance of the center of main interests; maintenance of the accounting reference date; maintenance of the general nature of the business of the Restricted Group; restrictions on the designation of an Unrestricted Subsidiary; restrictions on acquisitions; compliance with the Guarantor Threshold Test; and restrictions on the purchase of the Notes.

Additionally, under the Revolving Credit Facility we will have the obligation to provide certain financial information and other information regarding our financial condition to the lender, such information to be provided quarterly and annually (the “**Information Undertakings**”).

Financial Covenant

The Revolving Credit Facility Agreement will require the Parent Company to comply with a Consolidated Leverage Ratio (ratio of Consolidated Leverage at such date to Consolidated EBITDA for the period of the most recent four consecutive financial quarters). The covenant will be tested quarterly.

The Consolidated Leverage Ratio in respect of each relevant period shall not exceed a threshold based on the *pro forma* Consolidated Leverage Ratio plus a customary headroom (the “**Financial Covenant**”), provided that such financial covenant shall not be required to be satisfied (and accordingly, no breach of any representation, warranty, undertaking or other term in the finance documents entered into in connection with the Revolving Credit Facility or a default or event of default shall occur solely as a result of a failure to so ensure) unless, on the last day of the relevant period, the aggregate outstanding amount of all utilizations under the Revolving Credit Facility (excluding any ancillary outstandings that are not in the form of cash or letters of credit supporting borrowings and any non-cash utilizations to the extent they are not a letter of credit or guarantee support borrowings) exceeds 30% of the total commitments under the Revolving Credit Facility.

The Parent Company will be permitted to prevent or cure breaches of the Financial Covenant by applying any cure amount (being amounts received by the Parent in cash pursuant to any additional shareholder funding) either:

- as if the amount of Consolidated Leverage had been reduced by the cure amount; or
- as if the cure amount had been added to the Consolidated EBITDA.

There will not be a requirement to apply any cure amount in prepayment of the Revolving Credit Facility. No more than 4 cure amounts may be taken into account during the life of the Revolving Credit Facility and cure amounts in successive financial quarters will not be permitted. Overcures may not be added to Consolidated EBITDA.

Events of Default

The Revolving Credit Facility will contain events of default, with certain adjustments, as those applicable to the Notes as set forth in the respective section entitled “*Description of the Notes—Events of Default*”. In addition, the Revolving Credit Facility will contain the following events of default: non-payment; breach of the financial covenant; inaccuracy of a representation or statement when made; cross-default in relation to the Senior Secured Notes; cross-default in relation to certain other financial indebtedness of the Restricted Group, subject to a materiality threshold of EUR 20 million in aggregate; unlawfulness, repudiation, rescission, invalidity or unenforceability of the finance documents entered into in connection with the Revolving Credit Facility; breach of intercreditor agreement; and audit qualification.

The occurrence of any such event of default would, subject to any applicable grace periods, cure rights or agreed exceptions, entitle the lender under the Revolving Credit Facility to cancel its commitments, declare that all or part of the loans (together with accrued interest and all other amounts accrued or outstanding in respect of the Revolving Credit Facility) be immediately due and payable or payable on demand.

Governing Law

The Revolving Credit Facility Agreement will be governed English law except the restrictive covenants and certain Events of Default, which will be construed in accordance with New York law.

Intercreditor Agreement

In connection with entering into the Indenture, on or about the Issue Date, the Issuer, certain of the Issuer’s subsidiaries, the Security Agents and the Trustee, among others, will enter into an intercreditor agreement (the “**Intercreditor Agreement**”) to govern the relationships and relative priorities among: (i) the arrangers under the Revolving Credit Facility Agreement (the “**RCF Arrangers**”) and the lenders of the Revolving Credit Facility (the “**RCF Lenders**”); (ii) the hedge counterparties under certain hedging agreements (the “**Hedge Counterparties**”); (iii) the Trustee on behalf of itself and the holders of the Notes (the “**Noteholders**”); (iv) the trustee or agent in respect of any Pari Passu Debt (as defined below) (the “**Pari Passu Representative**”) and any other creditors of any Pari Passu Debt (the “**Pari Passu Creditors**”); (v) the trustee (the “**Senior Notes Representative**”) in respect of any Senior Notes (as defined below) on behalf of itself and the holders of such Senior Notes (the “**Senior Noteholders**”) and together with the Senior Notes Representative, the “**Senior Notes Creditors**”) (vi) the creditors and debtors under certain intra-group indebtedness; (vii) the direct or indirect shareholders of the Issuer in respect of certain debt that the Issuer or any of its subsidiaries has occurred or may incur in the future; and (viii) various creditor representatives and (ix) the Security Agents.

Under the Intercreditor Agreement, only the Parent and each of its subsidiaries that incurs any liability or provides any guarantee under the Revolving Credit Facility Agreement, the Indenture, the documentation for any Pari Passu Debt or the indenture governing any Senior Notes (the “**Senior Notes Indenture**”), and any person that grants security in support of any such liabilities, shall be a “**Debtor**”.

The Intercreditor Agreement will set out amongst other things:

- the relative ranking of certain indebtedness of the Debtors;
- the relative ranking of certain security granted by the Debtors;
- when payments can be made in respect of certain indebtedness of the Debtors;
- when enforcement actions can be taken in respect of that indebtedness;
- the terms pursuant to which that indebtedness will be subordinated upon the occurrence of certain insolvency events;
- turnover provisions; and
- when security and guarantees will be released to permit a sale of any assets subject to transaction security (the "**Collateral**").

The Intercreditor Agreement will contain provisions relating to future indebtedness that may be incurred by the Debtors provided that it is permitted by the terms of the Revolving Credit Facility Agreement, the Indenture and any *Pari Passu* Debt then outstanding and any Senior Notes then outstanding. This future indebtedness may include, amongst other things, (i) an increase in the commitments under any Revolving Credit Facility or entering into an additional revolving credit facility under the Revolving Credit Facility Agreement (an "**RCF Increase**"); (ii) indebtedness which may be incurred by the Issuer or a direct wholly owned subsidiary of the Parent that is not itself the holding company of any other member of the Group and does not hold any interest in any other person (the "**Pari Passu Debt Issuer**" and if the relevant *Pari Passu* Debt is an issuance of debt securities, the "**Pari Passu Notes Issuer**") and ranks *pari passu* to the Notes and may be secured by the Collateral (such indebtedness, "**Pari Passu Debt**") and (iii) indebtedness which may be issued by a direct wholly owned subsidiary of the Parent that is not itself the holding company of any other member of the Group and does not hold any interest in any other person (the "**Senior Notes Issuer**"), and benefit from subordinated guarantees from the Debtors and certain security (such indebtedness, "**Senior Notes**"), in each case, subject to the terms of the Intercreditor Agreement.

The Intercreditor Agreement will allow for a refinancing of the Revolving Credit Facility in full with another credit facility and/or a refinancing of the Notes or any *Pari Passu* Debt in whole or in part. For the purposes of this description, any references to the Revolving Credit Facility, RCF Lenders, RCF Liabilities (as defined below), *Pari Passu* Debt, Notes or Noteholders should be read as including any such refinancing debt, the document pursuant to which it is incurred, the creditors thereof and the liabilities thereunder, as appropriate.

Ranking and Priority

The Intercreditor Agreement will provide, subject to the provisions regarding permitted payments below, that all present and future liabilities and obligations of the Debtors shall rank in right and priority of payment in the following order and are postponed and subordinated to any prior ranking liabilities as follows:

- first, any liabilities under the Revolving Credit Facility (including any RCF Increase, the "**RCF Liabilities**"), any liabilities under certain hedging agreements entered into by the Hedge Counterparties (the "**Hedging Liabilities**"), any liabilities under the Notes (the "**Notes Liabilities**"), any liabilities in respect of the *Pari Passu* Debt (together with the RCF Liabilities, the Hedging Liabilities and the Notes Liabilities, the "**Secured Liabilities**") and any amounts owed to the Senior Notes Representative *pari passu* without any preference between them;
- second, any liabilities under the guarantees of the Senior Notes (the "**Senior Notes Guarantees**") and under any loan by the Senior Notes Issuer to the Parent of the proceeds of issue of any Senior Notes (a "**Senior Notes Proceeds Loan**", together with the Senior Notes Guarantees, the "**Senior Notes Liabilities**") *pari passu* without any preference between them; and

- third, any liabilities owed by the Parent and any other Debtor to any other member of the Group where those liabilities exceed €1,000,000 and that member of the Group has acceded to the Intercreditor Agreement (other than those owed by the Parent under any Senior Notes Proceeds Loan) (the **"Intra-Group Liabilities"**) and liabilities owed under any investor debt (which consists of liabilities owed by any Debtor to any shareholder, direct or indirect, of the Parent) (the **"Investor Liabilities"** and together with the Intra-Group Liabilities, the **"Subordinated Liabilities"**). The Intercreditor Agreement does not purport to rank the Subordinated Liabilities as between themselves.

The Intercreditor Agreement will not purport to rank the liabilities owed by the Senior Notes Issuer in respect of the Senior Notes.

Investor Liabilities may only be incurred by the Parent.

Collateral and Guarantees

The RCF Arranger, the RCF Lenders, the Hedge Counterparties, the Noteholders and the Pari Passu Creditors (together, the **"Secured Creditors"**) will benefit from a common guarantee and first-ranking security package (which may be subject to customary limitations on guarantees and security) and (subject to any customary exceptions) no such Secured Creditor may take the benefit of any guarantee or security unless such guarantee or security is also offered for the benefit of the other Secured Creditors (in each case, to the extent permitted by law), provided that nothing shall prevent the RCF Lenders from taking, accepting or receiving the benefit of any Security, guarantee, indemnity or other assurance against loss in respect of the RCF Liabilities if the same is not capable of being granted in support of some or all of the liabilities of the other Secured Creditors.

The Collateral shall rank and secure the liabilities owed to the RCF Lenders, the Hedge Counterparties, the Noteholders and the Pari Passu Creditors *pari passu* and without any preference between them, except that pursuant to the terms of the Intercreditor Agreement all proceeds from enforcement of the Collateral and the proceeds of certain distressed disposals will be applied as provided under *"—Application of Proceeds"*.

The security that may be granted in support of liabilities under a Senior Notes Indenture shall be the shares held by the Parent in the Senior Notes Issuer and the Senior Notes Issuer's rights under any Senior Notes Proceeds Loan made by it to the Parent (in each case, with the security ranking first against the Secured Liabilities and second against the Senior Notes Liabilities) (the **"Shared Security"**).

Permitted Payments

The Intercreditor Agreement will permit payments to be made by the Debtors under the Revolving Credit Facility Agreement, the Indenture and any Pari Passu Debt documentation (provided such payments are permitted under the relevant documents) and does not limit or restrict any other payment by any Debtor other than in respect of the Hedging Liabilities, the Senior Notes Liabilities and the Subordinated Liabilities.

The Intercreditor Agreement will also permit payments to lenders of Intra-Group Liabilities provided that there has been no automatic acceleration or notice of acceleration or enforcement of the Collateral except to facilitate a payment in respect of the secured liabilities.

No payments may be made in respect of Investor Liabilities except as permitted by the Revolving Credit Facility Agreement, the Indenture and any Pari Passu Debt documentation.

There will also be restrictions on payments to Hedge Counterparties except certain specified permitted payments.

An acceleration event includes the relevant creditor representative exercising any or all of its rights under the acceleration provisions of the Revolving Credit Facility Agreement, or any other

acceleration provisions under any replacement facility agreement, the Indenture and any Pari Passu Debt documentation (in each case, other than placing any amounts on demand, but including the making of a demand in respect of amounts placed on demand).

Payment Blockage (Senior Notes Guarantees and Senior Notes Proceeds Loan)

Prior to the discharge of the Secured Liabilities, no payment may be made in respect of any Senior Notes Liabilities or any Senior Notes Proceeds Loan by any Debtor (other than the Senior Notes Issuer), in each case without the prior consent of the Secured Creditors:

- if a payment default or payment event of default (other than an amount (a) not constituting principal, interest or fees and (b) in an aggregate amount not exceeding €100,000) has occurred under the finance documents relating to the relevant Secured Liabilities (a **"Secured Debt Payment Default"**), for so long as such Secured Debt Payment Default is continuing; or
- if an event of default in respect of any Secured Liabilities (a **"Secured Debt Event of Default"**) (other than a Secured Debt Payment Default) has occurred and is continuing and the Senior Notes Representative has received a payment blockage notice from either an agent under the Revolving Credit Facility Agreement (acting on the instructions of the relevant finance parties) or the Trustee (acting on the instructions of the relevant Noteholders) or a representative of any Pari Passu Debt (acting on the instructions of the relevant Pari Passu Creditors), specifying the event or circumstance in relation to the relevant Secured Debt Event of Default, such payments are suspended until the earliest of:
 - 179 days after the receipt by the Senior Notes Representative of the payment blockage notice; or
 - the expiration of any enforcement standstill period in existence at the time of service of such payment blockage notice; or
 - the date on which such Secured Debt Event of Default is remedied or waived or ceases to exist (or, if the relevant Secured Liabilities have been accelerated, such acceleration has been rescinded, revoked or waived) provided that no other Secured Debt Event of Default is continuing at that time; or
- (if the payment blockage notice has been provided by an agent under the Revolving Credit Facility Agreement or by the Trustee or Pari Passu Representative) the date on which such agent or representative notify/ies the Senior Notes Representative that the payment blockage notice is cancelled; or
- the discharge of the Secured Liabilities in full; or
- the date on which the Security Agents or the Senior Notes Representative takes enforcement action against a member of the Group which it is permitted to take in accordance with the Intercreditor Agreement.

Not more than one payment blockage notice may be served in respect of the same event or set of circumstances and no more than one payment blockage notice may be given in any 360 day period and must be served no later than 60 days after the relevant creditor representative received written notice of the Secured Debt Event of Default.

For the avoidance of doubt, the Intercreditor Agreement will not directly limit the right of the Senior Notes Representative or any Senior Noteholder to receive payments from the Senior Notes Issuer, or the Senior Notes Issuer to make such payments.

Prior to the discharge of the Secured Liabilities, the Debtors may make payments in respect of the Senior Notes Liabilities (and corresponding amounts under the relevant Senior Notes Proceeds Loan) then due in accordance with the Senior Notes Indenture or the relevant Senior Notes Proceeds Loan:

- if:
 - the payment is of (a) principal (including capitalized interest) of the Senior Notes Liabilities which is permitted to be paid by the Revolving Credit Facility Agreement and not prohibited by the Indenture and the Pari Passu Debt documentation or which is paid on or after its final maturity date; or (b) any other amount (including cash pay interest) that is not principal or capitalized interest;
 - no payment blockage notice is outstanding; and
 - no Secured Debt Payment Default has occurred and is continuing; or
- if the payment is for certain costs and expenses (other than principal, interest and redemption and prepayment premia) of the Senior Notes Representative in their capacity as such; or
- if the payment is of certain costs (including administrative costs of the Senior Notes Issuer), commissions, taxes, consent fees, underwriter or lead manager fees and expenses incurred in respect of the Senior Notes; or
- if the payment is of costs, commissions, taxes, premiums and any expenses incurred in respect of any financing or refinancing of the Senior Notes in compliance with the Intercreditor Agreement, the Revolving Credit Facility Agreement, the Indenture and any Pari Passu Debt documentation; or
- if the Majority Super Senior Creditors and the Majority Senior Secured Creditors each give their consent to such payment.

On or after the discharge of the Secured Liabilities, the Debtors may make payments in respect of the Senior Notes Liabilities then due in accordance with the Senior Notes Indenture.

Limitations on Enforcement

The Security Agents may refrain from enforcing the Collateral unless otherwise instructed by the Instructing Group.

The instructing group entitled to give instructions to the Security Agents in respect of enforcement of the Collateral (the **"Instructing Group"**) will comprise the Majority Super Senior Creditors and/or the Majority Senior Secured Creditors (in each case acting through their respective creditor representative) as determined in accordance with *"—Enforcement Instructions"*.

Any Shared Security may also be enforced on the instructions of the Senior Notes Representative in certain circumstances.

The Security Agents may disregard any instructions from any other person to enforce the Collateral and may disregard any instructions to enforce any Collateral if those instructions are inconsistent with the Intercreditor Agreement. The Security Agents are not obliged to enforce the Collateral if they are not indemnified and/or secured (including by way of pre-funding) by the relevant creditors.

"Debt Related Hedging Liabilities" means, on any date, in respect of a Hedge Counterparty and its Hedging Liabilities, the amount, if any, that would be payable to that Hedge Counterparty if the relevant hedging transactions were closed out on that date (in respect of hedging transactions which have not been closed out) or the close-out amount, if any, that is payable to that Hedge Counterparty (in respect of hedging transactions which have been closed out) in respect of Interest Rate Hedging Transactions in respect of which a close-out amount would be or is payable to the Hedge Counterparty, in each case, as calculated in accordance with the relevant hedging agreement.

“Designated Priority Long Term FX Hedging Amount” means, in respect of a Hedge Counterparty and its Hedging Liabilities, the maximum amount that would be payable to that Hedge Counterparty if the relevant hedging transactions were closed out in respect of Long Term FX Hedging Transactions, up to which such Hedging Liabilities shall be entitled to share in the proceeds of enforcement of any security created by any transaction security document and receive recoveries *pari passu* with, *inter alia*, the RCF Liabilities as Super Senior Hedging Liabilities. The aggregate of the Designated Priority Long Term FX Hedging Amounts allocated by the Borrower shall not exceed €20,000,000.

“Interest Rate Hedging Transaction” means a derivative transaction entered into by a Debtor and a Hedge Counterparty for the purposes of protection against or benefit from fluctuations in interest rates, in respect of Notes Liabilities, Senior Notes Liabilities and/or *Pari Passu* Debt.

“Long Term FX Hedging Transaction” means a derivative transaction entered into by a Debtor and a Hedge Counterparty for the purposes of hedging exchange rate exposures, with a tenor of longer than 12 months.

“Majority Senior Secured Creditors” means a simple majority in value of a combined class of the Senior Secured Creditors. A Non-Super Senior Hedge Counterparty will vote in accordance with the close-out amount that is payable to that Non Super Senior Hedge Counterparty (in respect of hedging transactions which have been closed out), to the extent the Hedging Liabilities owed to it are Non-Super Senior Hedging Liabilities.

“Majority Super Senior Creditors” means 66⅔% in value of a combined class of the Super Senior Creditors. A Super Senior Hedge Counterparty will vote in accordance with the close-out amount that is payable to that Super Senior Hedge Counterparty (in respect of hedging transactions which have been closed out), to the extent the Hedging Liabilities owed to it are Super Senior Hedging Liabilities.

“Non-Super Senior Hedge Counterparties” means Hedge Counterparties to the extent they are owed Non-Super Senior Hedging Liabilities.

“Non-Super Senior Hedging Liabilities” means Hedging Liabilities that are not Super Senior Hedging Liabilities.

“Priority Long Term FX Hedging Liabilities” means, on any date, in respect of a Hedge Counterparty which has been allocated a Designated Priority Long Term FX Hedging Amount and its Hedging Liabilities, the amount that would be payable to that Hedge Counterparty if the relevant hedging transactions were closed out on that date (in respect of hedging transactions which have not been closed out) or the close-out amount that is payable to that Hedge Counterparty (in respect of hedging transactions which have been closed out) in respect of Long Term FX Hedging Transactions, in each case, as calculated in accordance with the relevant hedging agreement, up to, but not exceeding, the Designated Priority Long Term FX Hedging Amount.

“Senior Secured Creditors” means the Noteholders, the *Pari Passu* Creditors, their creditor representatives (including, *inter alia*, the Trustee) and the Non-Super Senior Hedge Counterparties.

“Short Term FX Hedging Liabilities” means, on any date, in respect of a Hedge Counterparty and its Hedging Liabilities, the amount that would be payable to that Hedge Counterparty if the relevant hedging transactions were closed out on that date (in respect of hedging transactions which have not been closed out) or the close-out amount owing that is payable to that Hedge Counterparty (in respect of hedging transactions which have been closed out) in respect of Short Term FX Hedging Transactions, in each case, as calculated in accordance with the relevant hedging agreement.

“Short Term FX Hedging Transaction” means a derivative transaction entered into by a Debtor and a Hedge Counterparty for the purposes of hedging exchange rate exposures, with a tenor of 12 months or less.

“Super Senior Creditors” means the RCF Arranger, the RCF Lenders, their creditor representatives and the Super Senior Hedge Counterparties.

“Super Senior Hedge Counterparties” means Hedge Counterparties to the extent they are owed Super Senior Hedging Liabilities.

“Super Senior Hedging Liabilities” means the aggregate of each Hedge Counterparty’s Hedging Liabilities, up to, in respect of each Hedge Counterparty, a maximum amount equal to the aggregate of the Debt Related Hedging Liabilities, the Short Term FX Hedging Liabilities and the Priority Long Term FX Hedging Liabilities with respect to such Hedge Counterparty.

Enforcement Instructions

If the Majority Super Senior Creditors or the Majority Senior Secured Creditors wish to issue enforcement instructions, the applicable creditor representatives shall deliver a copy of the proposed enforcement instructions (an **“Initial Enforcement Notice”**) to the Security Agents and the Security Agents shall promptly forward such Initial Enforcement Notice to each other creditor representative and each Hedge Counterparty.

Save as provided below, the Security Agents will act in accordance with enforcement instructions received from the Majority Senior Secured Creditors provided that if:

- (a) the Majority Senior Secured Creditors have not either:
 - (i) made a determination as to the method of enforcement they wish to instruct the Security Agents to pursue and notified the Security Agents in writing; or
 - (ii) appointed a financial adviser to assist them in making such a determination,

within three months of the date of the Initial Enforcement Notice; or

- (b) the RCF Liabilities and the Super Senior Hedging Liabilities have not been discharged in full (the date of such discharge being the **“Super Senior Discharge Date”**) within six months of the date of the Initial Enforcement Notice,

the Security Agents will act in accordance with enforcement instructions received from the Majority Super Senior Creditors until the Super Senior Discharge Date has occurred.

If an insolvency event (other than an insolvency event directly caused by enforcement action taken by or at the request or direction of the Majority Super Senior Creditors or any Super Senior Creditor, in each case, that is not otherwise permitted under the Intercreditor Agreement) is continuing with respect to a Debtor then the Security Agents will, to the extent the Majority Super Senior Creditors elect to provide enforcement instructions, act in accordance with such enforcement instructions until the Super Senior Discharge Date has occurred.

If the Majority Senior Secured Creditors have not either (i) made a determination as to the method of enforcement they wish to use and instructed the Security Agents in writing to pursue it, or (ii) appointed a financial adviser to assist them in making such a determination, and the Majority Super Senior Creditors:

- (a) determine in good faith that a delay in issuing enforcement instructions could reasonably be expected to have a material adverse effect on the ability to effect a distressed disposal or on the expected realization proceeds of any enforcement; and
- (b) deliver enforcement instructions which they reasonably believe to be consistent with the security enforcement principles before the Security Agents have received any enforcement instructions from the Majority Senior Secured Creditors,

then the Security Agents will act in accordance with the enforcement instructions received from the Majority Super Senior Creditors until the Super Senior Discharge Date has occurred.

Following the discharge of the Secured Liabilities, any enforcement instructions with respect to the Shared Security may be given by the Senior Notes Representative (acting on the instructions of the required Senior Noteholders).

Subject to the Collateral having become enforceable, the Instructing Group may give or refrain from giving instructions to the Security Agents to take enforcement action or, in the circumstances set out in the following paragraph, the Senior Notes Representative (acting on the instructions of the required Senior Noteholders) may give or refrain from giving instructions to the Security Agents to enforce the Shared Security.

Prior to the discharge of the Secured Liabilities, if the Instructing Group has instructed the Security Agents to cease or not to proceed with enforcement, or has not provided enforcement instructions, the Security Agents shall give effect to any instructions to enforce the Shared Security which the Senior Notes Representative is then entitled to provide.

Notwithstanding the preceding two paragraphs, if the Senior Notes Representative is then entitled to give the Security Agents instructions as to enforcement of the Shared Security and it gives such instruction, then the Majority Super Senior Creditors or the Majority Senior Secured Creditors may give enforcement instructions to the Security Agents in lieu of any instructions to enforce given by the Senior Notes Representative and the Security Agents shall act on the first such instructions received.

If the Shared Security is being enforced or certain other enforcement action is being taken, the Security Agents shall enforce the applicable security or take such other action in such manner as:

- (a) the Instructing Group shall instruct; or
- (b) if, prior to the discharge of the Secured Liabilities, the Instructing Group has not given enforcement instructions and the Senior Notes Representative is entitled to give enforcement instructions, as the Senior Notes Representative shall instruct,

provided that such instructions are consistent with the security enforcement principles or, in the absence of any such enforcement instructions, as the Security Agents consider in their discretion to be appropriate and consistent with the security enforcement principles.

Any enforcement instructions given must comply with certain security enforcement principles ("**security enforcement principles**"), including:

- to achieve the security enforcement objective, namely to maximize, so far as consistent with prompt and expeditious realization of value from enforcement of the Collateral, the recovery of all of the secured parties;
- all enforcement proceeds will be received in cash by the Security Agents or, if the enforcement is on the instructions of the Majority Senior Secured Creditors, sufficient enforcement proceeds will be received in cash by the Security Agent to ensure that, after distribution in accordance with the Intercreditor Agreement, the RCF Liabilities and Super Senior Hedging Liabilities will be repaid and discharged in full; and
- to the extent that the enforcement is over Collateral with an aggregate book value exceeding €5,000,000 or over shares of a member of the Group, the Security Agents shall, if requested by the Majority Super Senior Creditors and/or the Majority Senior Secured Creditors and to the extent that financial advisers have not adopted a general policy of not providing such opinion, obtain an opinion from a financial adviser (whose liability in giving such opinion may be limited to the amount of its fees in respect of such engagement) that the consideration from such enforcement is fair from a financial point of view for a prompt and expeditious sale taking into account all relevant circumstances provided that if such enforcement action is conducted by way of Public Auction, no financial adviser opinion is required.

"Public Auction" is an auction or other competitive sales process in which more than one bidder participates or is invited to participate and which is conducted in accordance with the advice of a financial adviser and subject to certain other requirements specified in the Intercreditor Agreement.

Standstill on Acceleration and Enforcement (Senior Notes Guarantees, Senior Notes Proceeds Loan and Senior Notes Security)

Prior to the discharge of the Secured Liabilities, neither the Senior Notes Representative nor the Senior Noteholders may take certain defined enforcement actions with respect to any Senior Notes Guarantees of any Debtor, any Senior Notes Proceeds Loan or any Shared Security except if:

- there is a failure to pay principal at maturity of the Senior Notes;
- the Secured Creditors take enforcement action (in which case the Senior Notes Creditors may only take the same enforcement action in relation to the same guarantor);
- an insolvency event (other than an insolvency event directly caused by action taken by or at the request or direction of any Senior Notes Creditor that is not otherwise permitted under the Intercreditor Agreement) has occurred with respect to a Debtor that has guaranteed the Senior Notes in respect of which enforcement action is to be taken, provided that the Senior Notes Creditors may only take the same enforcement action in relation to the same guarantor;
- an existing standstill period in respect of Senior Notes Liabilities expires (other than by reason of a cure, waiver or other permitted remedy);
- consented to by the Majority Super Senior Creditors (if prior to the discharge of the RCF Liabilities and the Super Senior Hedging Liabilities) and the Majority Senior Secured Creditors (if prior to a discharge of the Secured Liabilities); or
- an event of default under the Senior Notes has occurred (otherwise than solely by reason of a cross-default (other than a cross-default which is a payment default) to any finance document relating to Senior Secured Notes, RCF Liabilities or Pari Passu Debt) and a period of 179 days has passed from the date of receipt by the relevant agent or trustee with respect to the Secured Liabilities of a notice in writing of such event of default from the Senior Notes Representative.

The Senior Notes Creditors shall always have the right to take enforcement action against the Senior Notes Issuer.

Turnover

Subject to certain exclusions including in favor of certain Super Senior Creditors and certain Senior Secured Creditors, if any Noteholder, RCF Lender, Pari Passu Creditor, any Hedge Counterparty or any Senior Notes Creditor (or any of their respective creditor representatives) receives or recovers the proceeds of any enforcement of any Collateral or certain distressed disposals except in accordance with “—*Application of Proceeds*” below, that person must:

- in relation to amounts not received or recovered by way of set-off, hold that amount for the Security Agents and promptly pay an amount equal to that amount to the Security Agents for application in accordance with the terms of the Intercreditor Agreement; and
- in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the Security Agents for application in accordance with the terms of the Intercreditor Agreement.

The Trustee shall only have an obligation to turn over or repay amounts received or recovered by it as described above (a) if it had actual knowledge that the receipt or recovery is an amount received in breach of a provision of the Intercreditor Agreement and (b) to the extent that, prior to receiving that knowledge, it has not distributed the amount of that receipt to the Noteholders in accordance with the Indenture. A similar protection will apply to any trustee in respect of any Pari Passu Debt in the form of notes or any Senior Notes.

There will also be a general turnover obligation on the subordinated creditors to turn over all amounts not received in accordance with the Intercreditor Agreement.

Application of Proceeds

All amounts from time to time received pursuant to the provisions described under “—Turnover” above or recovered by the Security Agents in connection with the realization or enforcement of all or any part of the Collateral (other than the Shared Security) or in connection with a distressed disposal in respect of assets which are subject to Collateral (other than the Shared Security) or otherwise paid to the Security Agents under the Intercreditor Agreement for application as set out below (including in respect of any guarantees of the Secured Liabilities) shall be held by the Security Agents on trust and (subject to applicable law) applied in the following order:

- *first, pro rata and pari passu*, in payment of costs and expenses (other than principal, interest and redemption and prepayment premia) owing to any agent under the Revolving Credit Facility Agreement, the Trustee and any trustee in respect of any Pari Passu Debt documentation in their capacity as such and the costs and expenses owing to the Security Agents and any receiver or delegate;
- second, *pro rata and pari passu*, in payment of all costs and expenses incurred by the RCF Lenders and the Super Senior Hedge Counterparties in connection with the enforcement of the Collateral or a distressed disposal or any action taken at the request of the Security Agents, in each case, in accordance with the terms of the Intercreditor Agreement;
- third, *pro rata and pari passu*, in payment to (i) the agent of the RCF Lenders on behalf of the RCF Arranger and the RCF Lenders for application towards the discharge of the RCF Liabilities and (ii) the Super Senior Hedge Counterparties for application towards the discharge of the Super Senior Hedging Liabilities (on a *pro rata* and *pari passu* basis between the Super Senior Hedging Liabilities of each Super Senior Hedge Counterparty);
- fourth, *pro rata and pari passu*, in payment of all costs and expenses incurred by the Noteholders, the Pari Passu Creditors and the Non-Super Senior Hedge Counterparties in connection with the enforcement of the Collateral or a distressed disposal or any action taken at the request of the Security Agents, in each case, in accordance with the terms of the Intercreditor Agreement;
- fifth, *pro rata and pari passu*, in payment to (i) the Trustee on behalf of the Noteholders for application towards the discharge of the Notes Liabilities in accordance with the Indenture; (ii) the creditor representatives of the Pari Passu Creditors for application towards the discharge of the Pari Passu Debt (on a *pro rata* and *pari passu* basis between the Pari Passu Debt of each Pari Passu Creditor); and (iii) the Non-Super Senior Hedge Counterparties for application towards the discharge of the Non-Super Senior Hedge Liabilities (on a *pro rata* and *pari passu* basis between the Non-Super Senior Hedging Liabilities of each Non Super Senior Hedge Counterparty);
- sixth, if none of the Debtors are under any further actual or contingent liability under the debt documents relating to the RCF Liabilities, the Super Senior Hedging Liabilities, the Notes Liabilities, the Pari Passu Debt and the Non-Super Senior Hedge Liabilities, in payment to any person to whom the Security Agents are obliged to pay in priority to any Debtor; and
- seventh, the balance, if any, in payment to the relevant Debtor.

All amounts from time to time recovered by the Security Agent in connection with the realization or enforcement of all or any part of the Shared Security or in connection with a distressed disposal in respect of assets which are subject to the Shared Security shall be held by the Security Agents on trust and (subject to applicable law) applied in the following order:

- *first, pro rata and pari passu*, in payment of costs and expenses (other than principal, interest and redemption and prepayment premia) owing to any agent under the Revolving Credit Facility Agreement, the Trustee, any trustee in respect of any Pari Passu Debt documentation and any Senior Notes Representative in their capacity as such and the costs and expenses owing to the Security Agents and any receiver or delegate;

- second, pro rata and pari passu, in payment of all costs and expenses incurred by the RCF Lenders and the Super Senior Hedge Counterparties, in connection with the enforcement of the Collateral or a distressed disposal or any action taken at the request of the Security Agents, in each case, in accordance with the terms of the Intercreditor Agreement;
- third, pro rata and pari passu, in payment to (i) the agent of the RCF Lenders on behalf of the RCF Arranger and the RCF Lenders for application towards the discharge of the RCF Liabilities and (ii) the Super Senior Hedge Counterparties for application towards the discharge of the Super Senior Hedging Liabilities (on a pro rata and pari passu basis between the Super Senior Hedging Liabilities of each Super Senior Hedge Counterparty);
- fourth, pro rata and pari passu, in payment of all costs and expenses incurred by the Noteholders, the Pari Passu Creditors and the Non-Super Senior Hedge Counterparties in connection with the enforcement of the Collateral or a distressed disposal or any action taken at the request of the Security Agents, in each case, in accordance with the terms of the Intercreditor Agreement;
- fifth, pro rata and pari passu, in payment to (i) the Trustee on behalf of the Noteholders for application towards the discharge of the Notes Liabilities in accordance with the Indenture; (ii) the creditor representatives of the Pari Passu Creditors for application towards the discharge of the Pari Passu Debt (on a pro rata and pari passu basis between the Pari Passu Debt of each Pari Passu Creditor); and (iii) the Non-Super Senior Hedge Counterparties for application towards the discharge of the Non-Super Senior Hedge Liabilities (on a pro rata and pari passu basis between the Non-Super Senior Hedging Liabilities of each Non Super Senior Hedge Counterparty);
- sixth, pro rata and pari passu, in payment of all costs and expenses incurred by the Senior Noteholders in connection with the enforcement of the Collateral or a distressed disposal or any action taken at the request of the Security Agents, in each case, in accordance with the terms of the Intercreditor Agreement;
- seventh, pro rata and pari passu, in payment to the Senior Notes Representative on behalf of the Senior Noteholders for application towards the discharge of the Senior Notes Liabilities in accordance with the Senior Notes Indenture;
- eighth, if none of the Debtors are under any further actual or contingent liability under the relevant debt documents, in payment to any person to whom the Security Agents are obliged to pay in priority to any Debtor; and
- ninth, the balance, if any, in payment to the relevant Debtor.

Option to Purchase

The Noteholders and the Pari Passu Creditors may, after a distress event and subject to various conditions set out in the Intercreditor Agreement (including the grant of an acceptable indemnity against clawback to the RCF Lenders and the Super Senior Hedge Counterparties), exercise an option to purchase the RCF Liabilities and the Super Senior Hedging Liabilities in full and at par.

The Senior Noteholders may, after a distress event and subject to various conditions set out in the Intercreditor Agreement (including the grant of an acceptable indemnity against clawback to the RCF Lenders, the Noteholders, the Pari Passu Creditors and the Hedge Counterparties), exercise an option to purchase the RCF Liabilities, the Notes Liabilities, the Pari Passu Debt and the Hedging Liabilities in full and at par.

In the event that any Super Senior Hedging Liabilities are purchased and any other Hedging Liabilities (which arose under a hedging agreement which was designated as being super-senior) remain outstanding, the relevant purchaser(s) must also purchase those other Hedging Liabilities.

Material Contracts

Each Debtor party to a Master Franchise Agreement or any other sub-licence or sub-contract of Radisson Hospitality Denmark ApS's or Radisson Hotels ApS Danmark's rights under any Master Franchise Agreement granted to any Debtor (each a "**Material Contract**") shall perform all of its obligations under each Material Contract to which it is a party and shall not take any action which might jeopardise the existence or enforceability of any rights it may have in respect of any of the Material Contracts.

No Debtor party to a Material Contract shall amend or vary or waive any provision of any Material Contract to which it is a party or agree to do so in a manner which is materially prejudicial to the Secured Parties and shall not rescind or terminate any Material Contract.

No Debtor party to a Material Contract shall assign, transfer or otherwise dispose of its rights under any Material Contract to which it is a party provided that a Debtor may assign its rights under a Material Contract (other than any Master Franchise Agreement) if: (a) the assignment is to another Debtor and such Debtor grants equivalent transaction security over such assigned rights; or (b) the assignment is to a member of the Restricted Group which is not a Debtor provided that such assignee becomes a Guarantor and grants equivalent transaction security over such assigned rights.

Release of security and guarantees—non-distressed disposals

In circumstances where a disposal is not a distressed disposal (and is otherwise permitted by the terms of the Revolving Credit Facility Agreement, the Indenture and any Pari Passu Debt documentation and any Senior Notes Indenture), the Intercreditor Agreement will provide that the Security Agents are authorized and instructed (without any further costs):

- (a) to release the Collateral or any other claim over the relevant asset; and
- (b) if the relevant asset consists of shares in the capital of a Debtor or a holding company of a Debtor, to release the Collateral or any other claim over that Debtor's or holding company's assets and the assets of any of their subsidiaries and, with such a disposal to a person outside of the Group, any guarantees from that Debtor or holding company or any of their subsidiaries,

provided that in the case of a disposal to another member of the group, (A) the disposal is either made subject to the Collateral or any required replacement security (on substantially the same terms and ranking, save to the extent otherwise permitted by the debt documents) is granted by the transferee before or at the same time as the release and, if required by the terms of the Revolving Credit Facility Agreement, the Indenture, any hedging agreement, any Pari Passu Debt documentation or any Senior Notes Indenture, any proceeds from the disposal are applied in mandatory prepayment or redemption of the relevant debt; and (B) contemporaneously with such release, the Security Agents receive either (1) a solvency opinion from a financial adviser, in form and substance reasonably satisfactory to the Security Agents confirming the solvency of that Debtor and its subsidiaries, taken as a whole, after giving effect to the disposal and any transactions related to such release and retaking; (2) a certificate from the board of directors or chief financial officer of that Debtor (acting in good faith) that confirms the solvency of that Debtor granting such security after giving effect to the disposal and any transactions related to such release and retaking; or (3) an opinion of counsel, in form and substance reasonably satisfactory to the Security Agents (subject to customary exceptions and qualifications), confirming that, after giving effect to the disposal and any transactions related to such release and retaking, the Collateral so released and retaken is valid and perfected security not otherwise subject to any new limitation imperfection or hardening period, in equity or at law.

Release of security and guarantees—distressed disposals

In circumstances where a distressed disposal is being effected, the Intercreditor Agreement will provide that the Security Agents are authorized and required:

- (a) to release the Collateral or any other claim over the relevant asset;
- (b) if the asset which is disposed of consists of shares in the capital of a Debtor, to release (i) that Debtor and any subsidiary of that Debtor from all or any part of its borrowing liabilities (other than those of the Issuer or any Pari Passu Notes Issuer), guarantee liabilities (including in relation to the Senior Secured Notes and the Senior Notes) and certain other liabilities; (ii) any Collateral granted over those shares in the capital of that Debtor, that Debtor's assets and the assets of any of its subsidiaries; and (iii) any other claim of a Debtor or intra-group lender over that Debtor's assets or over the assets of any subsidiary of that Debtor;
- (c) if the asset which is disposed of consists of shares in the capital of any holding company of a Debtor, to release (i) that holding company and any subsidiary of that holding company from all or any part of its borrowing liabilities (other than those of the Issuer or any Pari Passu Notes Issuer), guarantee liabilities (including in relation to the Senior Secured Notes and the Senior Notes) and certain other liabilities; (ii) any Collateral granted over the shares in the capital of that holding company, the assets of that holding company and any subsidiary of that holding company; and (iii) any other claim of a Debtor or intragroup lender over the assets of that holding company and any subsidiary of that holding company;
- (d) if the asset which is disposed of consists of shares in the capital of a Debtor or any holding company of a Debtor, to dispose of all or any part of that Debtor's or the holding company of that Debtor's borrowing liabilities (other than those of the Issuer or any Pari Passu Notes Issuer), guarantee liabilities (including in relation to the Senior Secured Notes and the Senior Notes) and certain other liabilities; and
- (e) if the asset which is disposed of consists of shares in the capital of a Debtor or any holding company of a Debtor, to transfer Intra-Group Liabilities and debtor liabilities owed by that Debtor or holding company of a Debtor or any of their respective subsidiaries to another Debtor,

provided that, if such distressed disposal results in the release of any Senior Notes Guarantee or any liabilities under a Senior Notes Proceeds Loan or Shared Security, it is a further condition to the release that either:

- (i) the Senior Notes Representative (acting on the instructions of the required Senior Noteholders) consents to such release; or
- (ii) (where shares or assets of a Senior Notes Guarantor are sold:
 - (A) (I) the proceeds of such sale or disposal are in cash (or substantially in cash);
 - (II) (only if the consideration in respect of each other cash offer received for those shares and/or assets is less than the aggregate par value of the outstanding Secured Liabilities) if the proceeds of such sale or disposal are not in cash (or substantially in cash) and/or other marketable securities, the requirements of paragraph (C) below are satisfied;
 - (B) at the time of the completion of the sale, disposal or transfer, all liabilities owed to the Secured Creditors by that Senior Notes Guarantor being disposed of and each of its direct and indirect subsidiaries (each a "Relevant Claim") are unconditionally released and discharged or are sold or disposed of concurrently with such sale or disposal (and, in each case, are not assumed by the purchaser or one of its affiliates), and all security under the transaction security documents in respect of the assets that are sold or disposed of is simultaneously and unconditionally released and discharged concurrently with such sale, unless the Creditor Representative acting for the relevant Instructing Group:
 - (I) determines acting reasonably and in good faith that a sale, disposal or transfer of a Relevant Claim will facilitate a recovery by the Secured Creditors of the Secured

Liabilities that is greater than the one they would achieve if such Relevant Claim was released or discharged; and

(II) serves a notice on the Security Agents notifying the Security Agents of the same, in which case the Security Agents shall be entitled immediately to sell and transfer such claim to such purchaser (or an affiliate of such purchaser); and

(C) such sale or disposal (including any liabilities disposal) is made:

- (I) pursuant to a Public Auction; or
- (II) pursuant to any process or proceedings approved or supervised by or on behalf of any court of law where there is a determination of value by or on behalf of the court; or
- (III) where:
 - a. the Security Agents (acting in good faith) consider that a sale, disposal or transfer made pursuant to paragraph (C)(I) above is not reasonably practicable, taking into consideration all relevant circumstances; or
 - b. following an attempted sale or disposal pursuant to paragraph (C)(I) above, the Secured Creditors make the highest final bidding offer of all the offers received pursuant to paragraph (C)(I) above but that offer is less than the amount of the Senior Notes Liabilities,

and a financial adviser selected by the Security Agents has delivered an opinion in respect of such sale or disposal that the amount received in connection therewith is fair from a financial point of view taking into account all relevant circumstances including the method of enforcement provided that the liability of such financial adviser in giving such opinion may be limited to the amount of its fees in respect of such engagement.

Any net proceeds of the enforcement or disposal of Collateral or a distressed disposal must be applied in accordance with the enforcement proceeds waterfall described under “—*Application of Proceeds*”.

Release of security and guarantees—unrestricted subsidiaries and permitted reorganisations

In circumstances where a Debtor is designated as an unrestricted subsidiary in accordance with the Revolving Credit Facility Agreement, the Indenture, the Pari Passu Debt documentation and the Senior Notes Indenture, the Intercreditor Agreement will provide that the Security Agents are authorised and required to release (i) that Debtor and any subsidiary of that Debtor from all or any part of its guarantee liabilities (including in relation to the Senior Secured Notes and the Senior Notes) and certain other liabilities; and (ii) any Collateral granted over that Debtor’s assets and the assets of any of its subsidiaries.

In circumstances where a Debtor is part of a solvent liquidation, reorganisation, merger, amalgamation or consolidation that is permitted and not prohibited by the Revolving Credit Facility Agreement, the Indenture, the Pari Passu Debt documentation and the Senior Notes Indenture (a “**Reorganisation**”), the Intercreditor Agreement will provide that, to the extent necessary for that Reorganisation to occur only, the Security Agents are authorised and required to release:

- (i) that Debtor from all or any part of its guarantee liabilities (including in relation to the Senior Secured Notes and the Senior Notes) if that Debtor is the subject of a solvent winding-up or similar solvent process; and
- (ii) any Collateral granted over the shares in that Debtor and/or that Debtor’s assets,

provided that (A) any required replacement security (on substantially the same terms and ranking, save to the extent otherwise permitted by the debt documents) is granted by the

surviving entity of such Reorganisation before or at the same time as the release; and (B) contemporaneously with such release, the Security Agents receive either (1) a solvency opinion from a financial adviser, in form and substance reasonably satisfactory to the Security Agents confirming the solvency of that Debtor (or the surviving entity) and its subsidiaries, taken as a whole, after giving effect to the Reorganisation and any transactions related to such release and retaking; (2) a certificate from the board of directors or chief financial officer of that Debtor (acting in good faith) that confirms the solvency of that Debtor (or the surviving entity) granting such security after giving effect to the Reorganisation and any transactions related to such release and retaking; or (3) an opinion of counsel, in form and substance reasonably satisfactory to the Security Agents (subject to customary exceptions and qualifications), confirming that, after giving effect to the Reorganisation and any transactions related to such release and retaking, the Collateral so released and retaken is valid and perfected security not otherwise subject to any new limitation imperfection or hardening period, in equity or at law.

Amendment

Subject as specified in the next paragraph, the Intercreditor Agreement may be amended with the consent of the Majority Super Senior Creditors, the Majority Senior Secured Creditors, the required percentage of Senior Noteholders (as set out in the Senior Notes Indenture), the Parent and the Security Agents.

If an amendment relates to certain specified matters such as ranking, priority, subordination, turnover, enforcement, distressed disposal proceeds, the amendments clause or the payment waterfall, the Intercreditor Agreement may only be amended with the consent of all RCF Lenders under the initial Revolving Credit Facility (or the required percentage of lenders under any subsequent Revolving Credit Facility), the required percentage of Noteholders (as set out in the Indenture), the required percentage of Pari Passu Creditors (as set out in the relevant Pari Passu Debt documentation), the required percentage of Senior Noteholders (as set out in the Senior Notes Indenture), each Hedge Counterparty (to the extent such amendments adversely affect it), the Parent and the Security Agents.

An amendment which relates to the guarantee granted for the benefit of the Hedge Counterparties may only be made with the consent of each Hedge Counterparty to the extent such amendment adversely affects it.

No amendment or waiver of the Intercreditor Agreement may impose new or additional obligations on or withdraw or reduce the rights of any party (other than in a way which affects creditors of that party's class generally) to the Intercreditor Agreement without the prior consent of that party (or its representative).

In certain circumstances the Intercreditor Agreement may be amended without the consent of the Noteholders.

To the extent the Debtors wish to enter into Pari Passu Debt or other additional or replacement indebtedness ("**Additional Indebtedness**") which is permitted to share in the Collateral (on a *pari passu* or lower ranking basis) pursuant to the Revolving Credit Facility Agreement, the Indenture and any Pari Passu Debt documentation, then the parties to the Intercreditor Agreement may be required to enter into a replacement intercreditor agreement on substantially the same terms as the Intercreditor Agreement (or amend the Intercreditor Agreement to the extent necessary) and to which the creditors of such Additional Indebtedness shall accede.

The Intercreditor Agreement will also permit the Security Agents to enter into new or supplemental security and/or release and retake Collateral if certain conditions are met.

Description of the Notes

You will find definitions of certain capitalized terms used in this *"Description of the Notes"* under the heading *"Certain Definitions"*. For purposes of this *"Description of the Notes"*, references to the "Issuer", "we", "our", and "us" refer only to Radisson Hotel Holdings AB (publ) and references to the "Company" refer only to Radisson Hospitality AB (publ) and not to any of its Subsidiaries.

The Issuer will issue €250,000,000 aggregate principal amount of Senior Secured Notes due 2023 (the "**Notes**") under an indenture to be dated as of _____, 2018 (the "**Indenture**"), among, *inter alios*, the Issuer, the Company, the Guarantors (as defined below), and BNY Mellon Corporate Trustee Services Limited as trustee (the "**Trustee**") The Bank of New York Mellon, London Branch as security agent in respect of the Collateral in the United Kingdom, Germany, Norway and the Netherlands and The Law Debenture Trust Corporation p.l.c. as security agent in respect of the Collateral in Sweden, Denmark and Belgium (together, the "**Security Agents**"). The Indenture will not incorporate (by reference or otherwise) or include, or be subject to, any of the provisions of the U.S. Trust Indenture Act of 1939, as amended, including Section 316(b) of such Act.

The proceeds of the Offering will be used to repay outstanding borrowings under the 2014 Revolving Credit Facility and the Overdraft Facility; for general corporate purposes, including to fund the Group's Five Year Operating Plan, further investments and to provide for a liquidity buffer; and to pay the costs, fees and expenses in connection with the Refinancing, including the fees and expenses to be incurred in connection with the Offering and the break costs and any accrued and unpaid interest due under the indebtedness to be repaid with the proceeds of the Offering. Upon the issuance of the Notes, the Notes will be the obligations of the Issuer and will be guaranteed by the Company and certain subsidiaries of the Company referred to under "*General—The Notes Guarantees*" below (together, the "**Guarantors**").

The Indenture will be unlimited in aggregate principal amount, of which €250 million aggregate principal amount of Notes will be issued in the Offering. The Issuer may, subject to applicable law, issue an unlimited principal amount of additional Notes (the "**Additional Notes**"), *provided* that if the Additional Notes are not fungible with, the Notes originally issued for U.S. federal income tax purposes, such Additional Notes will be issued with a separate ISIN code or common code, as applicable, from the Notes originally issued. We will only be permitted to issue Additional Notes in compliance with the covenants contained in the Indenture, including the covenants restricting the Incurrence of Indebtedness and the Incurrence of Liens. See "*Certain Covenants—Limitation on Indebtedness*" and "*Certain Covenants—Limitation on Liens*".

Any Additional Notes that are actually issued under the Indenture will be identical in all respects to the Notes issued hereby (including with respect to Notes Guarantees), except that Notes issued in the future will have different issuance dates and may have different titles, issuance prices, minimum denominations and securities identification numbers. All Notes, including any Additional Notes, will be treated as a single class for all purposes under the Indenture, including (without limitation), with respect to waivers, amendments, redemptions and offers to purchase or any other action by the holders of the Notes hereunder. Unless the context otherwise requires, in this *"Description of the Notes"*, references to the "Notes" include the Notes and any Additional Notes that are actually issued under the Indenture.

The Indenture will be subject to the terms of the Intercreditor Agreement and any Additional Intercreditor Agreements (as defined below). The terms of the Intercreditor Agreement are important to understanding the relative ranking of indebtedness and security, the ability to make payments in respect of the indebtedness, the procedures for undertaking enforcement action, the subordination of certain indebtedness, turnover obligations, release of security and guarantees, and the payment waterfall for amounts received by the Security Agents. See *"Description of Certain Financing Arrangements—Intercreditor Agreement"* for a description of certain terms of the Intercreditor Agreement.

This “*Description of the Notes*” is intended to be an overview of the material provisions of the Notes, the Indenture and the Security Documents. Since this description of the terms of the Notes is only a summary, you should refer to the Notes, the Indenture and the Security Documents for complete descriptions of the obligations of the Issuer and your rights. Copies of such documents will be available from us upon request on and after the Issue Date.

The registered Holder of a Note will be treated as the owner of it for all purposes. Only registered Holders will have rights under the Indenture, including, without limitation, with respect to enforcement and the pursuit of other remedies. The Notes have not been, and will not be, registered under the U.S. Securities Act and will be subject to certain transfer restrictions.

General

The Notes

The Notes will:

- be general senior obligations of the Issuer, secured as set forth under “—*Security*”;
- rank *pari passu* in right of payment with any existing and future indebtedness of the Issuer that is not subordinated in right of payment to the Notes, including the obligations of the Issuer under the Revolving Credit Facility and certain Hedging Obligations;
- rank senior in right of payment to any future indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes;
- be effectively subordinated to any existing and future indebtedness or obligation of the Company and its Subsidiaries that is secured by property and assets that do not secure the Notes, to the extent of the value of the property and assets securing such Indebtedness;
- be structurally subordinated to any existing and future Indebtedness of the Subsidiaries of the Company that are not Guarantors, including obligations to trade creditors;
- be fully and unconditionally guaranteed on a senior basis on the Issue Date by the Guarantors;
- mature on _____, 2023; and
- be represented by one or more registered Notes in global form, but in certain circumstances may be represented by Definitive Registered Notes. See “*Book-Entry, Delivery and Form*”.

Under the terms of the Intercreditor Agreement, the Holders of the Notes will receive proceeds from the enforcement of the Collateral on a *pari passu* basis with all indebtedness that is not subordinated in right of payment to the Notes. The Intercreditor Agreement will provide that on an enforcement of the Collateral, the Notes will receive proceeds from such enforcement only after (i) the Revolving Credit Facility and (ii) certain Hedging Obligations, have been repaid in full.

The Notes Guarantees

The Notes will be guaranteed by the Guarantors on the Issue Date. In addition, if required by the covenant described under “—*Certain Covenants—Additional Guarantees*”, certain other Restricted Subsidiaries may provide a Notes Guarantee in the future.

The Notes Guarantee of each of the Guarantors will:

- be a general senior obligation of that Guarantor, secured as set forth under “—*Security*”;
- rank *pari passu* in right of payment with any existing and future Indebtedness of that Guarantor that is not subordinated in right of payment to such Notes Guarantee (including obligations under the Revolving Credit Facility) and certain Hedging Obligations;
- rank senior in right of payment to any existing and future Indebtedness of that Guarantor that is expressly subordinated in right of payment to such Notes Guarantee;

- be effectively subordinated to any existing or future Indebtedness or obligation of such Guarantor that is secured by property and assets that do not secure such Notes Guarantee, to the extent of the value of the property and assets securing such Indebtedness; and
- be structurally subordinated to any existing or future Indebtedness, including obligations to trade creditors, of the Subsidiaries of such Guarantor that are not Guarantors.

The obligations of a Guarantor under its Notes Guarantee will be limited as necessary to prevent the relevant Notes Guarantee from constituting a fraudulent conveyance or unlawful financial assistance under applicable law, or otherwise to reflect limitations under applicable law. By virtue of these limitations, a Guarantor's obligation under its Notes Guarantee could be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Notes Guarantee. See *"Risk Factors—Risks Relating to the Notes and our structure—The Notes Guarantees and the Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability"*. The validity and enforceability of the Notes Guarantees and the liability of each Guarantor will be subject to the limitations described in *"Limitations on Validity and Enforceability of the Notes Guarantees and the Security Interests and certain insolvency law considerations"*.

As of the Issue Date, the Issuer and the Company's other Subsidiaries will be *"Restricted Subsidiaries"* for the purposes of the Indenture. However, under the circumstances described below under *"—Certain Definitions— Unrestricted Subsidiary"*, we will be permitted to designate certain of our Subsidiaries as *"Unrestricted Subsidiaries"*. Our Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Indenture and will not guarantee the Notes.

Principal, Maturity and Interest

On the Issue Date, the Issuer will issue €250 million in aggregate principal amount of Notes in the Offering. The Notes will mature on _____, 2023. The Notes will be issued in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

The rights of Holders to receive the payments of interest on such Notes are subject to applicable procedures of Euroclear and Clearstream. If the due date for any payment in respect of any Notes is not a Business Day at the place at which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

Interest on the Notes will accrue at the rate of _____ % *per annum*. Interest on the Notes will be payable semi-annually in arrears on _____ and _____ commencing on _____, _____. The Issuer will make each interest payment to the Holders of record on the immediately preceding _____ and _____.

Interest on the Notes will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Methods of Receiving Payments on the Notes

Principal, interest and premium and Additional Amounts, if any, on the Global Notes (as defined below) will be made by one or more Paying Agents by wire transfer of immediately available funds to the account specified by the registered Holder thereof (being the common depository or its nominee for Euroclear and Clearstream).

Principal, interest and premium, and Additional Amounts, if any, on any certificated securities (*"Definitive Registered Notes"*) will be payable at the specified office or agency of one or more Paying Agents maintained for such purposes in the City of London. In addition, interest on the Definitive Registered Notes may be paid, at the option of the Issuer, by wire transfer to the Holder entitled thereto as shown on the register of Holders of the Notes for the Definitive Registered Notes. See *"—Paying Agent and Registrar for the Notes"* below.

Paying Agent and Registrar for the Notes

The Issuer will maintain one or more Paying Agents for the Notes in the City of London (including the initial Paying Agent). The initial Paying Agent will be The Bank of New York Mellon, London Branch (the “**Paying Agent**”).

The Issuer will also maintain a registrar (the “**Registrar**”) and a transfer agent (the “**Transfer Agent**”). The initial Registrar and Transfer Agent will be The Bank of New York Mellon SA/NV, Luxembourg Branch. The Registrar will maintain a register reflecting ownership of the Notes outstanding from time to time, if any, and together with the Transfer Agent, will facilitate transfers of the Notes on behalf of the Issuer. A register of the Notes shall be left at the registered office of the Issuer. In case of inconsistency between the register of the Notes kept by the Registrar and the one kept by the Issuer at its registered office, the register kept by the Registrar shall prevail.

Upon prior written notice to the Trustee, the Issuer may change any Paying Agent, Registrar or Transfer Agent for the Notes without prior notice to the Holders of the Notes. However, for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, the Issuer will publish a notice of any change of Paying Agent, Registrar or Transfer Agent in a daily newspaper having a general circulation in Luxembourg (which is currently expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Luxembourg Stock Exchange (www.bourse.lu). The Issuer or any of its Subsidiaries may act as Paying Agent or Registrar in respect of the Notes.

Notes Guarantees

General

On the Issue Date, the obligations of the Issuer under the Notes will be guaranteed, jointly and severally on a senior basis, by the Company and certain of the Company’s Subsidiaries as set forth below:

Guarantor	Jurisdiction
Radisson Hospitality Belgium BVBA/SPRL	Belgium
Radisson Hotel Management & Development A/S . . .	Denmark
Radisson Hotels ApS Danmark	Denmark
Radisson Hospitality Denmark ApS	Denmark
Radisson Scandinavia Hotel Copenhagen ApS	Denmark
Radisson Hotel Hannover GmbH	Germany
Radisson Hotel Hamburg Airport GmbH	Germany
Radisson Hotel Köln GmbH	Germany
Radisson Hotels Deutschland GmbH	Germany
Radisson Hotels Norway AS	Norway
Radisson Hospitality Norway AS	Norway
Radisson Arlandia Hotel AB	Sweden
Radisson Hotel & Congress AB	Sweden
Radisson Hospitality Sweden AB	Sweden
Royal Viking Hotel Aktiebolag	Sweden
Radisson SkyCity Hotel AB	Sweden
Radisson Hospitality AB (publ)	Sweden
Radisson Hotel Amsterdam B.V.	The Netherlands
Park Inn by Radisson Hotel Heathrow Ltd	United Kingdom
Park Inn by Radisson Hotels Management Ltd	United Kingdom
Radisson Hotel Edinburgh Ltd	United Kingdom
Radisson Hotel Manchester Ltd	United Kingdom
Radisson Hotels UK Ltd	United Kingdom
Park Inn by Radisson UK Ltd	United Kingdom

The Guarantors will consist of the Company and certain of the Company's Subsidiaries incorporated in Belgium, Denmark, Germany, Sweden, Norway, the Netherlands and the United Kingdom.

The obligations of the Issuer pursuant to the Notes, including any payment obligation resulting from a Change of Control, will (subject to the Agreed Security Principles (as defined below)) be guaranteed on the Issue Date by the Company, and each of the Guarantors (each such guarantee, a "**Notes Guarantee**"). The Guarantors will also guarantee our obligations under the Revolving Credit Facility Agreement subject to certain guarantee limitations as set out therein.

The Issuer and the Guarantors together comprised 83.34% of our total assets as of December 31, 2017 and represented 87.74% of our Radisson EBITDA respectively for the twelve months ended December 31, 2017, and the Issuer and the Guarantors together comprised 92.11% of our total assets as of March 31, 2018 and represented 70.81% and 88.54% of our revenue and Radisson EBITDA, respectively, for the twelve months ended March 31, 2018.

In addition, as described below "*—Certain Covenants—Additional Guarantees*" and subject to the Intercreditor Agreement and the Agreed Security Principles, certain Subsidiaries of the Issuer that guarantee the Revolving Credit Facility in the future or any Credit Facility or Public Debt, in each case of the Issuer or a Guarantor, shall also enter into a supplemental indenture as a Guarantor of the Notes and accede to the Intercreditor Agreement.

The Agreed Security Principles apply to the granting of guarantees and security in favor of obligations under the Revolving Credit Facility Agreement and the Notes. The Agreed Security Principles include restrictions on the granting of guarantees where, among other things, such grant would be restricted by general statutory or other legal limitations or requirements, financial assistance rules, corporate benefit rules, fraudulent preference rules, "thin capitalization" rules, retention of title claims and similar matters.

Each Notes Guarantee will be limited to the maximum amount that would not render the Guarantor's obligations subject to avoidance under applicable fraudulent conveyance provisions of the United States Bankruptcy Code or any comparable provision of foreign or state law, or as otherwise required under the Agreed Security Principles, to comply with corporate benefit, financial assistance and other laws. By virtue of this limitation, a Guarantor's obligation under its Notes Guarantee could be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Notes Guarantee. See "*Risk Factors—Risks Relating to the Notes and our structure—The Notes Guarantees and the Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability*" and "*Risk Factors—Risks Relating to the Notes and our structure—Relevant insolvency and administrative laws may not be favorable to creditors, including holders of Notes, as the case may be, as insolvency laws of the jurisdictions in which you are familiar and may limit your ability to enforce your rights under the Notes or the Guarantees or the security interests in the Collateral*".

All or substantially all of the operations of the Company will be conducted through its Subsidiaries (other than the Issuer) and, therefore, the Company depends on the cash flow from its Subsidiaries (other than the Issuer) to meet its obligations, including its obligations under its Notes Guarantee. Claims of creditors of non-Guarantor Restricted Subsidiaries, including trade creditors and creditors holding debt and guarantees issued by those Restricted Subsidiaries, and claims of preferred stockholders (if any) of those Restricted Subsidiaries and minority stockholders of Subsidiaries of non-Guarantor Restricted Subsidiaries (if any) generally will have priority with respect to the assets and earnings of those Restricted Subsidiaries over the claims of creditors of the Issuer and the Guarantors, including Holders of the Notes. The Notes and each Notes Guarantee therefore will be structurally subordinated to creditors (including trade creditors) and preferred stockholders (if any) of Restricted Subsidiaries of the Company (other than the Guarantors) and minority stockholders of Subsidiaries of non-Guarantor Restricted Subsidiaries (if any). Although the Indenture will limit the Incurrence of Indebtedness by the Company and its Restricted Subsidiaries, the limitation is subject to a number of significant exceptions. Moreover, the Indenture will not impose any limitation on the Incurrence by the

Company or its Restricted Subsidiaries of liabilities that are not considered Indebtedness under the Indenture. See “—*Certain Covenants—Limitation on Indebtedness*”.

Notes Guarantees Release

The Notes Guarantee of a Guarantor (other than the Company) will terminate and be released:

- upon a sale or other disposition (including by way of consolidation or merger) of all of the Capital Stock of the relevant Guarantor (whether by direct sale or sale of a Holding Company as a result of which such Guarantor would no longer be a Restricted Subsidiary), or the sale or disposition of all or substantially all the assets of the Guarantor (other than to the Company or a Restricted Subsidiary), otherwise permitted by the Indenture; *provided*, that, all obligations of the relevant Guarantor under the Revolving Credit Facility and any other Credit Facility and any Public Debt are also released;
- upon the designation in accordance with the Indenture of the Guarantor as an Unrestricted Subsidiary;
- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Notes in accordance with the Indenture, as provided in “—*Defeasance*” and “—*Satisfaction and Discharge*”;
- in accordance with an enforcement action pursuant to the provisions of the Intercreditor Agreement or any Additional Intercreditor Agreement;
- as described under “—*Amendments and Waivers*”;
- as described in the second paragraph of the covenant described below under “—*Certain Covenants—Additional Guarantees*”; or
- as a result of a transaction permitted by “—*Certain Covenants—Merger and Consolidation*”.

The Notes Guarantee of the Company will terminate and be released upon the circumstances described in the third, fourth, fifth and seventh bullet points set forth above. The Trustee, at the cost and discretion of the Issuer, shall take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Notes Guarantee in accordance with these provisions, subject to customary protections and indemnifications. Each of the releases set forth above shall be effected by the Trustee without the consent of the Holders and will not require any other action or consent on the part of the Trustee.

Transfer and Exchange

The Notes will be issued in the form of one or more global notes in registered form without interest coupons, as follows:

- each series of Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the U.S. Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the “**144A Global Notes**”). The 144A Global Notes will, on the Issue Date, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream; and
- each series of Notes sold outside the United States pursuant to Regulation S under the U.S. Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the “**Regulation S Global Notes**” and, together with the 144A Global Notes, the “**Global Notes**”). The Regulation S Global Notes will, on the Issue Date, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

Ownership of interests in the Global Notes (the “**Book-Entry Interests**”) will be limited to persons that have accounts with Euroclear and Clearstream or persons that may hold interests through such participants.

Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under "*Transfer Restrictions*". In addition, transfers of Book-Entry Interests between participants in Euroclear or participants in Clearstream will be effected by Euroclear and Clearstream pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream and their respective participants.

Book-Entry Interests in the 144A Global Notes (the "**144A Book-Entry Interests**") may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Notes (the "**Regulation S Book-Entry Interests**") denominated in the same currency only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the U.S. Securities Act.

Subject to the foregoing, Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "*Transfer Restrictions*" and in accordance with any applicable securities law of any other jurisdiction.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of €100,000 principal amount, and integral multiples of €1,000 in excess thereof, upon receipt by the Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, as applicable, from the participant which owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Issuer in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under "*Transfer Restrictions*".

Subject to the restrictions on transfer referred to above, Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 in principal amount and integral multiples of €1,000 in excess thereof. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging Holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at Euroclear or Clearstream, where appropriate, to furnish certain certificates and opinions, and to pay any Taxes in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the Holder, other than any Taxes payable in connection with such transfer.

Notwithstanding the foregoing, the Registrar and the Transfer Agent are not required to register the transfer or exchange of any Notes:

- (1) for a period of 15 days prior to any date fixed for the redemption of the Notes;
- (2) for a period of 15 days immediately prior to the date fixed for selection of the Notes to be redeemed in part;
- (3) for a period of 15 days prior to the record date with respect to any interest payment date; or

- (4) which the Holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Disposition Offer.

The Issuer, the Trustee, the Security Agents, the Paying Agents, the Transfer Agent and the Registrar will be entitled to treat the registered Holder of a Note as the owner thereof for all purposes.

Restricted Subsidiaries and Unrestricted Subsidiaries

Immediately after the issuance of the Notes, all of the Company's Subsidiaries will be Restricted Subsidiaries. However, in the circumstances described below under "*Certain Definitions—Unrestricted Subsidiary*", the Company will be permitted to designate Restricted Subsidiaries as Unrestricted Subsidiaries. Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Indenture.

Security

General

On the Issue Date, the Notes and the Notes Guarantees will be secured by first priority (to the extent possible) security interests over: (i) the issued share capital of the Issuer and the Subsidiary Guarantors; (ii) bank accounts (except for the dividend payment accounts of Guarantors in Sweden), material contracts and intra-group receivables of the Issuer and the Parent Company; and (iii) all material assets of each English Guarantor under an English law debenture (collectively, the "**Issue Date Collateral**"). In addition, within 120 days of the Issue Date the Notes and the Notes Guarantees will be secured by first priority (to the extent possible) security interests over bank accounts (except for the dividend payment accounts of Guarantors in Sweden), material contracts and intra-group receivables of the Guarantors to the extent not part of the Issue Date Collateral (the "**Post-Closing Collateral**" and, together with the Issue Date Collateral, the "**Collateral**").

The assets that comprise the Collateral will also secure on a first-ranking (to the extent possible) basis the Revolving Credit Facility and certain Hedging Obligations.

Subject to certain conditions, including compliance with the covenants described under "*Certain Covenants—Impairment of Security Interest*" and "*Certain Covenants—Limitation on Liens*", the Company and its Restricted Subsidiaries will be permitted to grant security over the Collateral in connection with future issuances of Indebtedness or Indebtedness of the Restricted Subsidiaries, including Additional Notes, as permitted under the Indenture and the Intercreditor Agreement.

The Collateral will be pledged pursuant to the Security Documents to the Security Agents on behalf of the Holders of the Notes and holders of the other secured obligations that are secured by the Collateral. Any other security interests that may in the future be granted to secure obligations under the Notes, any Notes Guarantees and the Indenture would also constitute "Collateral". All Collateral will be subject to the operation of the Agreed Security Principles and any Permitted Collateral Liens.

The Liens on the Collateral will be limited as necessary to recognize certain limitations arising under or imposed by local law and defenses generally available to providers of Collateral (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose or benefit, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law. For a brief description of such limitations, see "*Limitations on Validity and Enforceability of the Notes Guarantees and the Security Interests and Certain Insolvency Law Considerations*".

Notwithstanding the foregoing and the provisions of the covenant described below under "*Certain Covenants—Limitation on Liens*", certain property, rights and assets (other than the Collateral described in the first and second paragraphs of this section) may not be pledged, and any pledge over property, rights and assets may be limited (or the Liens not perfected), in

accordance with the Agreed Security Principles. The following is a non-exhaustive summary of certain terms of the Agreed Security Principles:

- general legal and statutory limitations, regulatory restrictions, financial assistance, corporate benefit, fraudulent preference, equitable subordination, thin capitalization and capital maintenance rules, retention of title claims and similar principles may limit the ability of the Company and its Restricted Subsidiaries (collectively, the “**Group**”) to provide a guarantee or security or may require that the guarantee or security be limited by an amount or otherwise. The Parent Company will use reasonable endeavors to overcome any such obstacle to the extent reasonably practicable;
- a key factor in determining whether or not a guarantee or security will be taken (and in respect of the security, the extent of its perfection and/or registration) is the applicable time and cost (including adverse effects on non-US taxes, interest deductibility, stamp duty, registration or other applicable fees, duties and taxes and notarial costs, so as to ensure that it is proportionate to the benefit accruing to the relevant secured parties;
- any assets subject to a legal requirement, contracts, leases, licences or other third party arrangements which may prevent those assets from being charged, any assets which, if subject to the applicable security document, would give a third party the right to terminate, or require the chargor to take any action materially adverse to the interests of the Group or any member thereof, will be excluded from any relevant security document provided that reasonable endeavors to obtain consent to charging any such assets shall be used if the relevant asset is material, except where such endeavors involve placing material commercial relationships in jeopardy or in relation to real estate;
- members of the Group will not be required to give Guarantees or enter into security documents if it is not within the legal capacity of the relevant member of the Group or if it would conflict with the fiduciary or statutory duties of their directors or contravene any applicable legal, regulatory or contractual prohibition or result in personal or criminal liability on the part of any officer of such member of the Group; provided that the relevant member shall use reasonable endeavors to overcome any such obstacle;
- the terms of the security will be limited to those required by local law to create or perfect security and will not impose commercial obligations and shall not contain additional representations, undertakings or indemnities unless these are the same as or consistent with those contained in the Indenture or in the Revolving Credit Facility Agreement and are required for the creation or perfection of security;
- the granting or perfection, as applicable, of security interests will not be required if it would have a material adverse effect on the ability of the Issuer or any Guarantor to conduct its operations and business in the ordinary course or as otherwise permitted by the secured debt documents; and
- no perfection action will be required in jurisdictions where neither Group companies nor material assets are located.

As described above, all of the Collateral will also secure the liabilities under the Revolving Credit Facility as well as certain Hedging Obligations and any Additional Notes and may also secure certain future Indebtedness, certain of which is entitled to payment from the proceeds of an enforcement of the Collateral in priority to the Notes. The proceeds from the enforcement of the Collateral may not be sufficient to satisfy the obligations owed to the Holders of the Notes.

No appraisals of the Collateral have been made in connection with the Offering. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, the Collateral may not be able to be sold in a short period of time, or at all. See *“Risk Factors—Risks Relating to the Notes and our structure—It may be difficult to realize the value of the Collateral securing the Notes and the Notes Guarantees”*.

Priority

The relative priority with regard to the security interests in the Collateral that are created by the Security Documents (the “**Security Interests**” and each, a “**Security Interest**”) as between (a) the lenders under the Revolving Credit Facility, (b) the counterparties under certain Hedging Obligations, (c) the Trustee, the Security Agents, the Paying Agents, the Transfer Agent, the Registrar and the Holders of the Notes under the Indenture and (d) the creditors of certain other Indebtedness permitted to be secured by the Collateral, respectively, will be established by the terms of the Intercreditor Agreement, which will provide, among other things, that the obligations under the Revolving Credit Facility, certain Hedging Obligations and the Notes are secured equally and ratably by first-ranking Security Interests; *provided, however*, that Holders of the Notes will only receive proceeds from the enforcement of the Collateral after certain super senior priority obligations have been paid in full, including (i) obligations under the Revolving Credit Facility, (ii) other indebtedness incurred pursuant to the terms of the Indenture and secured by Permitted Collateral Liens that is entitled to rank senior to the Notes with respect to the proceeds of an enforcement of the Collateral and (iii) certain Hedging Obligations. See “*Description of Certain Financing Arrangements—Intercreditor Agreement*”, “*—Security—Release of Liens*”, “*—Certain Covenants—Impairment of Security Interest*” and “*—Certain Definitions—Permitted Collateral Liens*”.

Security Documents

Under the Security Documents, the Company, the Issuer and the Guarantors will grant security over the Collateral to secure the payment when due of the Issuer’s and the Guarantors’ payment obligations under the Notes, the Notes Guarantees and the Indenture. The Security Documents will be entered into by the relevant security provider and the Security Agents as agents for the secured parties. When entering into the Security Documents, each Security Agent will act in its own name, but for the benefit of the secured parties (including itself, the Trustee and the Holders of the Notes from time to time). Under the Intercreditor Agreement, the Security Agents will also act as agents of the lenders under the Revolving Credit Facility and the counterparties under certain Hedging Obligations in relation to the Security Interests created in favor of such parties.

The Indenture and the Intercreditor Agreement will provide that, to the extent permitted by the applicable laws, only the Security Agents will have the right to enforce the Security Documents on behalf of the Trustee and the Holders of the Notes. As a consequence of such contractual provisions, Holders of the Notes will not be entitled to take enforcement action in respect of the Collateral securing the Notes, except through the Trustee under the Indenture, who will (subject to the provisions of the Indenture) provide instructions to the Security Agents for the Collateral.

The Indenture will provide that, subject to the terms thereof and of the Security Documents and the Intercreditor Agreement, the Notes and the Indenture, as applicable, will be secured by Security Interests in the Collateral until all obligations under the Notes and the Indenture have been discharged.

However, the Security Interests with respect to the Notes and the Indenture may be released under certain circumstances as provided under “*—Security—Release of Liens*”.

In the event that the Company or its Subsidiaries enter into insolvency, bankruptcy or similar proceedings, the Security Interests created under the Security Documents or the rights and obligations enumerated in the Intercreditor Agreement could be subject to potential challenges. If any challenge to the validity of the Security Interests or the terms of the Intercreditor Agreement was successful, the Holders may not be able to recover any amounts under the Security Documents. See “*Risk Factors—Risks Relating to the Notes and our structure*”.

Enforcement of Security Interest

The Indenture and the Intercreditor Agreement will restrict the ability of the Holders or the Trustee to enforce the Security Interests and provide for the release of the Security Interests created by the Security Documents in certain circumstances upon enforcement by the Security

Agents in accordance with the terms of the Intercreditor Agreement. These limitations are described under *"Description of Certain Financing Arrangements—Intercreditor Agreement"* and *"Limitations on Validity and Enforceability of the Notes Guarantees and the Security Interests and Certain Insolvency Law Considerations"*. The ability to enforce may also be restricted by similar arrangements in relation to future Indebtedness that is secured on the Collateral in compliance with the Indenture and the Intercreditor Agreement.

The creditors under the Revolving Credit Facility, the counterparties to Hedging Obligations secured by the Collateral and the Trustee have and, by accepting a Note, each Holder will be deemed to have, appointed the Security Agents to act as its agent under the Intercreditor Agreement and the security documents securing such Indebtedness, including the Security Documents. The creditors under the Revolving Credit Facility, the Holders of the Notes, the counterparties to Hedging Obligations secured by the Collateral and the Trustee have and, by accepting a Note, each Holder will be deemed to have, authorized the Security Agents to: (i) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement and the security documents securing such Indebtedness, together with any other incidental rights, power and discretions, and (ii) execute each Security Document, waiver, modification, amendment, renewal or replacement expressed to be executed by the Security Agents on its behalf.

Intercreditor Agreement; Additional Intercreditor Agreements; Agreement to be Bound

The Indenture will provide that the Issuer and the Trustee will be authorized (without any further consent of the Holders of the Notes) to enter into the Intercreditor Agreement to give effect to the provisions described in the section entitled *"Description of Certain Financing Arrangements—Intercreditor Agreement"*.

The Indenture will also provide that each Holder of the Notes, by accepting such Note, will be deemed to have:

- (1) appointed and authorized the Security Agents and the Trustee to give effect to the provisions in the Intercreditor Agreement, any Additional Intercreditor Agreements and the Security Documents;
- (2) agreed to be bound by the provisions of the Intercreditor Agreement, any Additional Intercreditor Agreements and the Security Documents; and
- (3) irrevocably appointed the Security Agents and the Trustee to act on its behalf to enter into and comply with the provisions of the Intercreditor Agreement, any Additional Intercreditor Agreements and the Security Documents.

See the section entitled *"Risk Factors—Risks Relating to the Notes and our structure—The security interests over the Collateral will not be granted directly to the holders of the Notes and the holders of the Notes will have limited rights to enforce remedies under the Security Documents. The ability of the Security Agent to enforce certain of the Collateral may be restricted by local law"*.

Similar provisions to those described above may be included in any Additional Intercreditor Agreement (as defined below) entered into in compliance with the covenant described under *"—Certain Covenants—Additional Intercreditor Agreements"*.

Release of Liens

Release of the Security Interests in respect of the Collateral will be permitted under any one or more of the following circumstances:

- (1) in connection with any sale or other disposition of Collateral to: (a) a Person that is not the Company or a Restricted Subsidiary (but excluding any transaction subject to *"—Certain Covenants—Merger and Consolidation"*), if such sale or other disposition does not violate the covenant described under *"—Certain Covenants—Limitation on Sales of Assets and*

Subsidiary Stock" or (b) any Restricted Subsidiary; provided that (x) clause 1(b) shall not be relied upon in the case of a transfer of Capital Stock, of accounts receivable (including intercompany loan receivables and hedging receivables) or of any Master Franchise Agreement or any rights thereunder to a Restricted Subsidiary unless the relevant property and assets remain subject to, or otherwise become subject to, a Lien in favor of the Notes following such sale or disposal and (y) such sale or disposition and release is otherwise permitted in accordance with the Indenture, the Intercreditor Agreement and any Additional Intercreditor Agreement;

- (2) in the case of a Guarantor that is released from its Notes Guarantee pursuant to the terms of the Indenture, the release of the property and assets, and Capital Stock, of such Guarantor;
- (3) as described under "*—Amendments and Waivers*";
- (4) upon payment in full of principal, interest and all other obligations on the Notes or legal defeasance, covenant defeasance or satisfaction and discharge of the Notes, as provided in "*—Defeasance*" and "*—Satisfaction and Discharge*";
- (5) if the Company designates any Restricted Subsidiary to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture, the release of the property and assets, and Capital Stock, of such Unrestricted Subsidiary; or
- (6) as otherwise permitted in accordance with the Indenture.

In addition, the Security Interests created by the Security Documents will be released: (a) in accordance with an enforcement action pursuant to the Intercreditor Agreement or any Additional Intercreditor Agreement and (b) as may be permitted by the covenant described under "*—Certain Covenants—Impairment of Security Interest*".

The Security Agents and the Trustee (but only if required), as applicable, will take all action reasonably requested by, and at the cost of, the Company to effectuate any release of Collateral securing the Notes and the Notes Guarantees, in accordance with the provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement, subject to customary protections and indemnifications. Each of the releases set forth above shall be effected by the Security Agents without the consent of the Holders or any action on the part of the Trustee (unless action is required by it to effect such release).

Optional Redemption

Except as described below and except as described under "*Redemption for Taxation Reasons*", the Notes are not redeemable until , 2020.

On and after , 2020 the Issuer may redeem all or, on any one or more occasions, part of the Notes upon not less than 10 nor more than 60 days' notice, at the following redemption prices (expressed as a percentage of principal amount) plus accrued and unpaid interest and Additional Amounts (as defined below), if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period beginning on of the years indicated below:

Year	Redemption Price
2020	%
2021	%
2022 and thereafter	100.00%

At any time prior to , 2020 the Issuer may on any one or more occasions redeem up to 40% of the aggregate principal amount of the Notes, upon not less than 10 nor more than 60 days' notice, at a redemption price equal to % of the principal amount of the Notes

redeemed, plus accrued and unpaid interest and Additional Amounts, if any, to the date of redemption (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), with the net cash proceeds of one or more Equity Offerings the proceeds of which are contributed to the Company in the form of a subscription for, or a capital contribution in respect of, Capital Stock (other than Disqualified Stock) of the Company or as Subordinated Shareholder Funding of the Company, provided that:

- (1) at least 60% of the aggregate principal amount of the Notes originally issued under the Indenture (excluding the Notes held by the Company and its Subsidiaries) remains outstanding immediately after the occurrence of such redemption; and
- (2) the redemption occurs within 120 days of the date of the closing of such Equity Offering.

In addition, prior to _____, 2020 the Issuer may redeem all or, from time to time, part of the Notes upon not less than 10 nor more than 60 days' notice at a redemption price equal to 100% of the principal amount of the Notes, plus the Applicable Premium plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

General

Subject to the provisions of the Intercreditor Agreement or any Additional Intercreditor Agreement, we may repurchase the Notes at any time and from time to time in the open market or otherwise.

Notice of redemption will be provided as set forth under "*Selection and Notice*" below.

If the Issuer effects an optional redemption of the Notes, it will, for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market and the rules and regulations of the Luxembourg Stock Exchange so require, inform the Luxembourg Stock Exchange of such optional redemption and confirm the aggregate principal amount of the Notes that will remain outstanding immediately after such redemption.

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date. If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest will be paid to the Person in whose name the Note is registered at the close of business on such record date, and no additional interest will be payable to Holders whose Notes will be subject to redemption by the Issuer.

In connection with any redemption of the Notes (including with the proceeds from an Equity Offering), any such redemption may, at the Issuer's discretion, be subject to one or more conditions precedent.

Notwithstanding the foregoing, in connection with any tender offer for the Notes at a price of at least 100.000% of the principal amount of the Notes tendered, plus accrued and unpaid interest thereon to, but excluding, the applicable tender settlement date, if Holders of not less than 90% in aggregate principal amount of the applicable outstanding Notes validly tender and do not withdraw such Notes in such tender offer and the Issuer, or any third party making such a tender offer in lieu of the Issuer, purchases, all of the Notes validly tendered and not withdrawn by such Holders, the Issuer or such third party will have the right upon not less than 10 nor more than 60 days' prior notice, given not more than 30 days following such tender offer expiration date, to redeem the Notes that remain outstanding in whole, but not in part following such purchase at a price equal to the price offered to each other Holder of the Notes in such tender offer, plus, to the extent not included in the tender offer payment, accrued and unpaid interest, if any, thereon, to, but excluding, such redemption date.

Sinking Fund

The Issuer is not required to make mandatory redemption payments or sinking fund payments with respect to the Notes.

Redemption at Maturity

On _____, 2023 the Issuer will redeem the Notes that have not been previously redeemed or purchased and canceled at 100% of their principal amount plus accrued and unpaid interest thereon and Additional Amounts, if any, to the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Selection and Notice

If less than all of any series of Notes is to be redeemed at any time, the Paying Agent or the Registrar will select Notes for redemption in compliance with the requirements of the principal securities exchange, if any, on which the Notes are listed (as certified by the Issuer to the Paying Agent or Registrar, as the case may be), and in compliance with the requirements of Euroclear or Clearstream, or if the Notes are not so listed or such exchange prescribes no method of selection and the Notes are not held through Euroclear or Clearstream, or Euroclear or Clearstream prescribes no method of selection, on a pro rata basis by use of a pool factor; *provided, however*, that no Senior Secured Note of €100,000 in aggregate principal amount or less shall be redeemed in part and only Notes in integral multiples of €1,000 will be redeemed. The Paying Agent, the Registrar or the Trustee will not be liable for any selections made in accordance with this paragraph.

For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market and the rules and regulations of the Luxembourg Stock Exchange so require, the Issuer shall publish notice of redemption in a leading daily newspaper of general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Luxembourg Stock Exchange (www.bourse.lu) and in addition to such publication, not less than 10 nor more than 60 days prior to the redemption date, mail such notice to Holders by first-class mail, postage prepaid, at their respective addresses as they appear on the registration books of the Registrar. For Notes which are represented by global certificates held on behalf of Euroclear and/or Clearstream, notices may be given by delivery of the relevant notices to Euroclear and Clearstream for communication to entitled account holders in substitution for the aforesaid mailing.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note shall state the portion of the principal amount thereof to be redeemed. In the case of a Definitive Registered Note, a new Definitive Registered Note in principal amount equal to the unredeemed portion of any Definitive Registered Note redeemed in part will be issued in the name of the Holder thereof upon cancellation of the original Definitive Registered Note. In the case of a Global Note, an appropriate notation will be made on such Global Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Subject to the terms of the applicable redemption notice, Notes called for redemption become due on the date fixed for redemption. Unless the Issuer defaults in the payment of the redemption price, on and after the redemption date, interest ceases to accrue on the Notes or portions of the Notes called for redemption.

Redemption for Taxation Reasons

The Issuer may redeem the Notes in whole, but not in part, at any time upon giving not less than 10 nor more than 60 days' prior notice to the Holders of the Notes (which notice will be irrevocable) at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed for redemption (a "**Tax Redemption Date**") (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) and all Additional Amounts, as defined below under "**Withholding Taxes**", if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if the Issuer determines in good faith that, as a result of:

- (1) any change in, or amendment to, the law or treaties (or any regulations, official guidance or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined below) affecting taxation; or
- (2) any amendment to, or change in an official application, administration or written interpretation of such laws, treaties, regulations, official guidance or rulings (including by reason of a holding, judgment or order by a court of competent jurisdiction or a change in published administrative practice) (each of the foregoing in clauses (1) and (2), a "**Change in Tax Law**"),

a Payor (as defined below) is, or on the next interest payment date in respect of the Notes would be, required to pay Additional Amounts with respect to the Notes (but, in the case of a Guarantor, only if the payment giving rise to such requirement cannot be made by the Issuer or another Guarantor who can make such payment without the obligation to pay Additional Amounts), and such obligation cannot be avoided by taking reasonable measures available to the Payor (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be reasonable). Such Change in Tax Law must be publicly announced and become effective on or after the Issue Date (or if the applicable Relevant Taxing Jurisdiction became a Relevant Taxing Jurisdiction on a date after the Issue Date, such later date). The foregoing provisions shall apply: (a) to a Guarantor only after such time as such Guarantor is obligated to make at least one payment on the Notes and (b) *mutatis mutandis*, to any successor Person, after such successor Person becomes a party to the Indenture, with respect to a Change in Tax Law occurring after the time such successor Person becomes a party to the Indenture.

Notice of redemption for taxation reasons will be published in accordance with the procedures described under "**Selection and Notice**". Notwithstanding the foregoing, no such notice of redemption will be given earlier than 60 days prior to the earliest date on which the Payor would be obligated to make such payment of Additional Amounts. Prior to the publication or mailing of any notice of redemption of the Notes pursuant to the foregoing, the Issuer will deliver to the Trustee: (a) an Officer's Certificate stating that it is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right to so redeem have been satisfied and that the obligation to pay Additional Amounts cannot be avoided by the relevant Payor taking reasonable measures available to it and (b) a written opinion of an independent tax counsel of recognized standing qualified under the laws of the Relevant Taxing Jurisdiction and satisfactory to the Trustee (such approval not to be unreasonably withheld) to the effect that the Payor has been or will become obligated to pay Additional Amounts as a result of a Change in Tax Law. The Trustee will accept and shall be entitled to rely on such Officer's Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, without further inquiry, in which event it will be conclusive and binding on the Holders.

Withholding Taxes

All payments made by or on behalf of the Issuer or any Guarantor (including any successor entity) (each, a "**Payor**") in respect of the Notes or with respect to any Notes Guarantee, as applicable, will be made free and clear of and without withholding or deduction for, or on account of, any Taxes unless the withholding or deduction of such Taxes is then required by law or by the

relevant taxing authority's interpretation or administration thereof. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of:

- (1) any jurisdiction from or through which payment on any such Note or Notes Guarantee is made or any political subdivision or governmental authority thereof or therein having the power to tax (including the jurisdiction of the Paying Agent); or
- (2) any other jurisdiction in which a Payor is incorporated or organized, engaged in business for tax purposes, or otherwise considered to be a resident for tax purposes, or any political subdivision or governmental authority thereof or therein having the power to tax (each of clause (1) and (2), a "**Relevant Taxing Jurisdiction**"),

will at any time be required by law to be made from any payments made by or on behalf of the Payor with respect to any Note or any Notes Guarantee, including (without limitation) payments of principal, redemption price, interest or premium, if any, the Payor will pay (together with such payments) such additional amounts (the "**Additional Amounts**") as may be necessary in order that the net amounts received in respect of such payments, after such withholding or deduction (including any such withholding or deduction from such Additional Amounts), will not be less than the amounts which would have been received in respect of such payments on any such Note or Notes Guarantee in the absence of such withholding or deduction; *provided, however*, that no such Additional Amounts will be payable for or on account of:

- (1) any Taxes, to the extent such Taxes would not have been so imposed but for the existence of any present or former connection between the relevant Holder (or between a fiduciary, settlor, beneficiary, member, partner or shareholder of, or possessor of power over the relevant Holder, if the relevant Holder is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction (including, being resident for tax purposes, or being a citizen or resident or national of, or carrying on a business or maintaining a permanent establishment in or place of management present or deemed present in, or being physically present in, the Relevant Taxing Jurisdiction) but excluding, in each case, any connection arising solely from the acquisition, ownership or holding of such Note or the receipt of any payment or the exercise or enforcement of rights under such Note, the Indenture or a Notes Guarantee;
- (2) any Taxes, to the extent such Taxes are imposed or withheld by reason of the failure by the Holder or the beneficial owner of the Note to comply with a reasonable written request of the Payor addressed to the Holder or beneficial owner, after reasonable notice (at least 30 days before any such withholding or deduction would be payable), to provide certification, information, documents or other evidence concerning the nationality, residence or identity of the Holder or such beneficial owner or to make any declaration or similar claim or satisfy any other reporting requirement relating to such matters, which is required by a law, statute, treaty, regulation or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from, or reduction in the rate of, all or part of such Tax, but, in each case, only to the extent the Holder or beneficial owner is legally entitled to do so;
- (3) any Taxes, to the extent such Taxes are imposed as a result of the presentation of the Note for payment (where Notes are in the form of Definitive Registered Notes and presentation is required) more than 30 days after the later of the applicable payment date or the date the relevant payment is first made available for payment to the Holder (except to the extent that the Holder would have been entitled to Additional Amounts had the Note been presented on the last day of such 30 day period);
- (4) any Taxes that are payable otherwise than by deduction or withholding from a payment with respect to the Notes or with respect to any Notes Guarantee;
- (5) any estate, inheritance, gift, sales, excise, transfer, personal property or similar Taxes;
- (6) any Taxes imposed, deducted or withheld pursuant to section 1471(b) of the U.S. Internal Revenue Code or otherwise imposed pursuant to sections 1471 through 1474 of the U.S.

Internal Revenue Code, in each case, as of the Issue Date (and any amended or successor version that is substantively comparable), any current or future regulations or agreements thereunder, official interpretations thereof or similar law or regulation implementing an intergovernmental agreement relating thereto; or

(7) any combination of the items (1) through (6) above.

In addition, no Additional Amounts shall be paid with respect to a Holder who is a fiduciary or a partnership or any person other than the beneficial owner of the Notes, to the extent that the beneficiary or settler with respect to such fiduciary, the member of such partnership or the beneficial owner would not have been entitled to Additional Amounts had such beneficiary, settler, member or beneficial owner held such Notes directly.

The Payor will: (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the relevant tax authority in accordance with applicable law. The Payor will provide certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes, or if such tax receipts are not available, certified copies of other reasonable evidence of such payments as soon as reasonably practicable to the Trustee (with a copy to the Paying Agent). Such copies shall be made available to the Holders upon reasonable request and will be made available at the offices of the Paying Agent.

If any Payor is obligated to pay Additional Amounts with respect to any payment made on any Note or any Notes Guarantee, at least 30 days prior to the date of such payment, the Payor will deliver to the Trustee (with a copy to the Paying Agent) an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable and such other information necessary to enable the Paying Agent to pay Additional Amounts on the relevant payment date (unless such obligation to pay Additional Amounts arises less than 45 days prior to the relevant payment date, in which case the Payor may deliver such Officer's Certificate as promptly as practicable thereafter). The Trustee and the Paying Agent shall be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

Wherever in the Indenture, the Notes or this "*Description of the Notes*" there is mentioned, in any context:

- (1) the payment of principal;
- (2) redemption prices or purchase prices in connection with a redemption or purchase of the Notes;
- (3) interest; or
- (4) any other amount payable on or with respect to any of the Notes or any Notes Guarantee,

such reference shall be deemed to include payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Payor will pay each applicable Holder for any present or future stamp, issue, registration, court or documentary taxes, or similar charges or levies (including any related interest or penalties with respect thereto) or any other excise, property or similar taxes or similar charges or levies (including any related interest or penalties with respect thereto) that arise in a Relevant Taxing Jurisdiction from the execution, issuance, delivery, initial resale, registration, enforcement of, or receipt of payments with respect to any Notes, any Notes Guarantee, the Indenture, or any other document or instrument in relation thereto (other than in each case, in connection with a transfer after this Offering).

The foregoing obligations will survive any termination, defeasance or discharge of the Indenture, any transfer by a Holder or beneficial owner, and will apply *mutatis mutandis* to any jurisdiction in which any successor to a Payor is incorporated or organized, engaged in business for tax purposes or otherwise resident for tax purposes, or any jurisdiction from or through which any

payment under, or with respect to the Notes (or any Notes Guarantee) is made by or on behalf of such Person, or any political subdivision or taxing authority or agency thereof or therein.

Change of Control

If a Change of Control occurs, subject to the terms of the covenant described under this heading "*Change of Control*", each Holder will have the right to require the Issuer to repurchase all or any part (equal to €100,000 or integral multiples of €1,000 in excess thereof; *provided* that Notes of €100,000 or less may only be redeemed in whole and not in part) of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of the Notes repurchased, plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided, however*, that the Issuer shall not be obligated to repurchase Notes as described under this heading, "*Change of Control*", in the event and to the extent that it has unconditionally exercised its right to redeem all of the Notes and given notice of redemption as described under "*—Optional Redemption*" and that all conditions to such redemption have been satisfied or waived.

Unless the Issuer has unconditionally exercised its right to redeem all the Notes and given notice of redemption as described under "*—Optional Redemption*" and all conditions to such redemption have been satisfied or waived, no later than the date that is 60 days after any Change of Control, the Issuer will mail a notice (the "**Change of Control Offer**") to each Holder of any such Notes, with a copy to the Trustee:

- (1) stating that a Change of Control has occurred or may occur and that such Holder has the right to require the Issuer to purchase all or any part of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of such Notes plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of purchase (subject to the right of Holders of record on a record date to receive interest on the relevant interest payment date) (the "**Change of Control Payment**");
- (2) stating the repurchase date (which shall be no earlier than 10 days nor later than 60 days from the date such notice is mailed) and the record date (the "**Change of Control Payment Date**");
- (3) stating that any Note accepted for payment pursuant to the Change of Control Offer will cease to accrue interest on the Change of Control Payment Date unless the Change of Control Payment is not paid, and that any Notes or part thereof not tendered will continue to accrue interest;
- (4) describing the circumstances and relevant facts regarding the transaction or transactions that constitute the Change of Control;
- (5) describing the procedures determined by the Issuer, consistent with the Indenture, that a Holder must follow in order to have its Notes repurchased (including that Holders will be entitled to withdraw their election if the Paying Agent or other specified agent receives, not later than the close of business on the second Business Day preceding the Change of Control Payment Date, a facsimile transmission or letter setting forth the name of the Holder, the principal amount of the Notes delivered for purchase, and a statement that such Holder is withdrawing his election to have such Notes purchased); and
- (6) if such notice is mailed prior to the occurrence of a Change of Control, stating that the Change of Control Offer is conditional on the occurrence of such Change of Control.

On the Change of Control Payment Date, if the Change of Control shall have occurred, the Issuer will, to the extent lawful:

- (1) accept for payment all Notes or portion thereof properly tendered pursuant to the Change of Control Offer;

- (2) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes so tendered;
- (3) deliver or cause to be delivered to the Trustee (with a copy to the Paying Agent) an Officer's Certificate stating the aggregate principal amount of the Notes or portions of the Notes being purchased by the Issuer in the Change of Control Offer;
- (4) in the case of Global Notes, deliver, or cause to be delivered, to the Trustee (or an authenticating agent) the Global Notes in order to reflect thereon the portion of such Notes or portions thereof that have been tendered to and purchased by the Issuer; and
- (5) in the case of Definitive Registered Notes, deliver, or cause to be delivered, to the relevant Registrar for cancellation all Definitive Registered Notes accepted for purchase by the Issuer.

If any Definitive Registered Notes have been issued, the Paying Agent will promptly mail or deliver to each Holder of Definitive Registered Notes so tendered the Change of Control Payment for such Notes, and the Trustee (or an authenticating agent) will, at the cost of the Issuer, promptly authenticate and mail (or cause to be transferred by book-entry) to each Holder of Definitive Registered Notes a new Definitive Registered Note equal in principal amount to the unpurchased portion of the Notes surrendered, if any; *provided* that each such new Note will be in a principal amount that is at least €100,000 and integral multiples of €1,000 in excess thereof.

For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market and the rules and regulations of the Luxembourg Stock Exchange so require, the Issuer will publish notices relating to the Change of Control Offer in a leading daily newspaper of general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Luxembourg Stock Exchange (www.bourse.lu).

Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the Holders to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction. The existence of a Holder's right to require the Issuer to repurchase Notes upon the occurrence of a Change of Control may deter a third party from seeking to acquire the Company, the Issuer or its Subsidiaries in a transaction that would constitute a Change of Control.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place providing for the Change of Control at the time the Change of Control Offer is made.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the U.S. Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to these "Change of Control" provisions. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Indenture by virtue of such compliance.

The Issuer's ability to repurchase Notes issued by it pursuant to a Change of Control Offer may be limited by a number of factors. The occurrence of certain of the events that constitute a Change of Control would require a mandatory prepayment of Indebtedness under the Revolving Credit Facility Agreement. In addition, certain events that may constitute a change of control under the Revolving Credit Facility Agreement and require a mandatory prepayment of Indebtedness under such agreement may not constitute a Change of Control under the Indenture. Future

Indebtedness of the Issuer or its Subsidiaries may also contain prohibitions of certain events that would constitute a Change of Control or require such Indebtedness to be repurchased upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Issuer to repurchase the Notes could cause a default under, or require a repurchase of, such Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Issuer. Finally, the Issuer's ability to pay cash to the Holders upon a repurchase may be limited by the Issuer's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases. See *"Risk Factors—The Issuer may not be able to repurchase the Notes upon a change of control. In addition, under certain circumstances, the Issuer may have the right to purchase all outstanding Notes in connection with a tender offer, even if certain holders do not consent to the tender"*.

In addition, if an event that constitutes a Change of Control occurs, the definition of **"Change of Control"** and **"Permitted Holders"** expressly permit a third party to obtain control of the Issuer in a transaction which is a Specified Change of Control Event without any obligation to make a Change of Control offer.

The definition of **"Change of Control"** includes a disposition, in one or a series of related transactions, of all or substantially all of the property and assets of the Company and its Restricted Subsidiaries taken as a whole to specified other Persons. Although there is a limited body of case law interpreting the phrase *"substantially all"*, there is no precise established definition of the phrase *"substantially all"* under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of *"all or substantially all"* of the property and assets of the Company and its Restricted Subsidiaries taken as a whole. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder may require the Issuer to make an offer to repurchase the Notes as described above.

The provisions of the Indenture relating to the Issuer's obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified with the written consent of Holders of a majority in outstanding principal amount of the Notes.

Certain Covenants

Limitation on Indebtedness

The Company will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness); *provided, however*, that the Company and any Restricted Subsidiary may Incur Indebtedness (including Acquired Indebtedness) if on the date of such Incurrence, after giving pro forma effect to the Incurrence of such Indebtedness (including pro forma application of the proceeds thereof), (1) the Fixed Charge Coverage Ratio for the Company and its Restricted Subsidiaries would have been at least 2.0 to 1.0; and (2) to the extent that the Indebtedness is Senior Secured Indebtedness, the Consolidated Senior Secured Leverage Ratio for the Company and its Restricted Subsidiaries would have been no greater than 2.5 to 1.0.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness (**"Permitted Debt"**):

- (1) Indebtedness Incurred pursuant to any Credit Facility (including in respect of letters of credit or bankers' acceptances issued or created thereunder), and any Refinancing Indebtedness in respect thereof and Guarantees in respect of such Indebtedness in a maximum aggregate principal amount at any time outstanding not exceeding: (i) the greater of 25% of Consolidated EBITDA of the Company and €20.0 million, plus (ii) in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing;
- (2) (a) Guarantees by the Company or any Restricted Subsidiary of Indebtedness of the Company or any Restricted Subsidiary, so long as the Incurrence of such Indebtedness is permitted to

be Incurred by another provision of this covenant; *provided* that, if the Indebtedness being guaranteed is subordinated to or *pari passu* with the Notes or a Notes Guarantee, then the guarantee must be subordinated to or *pari passu* with the Notes or such Notes Guarantee to the same extent as the Indebtedness being guaranteed; or

(b) without limiting the covenant described under "*Limitation on Liens*", Indebtedness arising by reason of any Lien granted by or applicable to such Person securing Indebtedness of the Company or any Restricted Subsidiary so long as the Incurrence of such Indebtedness is permitted under the terms of the Indenture;

(3) Indebtedness of the Company owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Company or any Restricted Subsidiary; *provided, however*, that:

(a) if the Issuer or a Guarantor is the obligor on any such Indebtedness and the obligee is not the Issuer or a Guarantor, such Indebtedness is unsecured and expressly subordinated to the prior payment in full in cash of all obligations with respect to the Notes, in the case of the Issuer, or the applicable Notes Guarantee, in the case of a Guarantor in each case pursuant to the Intercreditor Agreement or any Additional Intercreditor Agreement; and

(b) any subsequent issuance or transfer of Capital Stock or any other event which results in any such Indebtedness being beneficially held by a Person other than the Company or a Restricted Subsidiary of the Company and any sale or other transfer of any such Indebtedness to a Person other than the Company or a Restricted Subsidiary of the Company, shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (3) by the Company or such Restricted Subsidiary, as the case may be;

(4) (a) Indebtedness represented by the Notes (other than any Additional Notes) and the related Notes Guarantees Incurred on the Issue Date;

(b) any Indebtedness of the Company and the Restricted Subsidiaries (other than Indebtedness Incurred under the Revolving Credit Facility or described in clause (3) of this paragraph) outstanding on the Issue Date after giving effect to the Refinancing (as described under "*Use of Proceeds*" in the Offering Memorandum);

(c) Refinancing Indebtedness Incurred in respect of any Indebtedness Incurred under clauses (4), (5) or (13) of this paragraph or pursuant to the first paragraph of this covenant; and

(d) Management Advances;

(5) Indebtedness (i) of any Person outstanding on the date on which such Person becomes a Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Company or any of its Restricted Subsidiaries or (ii) Incurred by the Issuer or one or more Guarantors to provide all or a portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which a Person became a Restricted Subsidiary or was otherwise acquired by a Restricted Subsidiary; *provided* that, with respect to this clause (5), at the time of such acquisition or other transaction and after giving *pro forma* effect to such acquisition or other transaction and to the related Incurrence of Indebtedness, either (x) the Company would have been able to incur €1.00 of additional Indebtedness pursuant to the first paragraph of this covenant or (y) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to such acquisition or other transaction and to the related Incurrence of Indebtedness;

(6) Indebtedness under Currency Agreements, Interest Rate Agreements and Commodity Hedging Agreements not for speculative purposes (as determined in good faith by the Board of Directors or a member of Senior Management of the Company);

- (7) Indebtedness consisting of (A) Capitalized Lease Obligations, mortgage financings, Purchase Money Obligations or other financings, Incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in a Similar Business or (B) Indebtedness otherwise Incurred to finance the purchase, lease, rental or cost of design, construction, installation or improvement of property (real or personal) or equipment that is used or useful in a Similar Business, whether through the direct purchase of assets or the Capital Stock of any Person owning such assets, and any Indebtedness which refinances, replaces or refunds such Indebtedness, in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (7) and then outstanding, will not exceed at any time outstanding €20.0 million; *provided* that the Indebtedness exists on the date of such purchase, lease, rental or improvement or is created within 180 days thereafter;
- (8) Indebtedness in respect of: (a) workers' compensation claims, self-insurance obligations, unemployment insurance (including premiums related thereto), other types of social security, pension obligations, vacation pay, health, disability or other employee benefits, performance, indemnity, surety, judgment, appeal, advance payment, customs, VAT or other tax or other guarantees or other similar bonds, instruments or obligations and completion guarantees and warranties provided by the Company or a Restricted Subsidiary or relating to liabilities, obligations or guarantees Incurred in the ordinary course of business or in respect of any governmental requirement, (b) letters of credit, bankers' acceptances, guarantees or other similar instruments or obligations issued or relating to liabilities or obligations Incurred in the ordinary course of business or in respect of any governmental requirement, *provided, however,* that upon the drawing of such letters of credit or other similar instruments, the obligations are reimbursed within 30 days following such drawing, (c) the financing of insurance premiums in the ordinary course of business, (d) any customary cash management, cash pooling or netting or setting off arrangements, including customary credit card facilities, in the ordinary course of business, and (e) Indebtedness representing: deferred compensation to current or former directors, officers, employees, members of management and managers of any Parent, the Company or any of its Subsidiaries in the ordinary course of business;
- (9) Indebtedness arising from agreements providing for customary guarantees, indemnification, obligations in respect of earnouts or other adjustments of purchase price or, in each case, similar obligations, in each case, Incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Capital Stock of a Subsidiary (other than Guarantees of Indebtedness Incurred by any Person acquiring or disposing of such business or assets or such Subsidiary for the purpose of financing such acquisition or disposition); *provided* that the maximum liability of the Company and its Restricted Subsidiaries in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the fair market value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Company and its Restricted Subsidiaries in connection with such disposition;
- (10) (a) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided, however,* that such Indebtedness is extinguished within 30 Business Days of Incurrence;
- (b) (i) customer deposits and advance payments received in the ordinary course of business from customers for goods or services purchased in the ordinary course of business and (ii) Indebtedness consisting of obligations owing under any customer or supplier incentive, supply, license or similar agreements entered into in the ordinary course of business;
- (c) Indebtedness owed on a short-term basis of no longer than 30 days to banks and other financial institutions Incurred in the ordinary course of business of the Company and its

Restricted Subsidiaries with such banks or financial institutions that arises in connection with ordinary banking arrangements to manage cash balances of the Company and its Restricted Subsidiaries; and

(d) Indebtedness Incurred by a Restricted Subsidiary in connection with bankers acceptances, discounted bills of exchange or the discounting or factoring of receivables for credit management of bad debt purposes, in each case Incurred or undertaken in the ordinary course of business;

- (11) Indebtedness in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (11) and then outstanding, will not exceed the greater of 20% of Consolidated EBITDA of the Company and €20.0 million, it being understood that any Indebtedness deemed Incurred pursuant to this clause (11) shall cease to be deemed Incurred or outstanding for purposes of this clause (11) but shall be deemed Incurred for the purposes of the first paragraph of this covenant from and after the first date on which such Indebtedness could have been Incurred under the first paragraph of this covenant without reliance on this clause (11);
- (12) Indebtedness of the Issuer and the Guarantors in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (12) and then outstanding, will not exceed 100% of the Net Cash Proceeds received by the Company from the issuance or sale (other than to a Restricted Subsidiary) of its Subordinated Shareholder Funding or Capital Stock (other than Disqualified Stock, Designated Preference Shares or an Excluded Contribution) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares, or an Excluded Contribution) of the Company, in each case, subsequent to the Issue Date; *provided, however*, that (i) any such Net Cash Proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under the first paragraph and clauses (1) and (5) of the second paragraph of the covenant described below under “—*Limitation on Restricted Payments*” to the extent the Company and its Restricted Subsidiaries Incur Indebtedness in reliance thereon and (ii) any Net Cash Proceeds that are so received or contributed shall be excluded for purposes of Incurring Indebtedness pursuant to this clause (12) to the extent the Company or any of its Restricted Subsidiaries makes a Restricted Payment under the first paragraph and clauses (1) and (5) of the second paragraph of the covenant described under “—*Limitation on Restricted Payments*” in reliance thereon; and
- (13) Indebtedness consisting of local lines of credit, overdraft facilities or local working capital facilities in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (13) and then outstanding, will not exceed €15.0 million.

Notwithstanding anything to the contrary contained herein, the aggregate principal amount of Indebtedness that is permitted to be Incurred by the Company's Restricted Subsidiaries that are not the Issuer or Guarantors pursuant to the first paragraph of this covenant and clauses (1), (5) (including any Refinancing Indebtedness Incurred in respect thereof), (11) and (13) of the second paragraph of this covenant and without double counting, including all Indebtedness Incurred by a Restricted Subsidiary that is not the Issuer or a Guarantor to redeem, refund, repay, replace, defease or discharge such Indebtedness, shall not exceed at any time outstanding an amount equal to the greater of: (i) 20% of Consolidated EBITDA and (ii) €20.0 million on a pro forma basis (including a *pro forma* application of the net proceeds therefrom).

For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, this covenant:

- (1) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, the Company, in

its sole discretion, will classify, and may from time to time reclassify, such item of Indebtedness and only be required to include the amount and type of such Indebtedness in one of the clauses of the second paragraph or the first paragraph of this covenant;

- (2) all Indebtedness outstanding under the Revolving Credit Facility shall be deemed initially Incurred under clause (1) of the second paragraph of this covenant and may not be reclassified;
- (3) Guarantees of, or obligations in respect of letters of credit, bankers' acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;
- (4) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments or borrowings used for cash collateral are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to clause (1), (7), (11), (12) or (13) of the second paragraph above or the first paragraph above and the letters of credit, bankers' acceptances or other similar instruments or cash collateral relate to other Indebtedness, then such other Indebtedness shall not be included up to the amount treated as being Incurred pursuant to such clauses or paragraphs;
- (5) the principal amount of any Disqualified Stock of the Company or a Restricted Subsidiary, or Preferred Stock of a Restricted Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;
- (6) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness;
- (7) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined on the basis of IFRS; and
- (8) accrual of interest, accrual of dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest in the form of additional Indebtedness, the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock or the reclassification of commitments or obligations not treated as Indebtedness due to a change in IFRS will not be deemed to be an Incurrence of Indebtedness for purposes of the covenant described under this "*—Limitation on Indebtedness*". The amount of any Indebtedness outstanding as of any date shall be: (a) the accreted value thereof in the case of any Indebtedness issued with original issue discount and (b) the principal amount, or liquidation preference thereof, in the case of any other Indebtedness.

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary of the Company as of such date (and, if such Indebtedness is not permitted to be Incurred as of such date under the covenant described under this "*—Limitation on Indebtedness*", the Company shall be in Default of this covenant).

For purposes of determining compliance with any euro-denominated restriction on the Incurrence of Indebtedness, the Euro Equivalent of the principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed or first Incurred (whichever yields the lower Euro Equivalent), in the case of Indebtedness Incurred under a revolving credit facility; *provided* that (a) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than the euro, and such refinancing would cause the applicable euro-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such euro-denominated restriction shall be deemed not to have been exceeded so long as the

principal amount of such refinancing Indebtedness does not exceed the amount set forth in clause (2) of the definition of “**Refinancing Indebtedness**”, (b) the Euro Equivalent of the principal amount of any such Indebtedness (i) outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date and (c) if any such Indebtedness that is denominated in a different currency is subject to a Currency Agreement (with respect to the euro) covering principal amounts payable on such Indebtedness, the amount of such Indebtedness expressed in euro will be adjusted to take into account the effect of such agreement.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Company or a Restricted Subsidiary may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

Neither the Issuer nor any Guarantor will Incur any Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any other Indebtedness of the Issuer or any Guarantor unless such Indebtedness is also contractually subordinated in right of payment to the Notes and the applicable Notes Guarantee, if any, on substantially identical terms; *provided, however*, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Issuer or any Guarantor solely by virtue of being unsecured or by virtue of being secured with different collateral or by virtue of being secured on a junior priority basis or by virtue of the application of waterfall or other payment ordering provisions affecting different tranches of Indebtedness.

No Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Issuer or any Guarantor solely by virtue of being unsecured or by virtue of being secured on a first or junior Lien basis.

Limitation on Restricted Payments

The Company will not, and will not permit any of its Restricted Subsidiaries, directly or indirectly, to:

- (1) declare or pay any dividend or make any other payment or distribution on or in respect of the Company’s or any Restricted Subsidiary’s Capital Stock (including any payment in connection with any merger or consolidation involving the Company or any of its Restricted Subsidiaries) except:
 - (a) dividends or distributions payable in Capital Stock of the Company (other than Disqualified Stock) or in options, warrants or other rights to purchase such Capital Stock of the Company or in Subordinated Shareholder Funding; and
 - (b) dividends or distributions payable to the Company or a Restricted Subsidiary (and, in the case of any such Restricted Subsidiary making such dividend or distribution, to holders of its Capital Stock other than the Company or a Restricted Subsidiary on no more than a pro rata basis, measured by value);
- (2) purchase, redeem, retire or otherwise acquire for value any Capital Stock of the Company or any direct or indirect Parent of the Company held by Persons other than the Company or a Restricted Subsidiary of the Company (other than in exchange for Capital Stock of the Company (other than Disqualified Stock));
- (3) make any principal payment on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Indebtedness (other than (a) any such payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement or in anticipation of satisfying a sinking fund obligation, principal instalment or final maturity, in

each case, due within one year of the date of payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement and (b) any Indebtedness Incurred pursuant to clause (3) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*";

- (4) make any payment (whether of principal, interest or other amounts) on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value any Subordinated Shareholder Funding (other than any payment of interest thereon in the form of additional Subordinated Shareholder Funding); or
- (5) make any Restricted Investment in any Person,
(each such dividend, distribution, payment, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in clauses (1) through (5) is referred to herein as a "*Restricted Payment*"), if at the time the Company or such Restricted Subsidiary makes such Restricted Payment:
 - (a) a Default shall have occurred and be continuing (or would result immediately thereafter therefrom);
 - (b) the Company is not able to Incur an additional €1.00 of Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described under "*—Limitation on Indebtedness*" after giving effect, on a pro forma basis, to such Restricted Payment; or
 - (c) the aggregate amount of such Restricted Payment and all other Restricted Payments made subsequent to the Issue Date (and not returned or rescinded) (including Permitted Payments permitted below by clauses (4) or (9) of the second succeeding paragraph, but excluding all other Restricted Payments permitted by the second succeeding paragraph) would exceed the sum of (without duplication):
 - (i) 50% of Consolidated Net Income for the period (treated as one accounting period) from the first day of the fiscal quarter commencing immediately prior to the Issue Date to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which internal consolidated financial statements of the Company are available (or, in the case such Consolidated Net Income is a deficit, minus 100% of such deficit);
 - (ii) 100% of the aggregate Net Cash Proceeds, and the fair market value of property or assets or marketable securities, received by the Company from the issue or sale of its Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding subsequent to the Issue Date or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Company subsequent to the Issue Date (other than (v) Subordinated Shareholder Funding or Capital Stock in each case sold to a Subsidiary of the Company, (w) Net Cash Proceeds or property or assets or marketable securities received from an issuance or sale of such Capital Stock to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary, (x) Net Cash Proceeds or property or assets or marketable securities to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (5) of the second succeeding paragraph, (y) Excluded Contributions and (z) Net Cash Proceeds used to Incur Indebtedness pursuant to clause (12) of the covenant described under "*—Limitation on Indebtedness*";
 - (iii) 100% of the aggregate Net Cash Proceeds, and the fair market value of property or assets or marketable securities, received by the Company or any Restricted Subsidiary from the issuance or sale (other than to the Company or a Restricted Subsidiary of the Company or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the

extent funded by the Company or any Restricted Subsidiary) by the Company or any Restricted Subsidiary subsequent to the Issue Date of any Indebtedness that has been converted into or exchanged for Capital Stock of the Company (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding (plus the amount of any cash, and the fair market value of property or assets or marketable securities received by the Company or any Restricted Subsidiary upon such conversion or exchange) but excluding: (w) Disqualified Stock or Indebtedness issued or sold to a Subsidiary of the Company, (x) Net Cash Proceeds to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (5) of the second succeeding paragraph, (y) Excluded Contributions and (z) the amount of any cash, and the fair market value of property or assets or marketable securities distributed or paid by the Company or any Restricted Subsidiary upon such conversion or exchange;

- (iv) 100% of the aggregate Net Cash Proceeds, and the fair market value of property or assets or marketable securities, received by the Company or any Restricted Subsidiary (other than to the Company or a Restricted Subsidiary of the Company or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary) from the disposition of any Unrestricted Subsidiary or the disposition or repayment of any Investment constituting a Restricted Payment made after the Issue Date;
- (v) in the case of the designation of an Unrestricted Subsidiary as a Restricted Subsidiary or all of the assets of such Unrestricted Subsidiary are transferred to the Company or a Restricted Subsidiary, or the Unrestricted Subsidiary is merged or consolidated into the Company or a Restricted Subsidiary, 100% of such amount received in cash and the fair market value of any property or marketable securities received by the Company or any Restricted Subsidiary in respect of such redesignation, merger, consolidation or transfer of assets, excluding the amount of any Investment in such Unrestricted Subsidiary that constituted a Permitted Investment made pursuant to clause (11) of the definition of "*Permitted Investment*"; and
- (vi) subject to the limitations in clause (2) of the definition of "*Consolidated Net Income*", 100% of any dividends or distributions received by the Company or a Restricted Subsidiary after the Issue Date from an Unrestricted Subsidiary; to the extent that such dividend or distribution does not reduce the amount of Investments outstanding under clause (11) of the definition of "*Permitted Investment*",

provided, however, that no amount will be included in Consolidated Net Income for purposes of the preceding clause (i) to the extent that it is (at the Company's option) included in any of the foregoing clauses (iv), (v) or (vi).

The foregoing provisions will not prohibit any of the following (collectively, "**Permitted Payments**"):

- (1) any Restricted Payment made by exchange (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares) for, or out of the proceeds of the substantially concurrent sale (other than to a Subsidiary of the Company) of, Capital Stock of the Company (other than Disqualified Stock or Designated Preference Shares), Subordinated Shareholder Funding or a substantially concurrent contribution to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) of the Company; *provided, however*, that to the extent so applied, the Net Cash Proceeds, or fair market value (as determined in accordance with the preceding sentence) of property or assets or of marketable securities, from such sale of Capital Stock or Subordinated Shareholder Funding or such contribution will be excluded from clause (c)(ii) of the first paragraph of this covenant and will not be considered Excluded Contributions or Net Cash

Proceeds from an Equity Offering for purposes of the “*Optional Redemption*” provisions of the Indenture;

- (2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness made by exchange for, or out of the proceeds of the substantially concurrent sale of, Refinancing Indebtedness permitted to be Incurred pursuant to the covenant described under “—*Limitation on Indebtedness*” above;
- (3) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Disqualified Stock of the Company or Preferred Stock of a Restricted Subsidiary made by exchange for or out of the proceeds of the substantially concurrent sale of Disqualified Stock of the Company or Preferred Stock of a Restricted Subsidiary that, in each case, is permitted to be Incurred pursuant to the covenant described under “— *Limitation on Indebtedness*” above;
- (4) any dividends paid within 60 days after the date of declaration if at such date of declaration such dividend would have complied with this covenant;
- (5) the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of Capital Stock of the Company, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof) and loans, advances, dividends or distributions by the Company to any Parent to permit any Parent to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Company, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof), or payments to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Company, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof), in each case from Management Investors; *provided* that such payments, loans, advances, dividends or distributions do not exceed an amount (net of repayments of any such loans or advances) equal to: (x) €5.0 million in any calendar year (with unused amounts in any calendar year being carried over to succeeding calendar years), plus (y) the Net Cash Proceeds received by the Company or its Restricted Subsidiaries since the Issue Date (including through receipt of proceeds from the issuance or sale of its Capital Stock or Subordinated Shareholder Funding to a Parent) from, or as a contribution to the equity (in each case under this clause (6), other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Company from, the issuance or sale to Management Investors of Capital Stock (including any options, warrants or other rights in respect thereof) plus (z) the Net Cash Proceeds of key man life insurance policies, to the extent such Net Cash Proceeds in (y) and (z) are not included in any calculation under clause (c)(ii) of the first paragraph describing this covenant and are not Excluded Contributions;
- (6) the declaration and payment of dividends to holders of any class or series of Disqualified Stock, or of any Preferred Stock of a Restricted Subsidiary, Incurred in accordance with the terms of the covenant described under “—*Limitation on Indebtedness*”;
- (7) purchases, repurchases, redemptions, defeasances or other acquisitions or retirements of Capital Stock deemed to occur upon the exercise of stock options, warrants or other rights in respect thereof if such Capital Stock represents a portion of the exercise price thereof;
- (8) dividends, loans, advances or distributions to any Parent or other payments by the Company or any Restricted Subsidiary in amounts equal to (without duplication):
 - (a) the amounts required for any Parent, without duplication to pay any Parent Expenses or any Related Taxes; or
 - (b) amounts constituting or to be used for purposes of making payments (i) of fees and expenses Incurred in connection with the Refinancing and disclosed in the Offering Memorandum or (ii) to the extent specified in clauses (2), (3), (5) and (10) of the second paragraph under “—*Limitation on Affiliate Transactions*”;

- (9) so long as no Default or Event of Default has occurred and is continuing (or would result from), Restricted Payments in an aggregate amount outstanding at any time not to exceed the greater of €15.0 million and 15% of the Consolidated EBITDA of the Company;
- (10) payments by the Company, or loans, advances, dividends or distributions to any Parent to make payments, to holders of Capital Stock of the Company or any Parent in lieu of the issuance of fractional shares of such Capital Stock, *provided, however*, that any such payment, loan, advance, dividend or distribution shall not be for the purpose of evading any limitation of this covenant or otherwise to facilitate any dividend or other return of capital to the holders of such Capital Stock (as determined in good faith by the Board of Directors or a member of Senior Management of the Company);
- (11) Restricted Payments in an aggregate amount outstanding at any time not to exceed the aggregate amount of Excluded Contributions, or Investments in exchange for or using as consideration Investments previously made under this clause (11);
- (12) (i) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares of the Company issued after the Issue Date; and (ii) the declaration and payment of dividends to any Parent or any Affiliate thereof, the proceeds of which will be used to fund the payment of dividends to holders of any class or series of Designated Preference Shares of such Parent or Affiliate issued after the Issue Date; *provided that*, in the case of clauses (i) and (ii), the amount of all dividends declared or paid pursuant to this clause (12) shall not exceed the Net Cash Proceeds received by the Company or the aggregate amount contributed in cash to the equity (other than through the issuance of Disqualified Stock or an Excluded Contribution or, in the case of Designated Preference Shares by such Parent or Affiliate, the issuance of Designated Preference Shares) of the Company or contributed as Subordinated Shareholder Funding to the Company, as applicable, from the issuance or sale of such Designated Preference Shares;
- (13) dividends or other distributions of Capital Stock, Indebtedness or other securities of Unrestricted Subsidiaries; and
- (14) advances or loans to (a) any future, present or former officer, director or employee of the Company or a Restricted Subsidiary to pay for the purchase or other acquisition for value of Capital Stock of the Company or any Parent (other than Disqualified Stock or Designated Preference Shares), or any obligation under a forward sale agreement, deferred purchase agreement or deferred payment arrangement pursuant to any management equity plan or stock option plan or any other management or employee benefit or incentive plan or other agreement or arrangement or (b) any management equity plan or stock option plan or any other management or employee benefit or incentive plan or unit trust or the trustees of any such plan or trust to pay for the purchase or other acquisition for value of Capital Stock of the Company or any Parent (other than Disqualified Stock or Designated Preference Shares); *provided, however*, that the total aggregate amount of Restricted Payments made under this clause (14) does not exceed €2.5 million in any calendar year (with unused amounts in any calendar year being carried over to succeeding calendar years).

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by the Company or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount, and the fair market value of any non-cash Restricted Payment shall be determined conclusively by the Board of Directors of the Company acting in good faith.

Limitation on Liens

The Company will not, and the Company will not permit any Restricted Subsidiary to, directly or indirectly, create, incur or suffer to exist any Lien upon any of its property or assets (including Capital Stock of a Restricted Subsidiary of the Company), whether owned on the Issue Date or acquired after that date, or any interest therein or any income or profits therefrom, which Lien is

securing any Indebtedness (such Lien, the “**Initial Lien**”), except: (a) in the case of any property or asset that does not constitute Collateral, (1) Permitted Liens or (2) Liens on property or assets that are not Permitted Liens if the Notes and the Indenture are directly secured equally and ratably with, or prior to, in the case of Liens with respect to Subordinated Indebtedness, the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured, and (b) in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens.

Any such Lien created in favor of the Notes under clause (a)(2) in the preceding paragraph will be automatically and unconditionally released and discharged upon: (i) the release and discharge of the Initial Lien to which it relates and (ii) otherwise as set forth under “—*Security—Release of Liens*”.

Limitation on Restrictions on Distributions from Restricted Subsidiaries

The Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

- (A) pay dividends or make any other distributions in cash or otherwise on its Capital Stock or pay any Indebtedness or other obligations owed to the Company or any Restricted Subsidiary, or with respect to any other interest or participation in, or measured by, its profits, or pay any Indebtedness owed to the Company or any other Restricted Subsidiary;
- (B) make any loans or advances to the Company or any Restricted Subsidiary; or
- (C) sell, lease or transfer any of its property or assets to the Company or any Restricted Subsidiary,

provided that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill requirements to) loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness Incurred by the Company or any Restricted Subsidiary shall not be deemed to constitute such an encumbrance or restriction.

The provisions of the preceding paragraph will not prohibit:

- (1) any encumbrance or restriction pursuant to (a) any Credit Facility (including the Revolving Credit Facility, (b) any other agreement or instrument, in each case described in (a) or (b), in effect at or entered into on the Issue Date, or (c) the Indenture, the Notes, the Intercreditor Agreement or the Security Documents;
- (2) any encumbrance or restriction pursuant to an agreement or instrument of a Person or relating to any Capital Stock or Indebtedness of a Person, entered into on or before the date on which such Person was acquired by or merged, consolidated or otherwise combined with or into the Company or any Restricted Subsidiary, or on which such agreement or instrument is assumed by the Company or any Restricted Subsidiary in connection with an acquisition of assets (other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was acquired by the Company or was merged, consolidated or otherwise combined with or into the Company or any Restricted Subsidiary entered into or in connection with such transaction) and outstanding on such date; *provided* that, for the purposes of this clause (2), if another Person is the Successor Issuer, the Successor Company or the Successor Guarantor, each as defined under “—*Merger and Consolidation*”, any Subsidiary thereof or agreement or instrument of such Person or any such Subsidiary shall be deemed acquired or assumed by the Company or any Restricted Subsidiary when such Person becomes the Successor Issuer, the Successor Company or the Successor Guarantor;
- (3) any encumbrance or restriction pursuant to an agreement or instrument effecting a refinancing of Indebtedness Incurred pursuant to, or that otherwise refinances, an

agreement or instrument referred to in clause (1) or (2) of this paragraph or this clause (3) (an **"Initial Agreement"**) or contained in any amendment, supplement or other modification to an agreement referred to in clause (1) or (2) of this paragraph or this clause (3); *provided, however,* that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or instrument are no less favorable in any material respect to the Holders taken as a whole than the encumbrances and restrictions contained in the Initial Agreement or Initial Agreements to which such refinancing or amendment, supplement or other modification relates (as determined in good faith by the Board of Directors or a member of Senior Management of the Company);

- (4) any encumbrance or restriction:
 - (a) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any lease, license or other contract;
 - (b) contained in mortgages, charges, pledges or other security agreements permitted under the Indenture or securing Indebtedness of the Company or a Restricted Subsidiary permitted under the Indenture to the extent such encumbrances or restrictions restrict the transfer of the property or assets subject to such mortgages, charges, pledges or other security agreements; or
 - (c) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Company or any Restricted Subsidiary;
- (5) any encumbrance or restriction pursuant to Purchase Money Obligations and Capitalized Lease Obligations permitted under the Indenture, in each case, that impose encumbrances or restrictions on the property so acquired, or any encumbrance or restriction pursuant to a joint venture agreement that imposes restrictions on the distribution or transfer of the assets or Capital Stock of the joint venture;
- (6) any encumbrance or restriction with respect to a Restricted Subsidiary (or any of its property or assets) imposed pursuant to an agreement entered into for the direct or indirect sale or disposition to a Person of all or substantially all the Capital Stock or assets of such Restricted Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition;
- (7) customary provisions in leases, licenses, joint venture agreements and other similar agreements and instruments entered into in the ordinary course of business;
- (8) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation, licensing requirement or order, or required by any regulatory authority;
- (9) any encumbrance or restriction on cash or other deposits or net worth imposed by customers under agreements entered into in the ordinary course of business;
- (10) any encumbrance or restriction pursuant to Currency Agreements, Interest Rate Agreements or Commodity Hedging Agreements;
- (11) any encumbrance or restriction arising pursuant to an agreement or instrument (a) relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under "*—Limitation on Indebtedness*" if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders of the Notes than (i) the encumbrances and restrictions contained in the Revolving Credit Facility, together with the security documents associated therewith, and the Intercreditor Agreement, in each case, as in effect on the Issue Date or (ii) as is customary in comparable financings (as determined in good faith by the Board of Directors or a member of Senior Management of the Company) and where, in the case of this sub-clause (ii), the Issuer determines at the time of Incurrence of such Indebtedness that such encumbrances or restrictions would not adversely affect, in any

material respect, the Issuer's ability to make principal or interest payments on the Notes (as determined in good faith by the Board of Directors of the Issuer); or (b) constituting an Additional Intercreditor Agreement; or

- (12) any encumbrance or restriction existing by reason of any lien permitted under "*—Limitation on Liens*".

Limitation on Sales of Assets and Subsidiary Stock

The Company will not, and will not permit any Restricted Subsidiary to, consummate any Asset Disposition unless:

- (1) the consideration the Company or such Restricted Subsidiary receives for such Asset Disposition is not less than the fair market value of the Capital Stock, property or other assets subject to such Asset Disposition (as determined by the Company's Board of Directors); and
- (2) at least 75% of the consideration the Company or such Restricted Subsidiary receives in respect of such Asset Disposition consists of:
 - (i) cash (including any Net Cash Proceeds received from the conversion within 180 days of such Asset Disposition of securities, notes or other obligations received in consideration of such Asset Disposition);
 - (ii) Cash Equivalents;
 - (iii) the assumption by the purchaser of (x) any liabilities recorded on the Company's or such Restricted Subsidiary's balance sheet or the notes thereto (or, if Incurred since the date of the latest balance sheet, that would be recorded on the next balance sheet) (other than Subordinated Indebtedness and Indebtedness owed to the Company or any Restricted Subsidiary), as a result of which neither the Company nor any of the Restricted Subsidiaries remains obligated in respect of such liabilities or (y) Indebtedness of a Restricted Subsidiary (other than Subordinated Indebtedness and Indebtedness owed to the Company or any Restricted Subsidiary) that is no longer a Restricted Subsidiary as a result of such Asset Disposition, if the Company and each other Restricted Subsidiary is released from any guarantee of such Indebtedness as a result of such Asset Disposition;
 - (iv) Replacement Assets;
 - (v) any Capital Stock or assets of the kind referred to in clause (4) or (6) in the second paragraph of this covenant;
 - (vi) consideration consisting of Indebtedness of the Issuer or any Guarantor received from Persons who are not the Company or any Restricted Subsidiary, but only to the extent that such Indebtedness: (i) has been extinguished by the Issuer or the applicable Guarantor, and (ii) is not Subordinated Indebtedness of the Issuer or such Guarantor;
 - (vii) any Designated Non-Cash Consideration received by the Company or any Restricted Subsidiary, having an aggregate fair market value, taken together with all other Designated Non-Cash Consideration received pursuant to this covenant that is at any one time outstanding, not to exceed the greater of (i) 20% of Consolidated EBITDA and (ii) €20.0 million (with the fair market value of each issue of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value); or
 - (viii) a combination of the consideration specified in clauses (i) through (vii) of this paragraph (2).

If the Company or any Restricted Subsidiary consummates an Asset Disposition, the Net Cash Proceeds of the Asset Disposition, within 365 days of the later of (i) the date of the

consummation of such Asset Disposition and (ii) the receipt of such Net Cash Proceeds, may be used by the Company, the Issuer or such Restricted Subsidiary to:

- (1) (i) prepay, repay, purchase or redeem any Indebtedness Incurred under clause (1) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*" or any Refinancing Indebtedness in respect thereof; *provided, however*, that, in connection with any prepayment, repayment, purchase or redemption of Indebtedness pursuant to this clause (1), the Company or such Restricted Subsidiary will retire such Indebtedness and will cause the related commitment (if any) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid, purchased or redeemed; (ii) unless included in the preceding clause (1)(i), prepay, repay, purchase or redeem Notes or other Indebtedness that is secured by a Lien on the Collateral that is not subordinated in right of payment to the Notes at a price of no more than 100% of the principal amount of such other Indebtedness, plus accrued and unpaid interest to the date of such prepayment, repayment, purchase or redemption; or (iii) prepay, repay, purchase or redeem any Indebtedness of a Restricted Subsidiary of the Company that is not a Guarantor or any Indebtedness that is secured by Liens on assets which do not constitute Collateral (in each case other than Subordinated Indebtedness of the Issuer or a Guarantor or Indebtedness owed to the Company or any Restricted Subsidiary); *provided* that the Company or Restricted Subsidiary shall prepay, repay, purchase or redeem Indebtedness (other than the Notes) pursuant to clause (ii) only if the Issuer makes (at such time or in compliance with this covenant) an offer to Holders to purchase their Notes in accordance with the provisions set forth below for an Asset Disposition Offer for an aggregate principal amount of the Notes equal to the proportion that (x) the total aggregate principal amount of the Notes outstanding bears to (y) the sum total aggregate principal amount of the Notes outstanding plus the total aggregate principal amount outstanding of such Indebtedness (other than the Notes);
- (2) purchase Notes pursuant to an offer to all Holders of the Notes at a purchase price in cash equal to at least 100% of the principal amount thereof, plus accrued and unpaid interest to, but not including, the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date);
- (3) invest in any Replacement Assets;
- (4) acquire all or substantially all of the assets of, or any Capital Stock of, another Similar Business, if, after giving effect to any such acquisition of Capital Stock, the Similar Business is or becomes a Restricted Subsidiary;
- (5) make a capital expenditure;
- (6) acquire other assets (other than Capital Stock and cash or Cash Equivalents) that are used or useful in a Similar Business;
- (7) consummate any combination of the foregoing; or
- (8) enter into a binding commitment to apply the Net Cash Proceeds pursuant to clause (1), (3), (4), (5) or (6) of this paragraph or a combination thereof, *provided* that, a binding commitment shall be treated as a permitted application of the Net Cash Proceeds from the date of such commitment until the earlier of (x) the date on which such investment is consummated, (y) the 180th day following the expiration of the aforementioned 365 day period, if the investment has not been consummated by that date.

The amount of such Net Cash Proceeds not so used as set forth in this paragraph constitutes "Excess Proceeds". Pending the final application of any such Net Cash Proceeds, the Company may temporarily reduce revolving credit borrowings or otherwise invest such Net Cash Proceeds in any manner that is not prohibited by the terms of the Indenture.

On the 366th day after an Asset Disposition (or the 546th day if a binding commitment, as described in clause (8) above has been entered into), or at such earlier time if the Issuer elects, if

the aggregate amount of Excess Proceeds exceeds €20.0 million, the Issuer will be required within 10 Business Days thereof to make an offer ("**Asset Disposition Offer**") to all Holders and, to the extent the Issuer elects, to all holders of other outstanding Pari Passu Indebtedness, to purchase the maximum principal amount of the Notes and any such Pari Passu Indebtedness to which the Asset Disposition Offer applies that may be purchased out of the Excess Proceeds, at an offer price in respect of the Notes in an amount equal to (and, in the case of any Pari Passu Indebtedness, an offer price of no more than) 100% of the principal amount of the Notes and 100% of the principal amount of Pari Passu Indebtedness, in each case, plus accrued and unpaid interest, if any, to, but not including, the date of purchase, in accordance with the procedures set forth in the Indenture or the agreements governing the Pari Passu Indebtedness, as applicable, in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

To the extent that the aggregate amount of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Company or the relevant Restricted Subsidiary may use any remaining Excess Proceeds for general corporate purposes, subject to other covenants contained in the Indenture. If the aggregate principal amount of the Notes surrendered in any Asset Disposition Offer by Holders and other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Excess Proceeds shall be allocated among the Notes and Pari Passu Indebtedness to be purchased on a pro rata basis on the basis of the aggregate principal amount of tendered Notes and Pari Passu Indebtedness. For the purposes of calculating the principal amount of any such Indebtedness not denominated in euro, such Indebtedness shall be calculated by converting any such principal amounts into their Euro Equivalent determined as of a date selected by the Company or the relevant Restricted Subsidiary that is within the Asset Disposition Offer Period (as defined below). Upon completion of any Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero.

To the extent that any portion of Net Available Cash payable in respect of the Notes is denominated in a currency other than the currency in which the relevant Notes are denominated, the amount thereof payable in respect of such Notes shall not exceed the net amount of funds in the currency in which such Notes are denominated that is actually received by the Company or the relevant Restricted Subsidiary upon converting such portion of the Net Available Cash into such currency.

The Asset Disposition Offer, in so far as it relates to the Notes, will remain open for a period of not less than 20 Business Days following its commencement (the "**Asset Disposition Offer Period**"). No later than five Business Days after the termination of the Asset Disposition Offer Period (the "**Asset Disposition Purchase Date**"), the Issuer will purchase the principal amount of the Notes and, to the extent it elects, Pari Passu Indebtedness required to be purchased by it pursuant to this covenant (the "**Asset Disposition Offer Amount**") or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Notes and Pari Passu Indebtedness validly tendered in response to the Asset Disposition Offer.

On or before the Asset Disposition Purchase Date, the Issuer will, to the extent lawful, accept for payment, on a pro rata basis to the extent necessary, the Asset Disposition Offer Amount of the Notes and Pari Passu Indebtedness or portions of the Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn and in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof. The Issuer will deliver to the Trustee an Officer's Certificate stating that such Notes or portions thereof were accepted for payment by the Issuer in accordance with the terms of this covenant. The Issuer or the Paying Agent, as the case may be, will promptly (but in any case not later than five Business Days after termination of the Asset Disposition Offer Period) mail or deliver to each tendering Holder an amount equal to the purchase price of the Notes so validly tendered and not properly withdrawn by such Holder, and accepted by the Issuer for purchase, and the Issuer will promptly issue a new Note (or amend the applicable Global Note), and the Trustee (or an authenticating

agent), upon delivery of an Officer's Certificate from the Issuer, will authenticate and mail or deliver (or cause to be transferred by book entry) such new Note to such Holder, in a principal amount equal to any unpurchased portion of the Note surrendered; *provided* that each such new Note will be in a principal amount with a minimum denomination of €100,000. Any Note not so accepted will be promptly mailed or delivered (or transferred by book entry) by the Issuer to the Holder thereof.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the U.S. Exchange Act and any other securities laws or regulations in connection with the repurchase of the Notes pursuant to the Indenture. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance.

Notwithstanding the provisions of this covenant, the Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, sell or otherwise dispose of, including any disposition by means of a merger, consolidation or similar transaction, any Master Franchise Agreement or any rights thereunder, or the Capital Stock of any Restricted Subsidiary party to any Master Franchise Agreement (other than directors' qualifying shares or required by applicable law or regulation), or assign any Master Franchise Agreement or any rights thereunder, to any Person other than the Company or a Guarantor in accordance with the provisions of the Indenture, the Intercreditor Agreement and any Additional Intercreditor Agreement; *provided* that, for the avoidance of doubt, sub-licensing or sub-contracting or similar arrangements will not be prohibited by this paragraph.

Limitation on Affiliate Transactions

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or conduct any transaction or series of related transactions (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Company (any such transaction or series of related transactions being an "**Affiliate Transaction**") involving aggregate value in excess of €2.0 million unless:

- (1) the terms of such Affiliate Transaction taken as a whole are not materially less favorable to the Company or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction or the execution of the agreement providing for such transaction in arm's-length dealings with a Person who is not such an Affiliate;
- (2) in the event such Affiliate Transaction involves an aggregate value in excess of €10.0 million, the terms of such transaction or series of related transactions have been approved by a resolution of the majority of the disinterested members of the Board of Directors of the Company resolving that such transaction complies with clause (1) above, *provided that*, if no disinterested member of the Board of Directors of the Company exists with respect to any Affiliate Transaction, the transaction may be approved by a majority of the members of the Board of Directors if the requirements of clause (3) below are met with respect to such Affiliate Transaction as if it involved aggregate consideration in excess of €25.0 million; and
- (3) in the event such Affiliate Transaction involves an aggregate consideration in excess of €25.0 million, the Company has received a written opinion (a "**Fairness Opinion**") from an Independent Financial Advisor that such Affiliate Transaction is fair, from a financial standpoint, to the Company and its Restricted Subsidiaries or that the terms are not materially less favorable than those that could reasonably have been obtained in a comparable transaction at such time on an arm's-length basis from a Person that is not an Affiliate.

The provisions of the preceding paragraph will not apply to:

- (1) any Restricted Payment permitted to be made pursuant to the covenant described under "**Limitation on Restricted Payments**", any Permitted Payments (other than pursuant to clause

(8)(b)(x)(ii) of the second paragraph of the covenant described under “—*Limitation on Restricted Payments*”) or any Permitted Investment (other than Permitted Investments as defined in paragraphs (1)(b), (2) (6), (8) (9), (10), (14) and (18) of the definition thereof);

- (2) any issuance or sale of Capital Stock, options, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of the Company, any Restricted Subsidiary or any Parent, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or indemnities provided on behalf of officers, employees or directors approved by the Board of Directors of the Company, in each case in the ordinary course of business;
- (3) any Management Advances and any waiver or transaction with respect thereto;
- (4) any transaction between or among the Company and any Restricted Subsidiary (or on arm’s length terms with an entity that is not an Affiliate that becomes a Restricted Subsidiary as a result of such transaction), or between or among Restricted Subsidiaries;
- (5) the payment of reasonable fees and reimbursement of expenses to, and customary indemnities and employee benefit and pension expenses provided on behalf of, directors, officers or employees of the Company, any Restricted Subsidiary of the Company or any Parent (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees);
- (6) (i) the Refinancing and the payment of fees and expenses in connection therewith as contemplated in the Offering Memorandum, (ii) the entry into and performance of obligations of the Company or any of its Restricted Subsidiaries under the terms of any transaction pursuant to or contemplated by, and any payments pursuant to or for purposes of funding, any agreement or instrument in effect as of or on the Issue Date, as these agreements and instruments may be amended, modified, supplemented, extended, renewed, replaced or refinanced from time to time in accordance with the other terms of this covenant or to the extent not more disadvantageous to the Holders in any material respect, and (iii) the entry into and performance of any registration rights or other listing agreement;
- (7) transactions with customers, clients, suppliers or purchasers or sellers of goods or services, in each case in the ordinary course of business, which are fair to the Company or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors or an officer of the Company or the relevant Restricted Subsidiary, or are on terms no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party;
- (8) any transaction in the ordinary course of business between or among the Company or any Restricted Subsidiary and any Affiliate (other than an Unrestricted Subsidiary) of the Company or an Associate or similar entity that would constitute an Affiliate Transaction solely because the Company or a Restricted Subsidiary or any Affiliate of the Company or a Restricted Subsidiary or any Affiliate of any Permitted Holder owns an equity interest in or otherwise controls such Affiliate, Associate or similar entity;
- (9) (a) issuances or sales of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Company or options, warrants or other rights to acquire such Capital Stock or Subordinated Shareholder Funding; provided that the interest rate and other financial terms of such Subordinated Shareholder Funding are approved by a majority of the members of the Board of Directors of the Company in their reasonable determination and (b) any amendment, waiver or other transaction with respect to any Subordinated Shareholder Funding in compliance with the other provisions of the Indenture, the Intercreditor

Agreement or any Additional Intercreditor Agreement, as applicable; provided that such Subordinated Shareholder Funding, as amended or otherwise modified, will continue to satisfy the requirements described in the definition "Subordinated Shareholder Funding";

- (10) (a) payments by the Company or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) of annual management, consulting, monitoring or advisory fees and related expenses in an aggregate amount not to exceed €1.0 million per year and (b) customary payments by the Company or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) for financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including in connection with loans, capital market transactions, acquisitions or divestitures, which payments (or agreements providing for such payments) in respect of this clause (10) are approved by a majority of the Board of Directors of the Company in good faith;
- (11) any transactions in respect of which the Company or a Restricted Subsidiary delivers to the Trustee a letter from an Independent Financial Advisor stating that such transaction is (i) fair to the Company or such Restricted Subsidiary from a financial point of view or (ii) on terms not less favorable than might have been obtained in a comparable transaction at such time on an arm's length basis from a Person who is not an Affiliate;
- (12) pledges of Capital Stock of Unrestricted Subsidiaries; and
- (13) transactions with Radisson Hospitality Inc. for information technology systems and related services sourced from a Person or Persons that are not Affiliates of the Company in connection with implementing the Group's global IT infrastructure platform in accordance with the Five-Year Operating Plan as described under "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key factors affecting our financial condition and results of operation—Strategic initiatives, including the Five-Year Operating Plan—IT platform and organizational system*"; provided that (i) such transactions are on terms no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party and (ii) the terms of such transactions have been approved by a resolution of the majority of the disinterested members of the Board of Directors of the Company resolving that such transaction complies with the preceding subclause (i).

Limitations on Issuer Activities

Notwithstanding any other provision of the Indenture, the Issuer may not carry on any business or own any assets other than:

- (1) the ownership of properties and assets that are *de minimis* in nature;
- (2) (a) Incurring any Indebtedness (or other items that are specifically excluded from the definition of Indebtedness) permitted under the Indenture for the purpose of paying, loaning, transferring or contributing substantially all of the proceeds of such Indebtedness to the Company or a Restricted Subsidiary; (b) conducting any activities reasonably incidental to the Incurrence of such Indebtedness, including performance of the terms and conditions of such Indebtedness; and (c) the granting of Liens to secure such Indebtedness, in each of the foregoing clauses, in compliance with the provisions of the Indenture;
- (3) activities undertaken with the purpose of, and directly related to, fulfilling its obligations or exercising its rights under the Indenture, the Intercreditor Agreement (or any Additional Intercreditor Agreement), the Security Documents, any finance document relating to Indebtedness not prohibited to be Incurred under the Indenture and any related finance documents or security documents;
- (4) the ownership of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;
- (5) any activity reasonably relating to the servicing, purchase, redemption, amendment, exchange, refinancing or retirement of Indebtedness (or other items that are specifically

excluded from the definition of Indebtedness), foreign exchange trading and hedging, not prohibited to be Incurred under the Indenture; or

- (6) other activities not specifically enumerated above that are *de minimis* in nature.

Reports

So long as any Notes are outstanding, the Issuer will furnish to the Trustee the following reports:

- (1) within 120 days after the end of the Company's fiscal year beginning with the fiscal year in which the Notes are issued, annual reports containing: (i) information with a level and type of detail that is substantially comparable in all material respects to information in the section entitled "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" in the Offering Memorandum; (ii) unaudited pro forma income statement and balance sheet information of the Company, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates (unless such pro forma information has been provided in a previous report pursuant to clause (2) or (3) below); *provided* that such pro forma financial information will be provided only to the extent available without unreasonable expense, in which case the Company will provide, in the case of a material acquisition, acquired company financials; (iii) the audited consolidated balance sheet of the Company as of the end of the most recent two fiscal years and audited consolidated income statements and statements of cash flow of the Company for the most recent two fiscal years, including appropriate footnotes to such financial statements, for and as at the end of such fiscal years and the report of the independent auditors on the financial statements; (iv) a description of the business, management and shareholders of the Company, all material affiliate transactions and a description of all material debt instruments; (v) a description of material risk factors and material subsequent events; and (vi) Consolidated EBITDA; *provided* that the information described in clauses (iv), (v) and (vi) may be provided in the footnotes to the audited financial statements;
- (2) within 60 days following the end of each of the first three fiscal quarters in each fiscal year of the Company, beginning with the quarter ended on or about March 31, 2018, quarterly financial statements containing the following information: (i) the Company's unaudited condensed consolidated balance sheet as of the end of such quarter and unaudited condensed statements of income and cash flow for the most recent quarter year to date period ending on the unaudited condensed balance sheet date and the comparable prior period, together with condensed footnote disclosure; (ii) unaudited pro forma income statement and balance sheet information of the Company, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such quarterly report relates; *provided* that such pro forma financial information will be provided only to the extent available without unreasonable expense, in which case the Company will provide, in the case of a material acquisition, acquired company financials; (iii) an operating and financial review of the unaudited financial statements, including a discussion of the consolidated financial condition, results of operations, Consolidated EBITDA and material changes in liquidity and capital resources of the Company; (iv) a discussion of material changes in material debt instruments since the most recent report; and (v) material subsequent events and any material changes to the risk factors disclosed in the most recent annual report; *provided* that the information described in clauses (iv) and (v) may be provided in the footnotes to the unaudited financial statements; and
- (3) promptly after the occurrence of a material event that the Company announces publicly or any acquisition, disposition or restructuring, merger or similar transaction that is material to the Company and the Restricted Subsidiaries, taken as a whole, or a senior executive officer or director changes at the Company or a change in auditors of the Company, a report containing a description of such event.

In addition, the Issuer shall furnish to the Holders and to prospective investors, upon the request of such parties, any information required to be delivered pursuant to Rule 144A(d)(4) under the U.S. Securities Act for so long as the Notes are not freely transferable under the U.S. Exchange Act by persons who are not “affiliates” under the U.S. Securities Act.

The Issuer shall also make available to Holders and prospective holders of the Notes copies of all reports furnished to the Trustee on the Issuer’s website and if and so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, copies of such reports furnished to the Trustee will also be made available at the offices of the Issuer.

All financial statement information shall be prepared in accordance with IFRS as in effect on the date of such report or financial statement (or otherwise on the basis of IFRS as then in effect) and on a consistent basis for the periods presented, except as may otherwise be described in such information; *provided, however*, that the reports set forth in clauses (1), (2) and (3) above may, in the event of a change in IFRS, present earlier periods on a basis that applied to such periods. No report need include separate financial statements for any Subsidiaries of the Company or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in the Offering Memorandum. In addition, the reports set forth above will not be required to contain any reconciliation to U.S. GAAP.

For purposes of this covenant, an acquisition or disposition shall be deemed to be material if the entity or business acquired or disposed of represents greater than 20% of the Company’s total revenue or Consolidated EBITDA for the most recent four quarters for which annual or quarterly financial reports have been delivered to the Trustee.

At any time that any of the Company’s subsidiaries are Unrestricted Subsidiaries and any such Unrestricted Subsidiary or a group of Unrestricted Subsidiaries, taken as a whole, constitutes a Significant Subsidiary of the Company, then the quarterly and annual financial information required by the first paragraph of this “*Reports*” covenant will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Company and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Company.

In the event that (i) the Company becomes subject to the reporting requirements of Section 13(a) or 15(d) of the U.S. Exchange Act, or elects to comply with such provisions, for so long as it continues to file the reports required by Section 13(a) with the SEC or (ii) the Company elects to provide to the Trustee reports which, if filed with the SEC, would satisfy (in the good faith judgment of the Company) the reporting requirements of Section 13(a) or 15(d) of the U.S. Exchange Act (other than the provision of U.S. GAAP information, certifications, exhibits or information as to internal controls and procedures), for so long as it elects, the Issuer will make available to the Trustee such annual reports, information, documents and other reports that the Issuer is, or would be, required to file with the SEC pursuant to such Section 13(a) or 15(d).

All reports provided pursuant to this “*Reports*” covenant shall be made in the English language, or with a certified English translation.

Merger and Consolidation

The Company

The Company will not, directly or indirectly, consolidate with or merge with or into, or assign, convey, transfer, lease or otherwise dispose all or substantially all its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions to, any Person, unless:

- (1) the resulting, surviving or transferee Person (the “**Successor Company**”) will be a Person organized and existing under the laws of any member state of the European Union, the

United Kingdom, or the United States of America, any State of the United States or the District of Columbia, Canada or any province of Canada, Norway or Switzerland and the Successor Company (if not the Company) will expressly assume, (a) by supplemental indenture, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of the Company under the Company's Notes Guarantee and the Indenture (b) all obligations of the Company under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, as applicable;

- (2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any Subsidiary of the Successor Company as a result of such transaction as having been Incurred by the Successor Company or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction, either (a) the Successor Company would be able to Incur at least an additional €1.00 of Indebtedness pursuant to clause (1) of the first paragraph of the covenant described under "*—Limitation on Indebtedness*" or (b) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such transaction; and
- (4) the Company or the Successor Company, as the case may be, shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the Indenture and an Opinion of Counsel to the effect that such supplemental indenture (if any) has been duly authorized, executed and delivered and is a legal, valid and binding agreement enforceable against the Successor Company (in each case, in a form satisfactory to the Trustee); *provided* that in giving an Opinion of Counsel, counsel may rely on an Officer's Certificate as to any matters of fact.

Any Indebtedness that becomes an obligation of the Company or any Restricted Subsidiary (or that is deemed to be Incurred by any Restricted Subsidiary that becomes a Restricted Subsidiary) as a result of any such transaction undertaken in compliance with this covenant, and any Refinancing Indebtedness with respect thereto, shall be deemed to have been Incurred in compliance with the covenant described under "*—Limitation on Indebtedness*".

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Company, which properties and assets, if held by the Company instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Company on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Company.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Company under the Indenture but in the case of a lease of all or substantially all its assets, the predecessor Person will not be released from its obligations under the Indenture or the Notes.

There is no precise established definition of the phrase "*substantially all*" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "*all or substantially all*" of the property or assets of a Person.

The foregoing provisions, other than the requirements of clause (2) of the first paragraph of this "*Merger and Consolidation—The Company*" covenant, shall not apply to (i) any transactions which constitute an Asset Disposition if the Company has complied with the covenant described under "*—Limitation on Sales of Assets and Subsidiary Stock*" or (ii) the creation of a new subsidiary as a Restricted Subsidiary of the Company.

The Issuer

The Issuer will not consolidate with or merge with or into, or assign, convey, transfer, lease or otherwise dispose all or substantially all its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions to, any Person, unless:

- (1) the resulting, surviving or transferee Person (the “**Successor Issuer**”) will be a Person organized and existing under the laws of any member state of the European Union, the United Kingdom, or the United States of America, any State of the United States or the District of Columbia, Canada or any province of Canada, Norway or Switzerland and the Successor Issuer (if not the Issuer) will expressly assume, (a) by supplemental indenture, executed and delivered to the Trustee, in a form satisfactory to the Trustee, all the obligations of the Issuer under the Notes and the Indenture and (b) all obligations of the Issuer under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, as applicable;
- (2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Issuer or any Subsidiary of the Successor Issuer as a result of such transaction as having been Incurred by the Successor Issuer or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction, either (a) the Successor Issuer would be able to Incur at least an additional €1.00 of Indebtedness pursuant to clause (1) of the first paragraph of the covenant described under “—*Limitation on Indebtedness*” or (b) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such transaction; and
- (4) the Issuer shall have delivered to the Trustee an Officer’s Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the Indenture and an Opinion of Counsel to the effect that such supplemental indenture (if any) has been duly authorized, executed and delivered and is a legal, valid and binding agreement enforceable against the Successor Issuer (in each case, in a form satisfactory to the Trustee); provided that in giving an Opinion of Counsel, counsel may rely on an Officer’s Certificate as to any matters of fact.

Any Indebtedness that becomes an obligation of the Issuer or any Restricted Subsidiary (or that is deemed to be Incurred by any Restricted Subsidiary that becomes a Restricted Subsidiary) as a result of any such transaction undertaken in compliance with this covenant, and any Refinancing Indebtedness with respect thereto, shall be deemed to have been Incurred in compliance with the covenant described under “—*Limitation on Indebtedness*”.

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Issuer, which properties and assets, if held by the Issuer instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Issuer on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Issuer.

The Successor Issuer will succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Indenture but in the case of a lease of all or substantially all its assets, the predecessor Person will not be released from its obligations under the Indenture or the Notes.

There is no precise established definition of the phrase “*substantially all*” under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve “*all or substantially all*” of the property or assets of a Person.

The foregoing provisions (other than the requirements of clause (2) of the first paragraph of this “*Merger and Consolidation—The Issuer*” covenant) shall not apply to (i) any transactions which

constitute an Asset Disposition if the Issuer has complied with the covenant described under “—*Limitation on Sales of Assets and Subsidiary Stock*” or (ii) the creation of a new subsidiary as a Restricted Subsidiary of the Issuer.

The Subsidiary Guarantors

No Subsidiary Guarantor (other than a Subsidiary Guarantor whose Notes Guarantee is to be released in accordance with the terms of the Indenture or the Intercreditor Agreement) may:

- (1) consolidate with or merge with or into any Person (whether or not such Guarantor is the surviving corporation);
- (2) sell, assign, convey, transfer, lease or otherwise dispose of, all or substantially all its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions, to any Person; or
- (3) permit any Person to merge with or into it unless:
 - (a) the other Person is the Company or any Restricted Subsidiary that is the Issuer or a Guarantor or becomes a Guarantor substantially concurrently with such consolidation, merger, sale, assignment, conveyance, transfer, lease or other disposition;
 - (b) (1) either (x) a Guarantor is the continuing Person or (y) the resulting, surviving or transferee Person expressly assumes all of the obligations of the Guarantor under its Notes Guarantee and the Intercreditor Agreement, any Additional Intercreditor Agreement, the Security Documents and the Indenture (pursuant to a supplemental indenture, accession agreement and appropriate security documents executed and delivered in a form satisfactory to the Trustee and the Security Agents) (such resulting, surviving or transferee Person, the “**Successor Guarantor**”); and (2) immediately after giving effect to the transaction, no Default or Event of Default shall have occurred and is continuing; or
 - (c) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of a Guarantor or the sale or disposition of all or substantially all the assets of a Guarantor (in each case other than to the Company or a Restricted Subsidiary) otherwise permitted by the Indenture,

provided, however, that the prohibition in clauses (1), (2) and (3) of this covenant shall not apply to the extent that compliance with clauses (A) and (B)(1) could give rise to or result in: (1) any breach or violation of statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalization rules, capital maintenance rules, guidance and coordination rules or the laws rules or regulations (or analogous restriction) of any applicable jurisdiction; (2) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); or (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out of pocket expenses.

The provisions set forth in this “*Merger and Consolidation*” covenant shall not restrict (and shall not apply to): (i) any Restricted Subsidiary that is not the Issuer or a Guarantor from consolidating with, merging or liquidating into or transferring all or substantially all of its properties and assets to the Issuer, a Guarantor or any other Restricted Subsidiary that is not the Issuer or a Guarantor; (ii) any Guarantor from merging or liquidating into or transferring all or substantially all of its properties and assets to the Issuer or another Guarantor; (iii) any consolidation or merger of the Issuer into any Guarantor; *provided* that, if the Issuer is not the surviving entity of such merger or consolidation, the relevant Guarantor will assume the obligations of the Issuer under the Notes, the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents and clauses (1) and (4) under the heading “—*The Issuer*” shall apply to such transaction; and (iv) the Issuer or any Guarantor consolidating into or merging or combining with

an Affiliate incorporated or organized for the purpose of changing the legal domicile of such entity, reincorporating such entity in another jurisdiction, or changing the legal form of such entity; provided, however, that clauses (1), (2) and (4) under the heading “—*The Issuer*” or “*The Company*” or clause (3) under the heading “—*The Subsidiary Guarantors*”, as the case may be, shall apply to any such transaction.

Maintenance of Listing

The Issuer will use its commercially reasonable efforts to obtain and maintain the listing of the Notes on the Official List of the Luxembourg Stock Exchange and the admission to trading of the Notes on the Euro MTF Market for so long as the Notes are outstanding; *provided* that if at any time the Issuer determines that it is unable to list or it will not maintain such listing, it will use its commercially reasonable efforts to obtain prior to the delisting of the Notes from the Official List of the Luxembourg Stock Exchange and withdrawal from trading of the Notes on the Euro MTF Market, and thereafter use its commercially reasonable efforts to maintain, a listing of such Notes on another stock exchange.

Suspension of Covenants on Achievement of Investment Grade Status

If on any date following the Issue Date, the Notes have achieved Investment Grade Status and no Default or Event of Default has occurred and is continuing (a “**Suspension Event**”), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have Investment Grade Status (the “**Reversion Date**”), the provisions of the Indenture summarized under the following captions will not apply to the Notes:

- (1) “—*Limitation on Restricted Payments*”;
- (2) “—*Limitation on Indebtedness*” (other than the second-last paragraph thereof);
- (3) “—*Limitation on Restrictions on Distributions from Restricted Subsidiaries*”;
- (4) “—*Limitation on Affiliate Transactions*”;
- (5) “—*Limitation on Sales of Assets and Subsidiary Stock*”;
- (6) “—*Additional Guarantees*” and
- (7) the provisions of clause (3) of the first paragraph of the covenant described under “—*Merger and Consolidation—The Company*” and the provisions of clause (3) of the first paragraph of the covenant described under “—*Merger and Consolidation—The Issuer*”,

and, in each case, any related default provision of the Indenture will cease to be effective and will not be applicable to the Company and its Restricted Subsidiaries.

Such covenants and any related default provisions will again apply according to their terms from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Company properly taken during the continuance of the Suspension Event, and no action taken prior to the Reversion Date will constitute a Default or Event of Default. The “—*Limitation on Restricted Payments*” covenant will be interpreted as if it has been in effect since the date of the Indenture but not during the continuance of the Suspension Event. On the Reversion Date, all Indebtedness Incurred during the continuance of the Suspension Event will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (4)(b) of the second paragraph of the covenant described under “—*Limitation on Indebtedness*”. In addition, the Indenture will also permit, without causing a Default or Event of Default, the Company or any of the Restricted Subsidiaries to honor any contractual commitments or take actions in the future after any date on which the Notes cease to have an Investment Grade Status as long as the contractual commitments were entered into during the Suspension Event and not in anticipation of the Notes no longer having an Investment Grade Status. The Issuer shall notify the Trustee that the conditions set forth in the first paragraph under this caption has been satisfied, *provided* that, no such notification shall be a condition for the suspension of the covenants described under this

caption to be effective. The Trustee shall be under no obligation to notify the Holders that the conditions set forth in the first paragraph have been satisfied. There can be no assurance that the Notes will ever achieve or maintain an Investment Grade Status.

Impairment of Security Interest

The Company shall not, and shall not permit any Restricted Subsidiary to, take or knowingly or negligently omit to take any action that would have the result of materially impairing the Security Interest with respect to the Collateral (it being understood, subject to the proviso below, that the Incurrence of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the Security Interest with respect to the Collateral) for the benefit of the Trustee and the Holders, and the Company shall not, and shall not permit any Restricted Subsidiary to, grant to any Person other than the Security Agents, for the benefit of the Trustee and the Holders and the other beneficiaries described in the Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement, any interest whatsoever in any of the Collateral, except that (i) the Company and its Restricted Subsidiaries may amend, extend, renew, restate, supplement, release or otherwise modify or replace any Security Documents for the purposes of Incurring Permitted Collateral Liens, (ii) the Company and its Restricted Subsidiaries may amend, extend, renew, restate, supplement, release or otherwise modify or replace any Security Documents for the purposes of undertaking a Permitted Reorganization, (iii) the Collateral may be discharged and released in accordance with the Indenture, the applicable Security Documents or the Intercreditor Agreement or any Additional Intercreditor Agreement, (iv) the applicable Security Documents may be amended from time to time to cure any ambiguity, mistake, omission, defect, error or inconsistency therein and (v) the Company and its Restricted Subsidiaries may amend the Security Interests in any manner that does not adversely affect Holders of the Notes in any material respect; *provided, however*, that in the case of clause (i), (ii) and (v) above, the Security Documents may not be amended, extended, renewed, restated, supplemented, released or otherwise modified or replaced, unless contemporaneously with any such action, the Issuer delivers to the Trustee, either (1) a solvency opinion, in a form satisfactory to the Trustee from an Independent Financial Advisor confirming the solvency of the Company and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, (2) a certificate from the Board of Directors of the relevant Person, which confirms the solvency of the Person granting such Security Interest, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, or (3) an Opinion of Counsel, in a form satisfactory to the Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, the Lien or Liens created under the Security Documents, so amended, extended, renewed, restated, supplemented, released, modified or replaced are valid Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, release, modification or replacement. In the event that the Issuer complies with the requirements of this covenant, the Trustee and the Security Agents shall (subject to customary protections and indemnifications and each of the Trustee and the Security Agents being indemnified and secured to its satisfaction) consent to such amendments without the need for instructions from the Holders.

Further assurances

Subject to the Agreed Security Principles, the Company and its Restricted Subsidiaries will, at their own expense, execute and do all such acts and things and provide such assurances as the Security Agents may reasonably require (i) for registering any of the Security Documents in any required register and for granting, perfecting, preserving or protecting the security intended to be afforded by such Security Documents and (ii) if such Security Documents have become enforceable, for facilitating the realization of all or any part of the assets which are subject to such Security Documents and for facilitating the exercise of all powers, authorities and

discretions vested in the Security Agents or in any receiver of all or any part of those assets. Subject to the Agreed Security Principles, the Company and its Restricted Subsidiaries will execute all transfers, conveyances, assignments and releases of that property whether to the Security Agents or to its nominees and give all notices, orders and directions which the Security Agents may reasonably request.

Payments for Consent

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any holder of Notes for or as an inducement to any consent, waiver or amendment of any of the terms of the provisions of the Indenture, the Notes, the Intercreditor Agreement or any Additional Intercreditor Agreement unless such consideration is offered to be paid and is paid to all holders of the Notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement. Notwithstanding the foregoing, the Company and its Restricted Subsidiaries shall be permitted, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture, the Notes, the Intercreditor Agreement or any Additional Intercreditor Agreement, to exclude holders of Notes in any jurisdiction where (i) the solicitation of such consent, waiver or amendment, including in connection with an offer to purchase for cash, or (ii) the payment of the consideration therefor would require the Company or any of its Restricted Subsidiaries to file a registration statement, prospectus or similar document under any applicable securities laws (including, but not limited to, the United States federal securities laws and the laws of the European Union or its member states), which the Company in its sole discretion determines (acting in good faith) (A) would be materially burdensome (it being understood that it would not be materially burdensome to file the consent document(s) used in other jurisdictions, any substantially similar documents or any summary thereof with the securities or financial services authorities in such jurisdiction); or (B) such solicitation would otherwise not be permitted under applicable law in such jurisdiction.

Additional Guarantees

Notwithstanding anything to the contrary in this covenant, no Restricted Subsidiary shall Guarantee the Indebtedness outstanding under the Revolving Credit Facility, any Credit Facility or any Public Debt, in each case of the Issuer or a Guarantor unless such Restricted Subsidiary is the Issuer or a Guarantor or becomes a Guarantor on the date on which the Notes Guarantee is Incurred and, if applicable, executes and delivers to the Trustee a supplemental indenture in the form attached to the Indenture pursuant to which such Restricted Subsidiary will provide a Notes Guarantee, which Notes Guarantee will be senior to or *pari passu* with such Restricted Subsidiary's Guarantee of such other Indebtedness; *provided, however*, that such Restricted Subsidiary shall not be obligated to become such a Guarantor to the extent and for so long as the Incurrence of such Notes Guarantee is contrary to the Agreed Security Principles or could give rise to or result in: (1) any breach or violation of statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalization rules, capital maintenance rules, guidance and coordination rules or the laws rules or regulations (or analogous restriction) of any applicable jurisdiction; (2) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); or (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out of pocket expenses. At the option of the Issuer, any Guarantee may contain limitations on Guarantor liability to the extent reasonably necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

Future Notes Guarantees granted pursuant to this provision shall be released as set forth under "*—Notes Guarantees—Notes Guarantees Release*". A Notes Guarantee of a future Guarantor may

also be released at the option of the Issuer if at the date of such release there is no Indebtedness of such Guarantor outstanding which was Incurred after the Issue Date and which could not have been Incurred in compliance with the Indenture as of the date of such release if such Guarantor were not designated as a Guarantor as of that date. The Trustee and the Security Agents at the request and cost of the Issuer shall each take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Notes Guarantee in accordance with these provisions, subject to customary protections and indemnifications.

The validity and enforceability of the Notes Guarantees and the Security Interests and the liability of each Guarantor will be subject to the limitations as described and set out in *"Risk Factors—Risks Relating to the Notes and our structure—The Notes Guarantees and the Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability"*.

Additional Intercreditor Agreements

The Indenture will provide that, at the request of the Issuer or the Company, in connection with the Incurrence by the Company or its Restricted Subsidiaries of any (x) Indebtedness permitted pursuant to the first paragraph of the covenant described under *"—Limitation on Indebtedness"* or clause (1), (2), (3), (4), (5), (6), (7) (other than with respect to Capitalized Lease Obligations), (11) or (12) of the second paragraph of the covenant described under *"—Limitation on Indebtedness"* and (y) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clause (x), the Company, the Issuer, the relevant Restricted Subsidiaries, the Trustee and the Security Agents shall enter into with the holders of such Indebtedness (or their duly authorized Representatives) an intercreditor agreement (an **"Additional Intercreditor Agreement"**) or a restatement, amendment or other modification of the existing Intercreditor Agreement on substantially the same terms as the Intercreditor Agreement (or terms not materially less favorable to the Holders), including substantially the same terms with respect to release of Guarantees and priority and release of the Security Interests; *provided* that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or Security Agents or, in the opinion of the Trustee or Security Agents, as applicable, adversely affect the rights, duties, liabilities or immunities of the Trustee or Security Agents under the Indenture, any Additional Intercreditor Agreement or the Intercreditor Agreement.

The Indenture also will provide that, at the direction of the Issuer or the Company and without the consent of Holders, the Trustee and the Security Agents shall from time to time enter into one or more amendments to any Intercreditor Agreement to: (1) cure any ambiguity, omission, defect, manifest error or inconsistency of any such agreement, (2) increase the amount or types of Indebtedness covered by any such agreement that may be Incurred by the Company or any Restricted Subsidiary that is subject to any such agreement (including with respect to any Intercreditor Agreement or Additional Intercreditor Agreement, the addition of provisions relating to new Indebtedness ranking junior in right of payment to the Notes), (3) add Restricted Subsidiaries to the Intercreditor Agreement or an Additional Intercreditor Agreement, (4) further secure the Notes (including Additional Notes), (5) make provision for equal and ratable pledges of the Collateral to secure Additional Notes, (6) implement any Permitted Collateral Liens, (7) amend the Intercreditor Agreement or any Additional Intercreditor Agreement in accordance with the terms thereof or (8) make any other change to any such agreement that does not adversely affect the Holders in any material respect, making all necessary provisions to ensure that the Notes and the Notes Guarantees are secured by first-ranking Liens over the Collateral. The Issuer or the Company shall not otherwise direct the Trustee or the Security Agents to enter into any amendment to any Intercreditor Agreement without the consent of the Holders of the majority in aggregate principal amount of the Notes then outstanding, except as otherwise permitted below under *"—Amendments and Waivers"*, and the Issuer or the Company may only direct the Trustee and the Security Agents to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or Security Agents or, in the opinion of the Trustee or Security Agents, adversely affect their respective rights, duties,

liabilities or immunities under the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Indenture shall also provide that, in relation to any Intercreditor Agreement or Additional Intercreditor Agreement, the Trustee (and Security Agents, if applicable) shall consent on behalf of the Holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Notes thereby; *provided, however*, that such transaction would comply with the covenant described under "*—Limitation on Restricted Payments*".

The Indenture also will provide that each Holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement or any Additional Intercreditor Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein) and to have directed the Trustee and the Security Agents to enter into any such Additional Intercreditor Agreement. A copy of the Intercreditor Agreement or any Additional Intercreditor Agreement shall be made available for inspection during normal business hours on any Business Day upon prior written request at the offices of the Issuer.

Events of Default

Each of the following is an "Event of Default" under the Indenture:

- (1) default in any payment of interest on any Note issued under the Indenture when due and payable, continued for 30 days;
- (2) default in the payment of the principal amount of or premium, if any, on any Note issued under the Indenture when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;
- (3) failure by the Company or any of its Restricted Subsidiaries to comply for 60 days after notice by the Trustee or the Holders of at least 25% in principal amount of the outstanding Notes with its other agreements contained in the Indenture;
- (4) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Restricted Subsidiaries (or the payment of which is Guaranteed by the Company or any of its Restricted Subsidiaries) other than Indebtedness owed to the Company or a Restricted Subsidiary whether such Indebtedness or Guarantee now exists, or is created after the Issue Date, which default:
 - (a) is caused by a failure to pay principal at stated maturity on such Indebtedness, immediately upon the expiration of the grace period provided in such Indebtedness ("*payment default*"); or
 - (b) results in the acceleration of such Indebtedness prior to its maturity (the "*cross acceleration provision*"),

and, in each case, either (i) the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates €20.0 million or more or (ii) such Indebtedness is Incurred pursuant to clause (1) or (6) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" secured by Collateral that is, in each case, granted super senior priority rights with respect to proceeds of enforcement of Collateral under the Intercreditor Agreement, and the Majority Super Senior Creditors (as defined in the Intercreditor Agreement or any Additional Intercreditor Agreement) have instructed the Security Agents to commence enforcement of Collateral with a fair market value in excess of €20.0 million in circumstances where the Security Agents are permitted to take enforcement action in accordance with such instructions;

- (5) certain events of bankruptcy, insolvency or court protection of the Company, the Issuer or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Company and its Restricted Subsidiaries), would constitute a Significant Subsidiary (the "*bankruptcy provisions*");
- (6) failure by the Company, the Issuer or any Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Company and its Restricted Subsidiaries), would constitute a Significant Subsidiary to pay final judgments aggregating in excess of €20.0 million (exclusive of any amounts that a solvent insurance company has acknowledged liability for), which judgments are not paid, discharged or stayed for a period of 60 days after the judgment becomes final (the "*judgment default provision*");
- (7) any security interest under the Security Documents shall, at any time, cease to be in full force and effect (other than in accordance with the terms of the relevant Security Document, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Indenture) with respect to Collateral having a fair market value in excess of €15.0 million for any reason other than the satisfaction in full of all obligations under the Indenture or the release of any such security interest in accordance with the terms of the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents or any such security interest created thereunder shall be declared invalid or unenforceable or the Company, the Issuer or any Restricted Subsidiary shall assert in writing that any such security interest is invalid or unenforceable and any such Default continues for 10 days; and
- (8) any Notes Guarantee of the Company or a Significant Subsidiary ceases to be in full force and effect (other than in accordance with the terms of such Notes Guarantee or the Indenture) or is declared invalid or unenforceable in a judicial proceeding or any Guarantor denies or disaffirms in writing its obligations under its Notes Guarantee and any such Default continues for 10 days.

If an Event of Default (other than an Event of Default described in clause (5) above) occurs and is continuing, the Trustee by notice to the Issuer or the Holders of at least 25% in principal amount of the outstanding Notes under the Indenture by written notice to the Issuer and the Trustee, may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest on all the Notes under the Indenture to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest will be due and payable immediately. In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (4) under "*—Events of Default*" has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (4) shall be remedied or cured, or waived by the holders of the Indebtedness, or the Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except nonpayment of principal, premium or interest on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

If an Event of Default described in clause (5) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest on all the Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders.

Holders of the Notes may not enforce the Indenture or the Notes except as provided in the Indenture and may not enforce the Security Documents except as provided in such Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Holders of a majority in principal amount of the outstanding Notes under the Indenture may waive all past or existing Defaults or Events of Default (except with respect to nonpayment of

principal, premium, interest or Additional Amounts, if any) and rescind any such acceleration with respect to such Notes and its consequences if rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Subject to the provisions of the Indenture relating to the duties of the Trustee, if an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee and the Trustee has received indemnity and/or security (including by way of pre-funding) satisfactory to the Trustee in its sole discretion against any loss, liability or expense. Except to enforce the right to receive payment of principal or interest when due, no Holder may pursue any remedy with respect to the Indenture or the Notes unless:

- (1) such Holder has previously given the Trustee notice that an Event of Default is continuing;
- (2) Holders of at least 25% in principal amount of the outstanding Notes have requested the Trustee to pursue the remedy;
- (3) such Holders have offered the Trustee security and/or indemnity and/or prefunding satisfactory to it against any loss, liability or expense;
- (4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of such security and/or indemnity and/or prefunding; and
- (5) the Holders of a majority in principal amount of the outstanding Notes have not given the Trustee a direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the Holders of a majority in principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee.

The Indenture will provide that, in the event an Event of Default has occurred and is continuing, and a responsible officer of the Trustee is actually aware, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee will be entitled to indemnification and/or other security (including by way of pre-funding) satisfactory to it in its sole discretion against all losses, liabilities and expenses caused by taking or not taking such action. The Indenture will provide that if a Default occurs and is continuing and the Trustee is informed in writing of such occurrence by the Company, the Trustee must give notice of the Default to the Holders within 60 days after being notified by the Company. Except in the case of a Default in the payment of principal of, or premium, if any, or interest on any Note, the Trustee may withhold notice if and so long as the Trustee determines that withholding notice is in the interests of the Holders. The Company is required to deliver to the Trustee, within 120 days after the end of each fiscal year, an Officer's Certificate indicating whether the signers thereof know of any Default or Event of Default that occurred during the previous year. The Company is required to deliver to the Trustee, within 30 days after any Officer becoming aware thereof, written notice of any events of which would constitute certain Defaults, their status and what action the Company is taking or proposes to take in respect thereof.

The Indenture will provide for the Trustee to take action on behalf of the Holders in certain circumstances, but only if the Trustee is indemnified and/or secured (including by way of pre-funding) to its satisfaction in its sole discretion. It may not be possible for the Trustee to take certain actions in relation to the Notes and, accordingly, in such circumstances the Trustee will be unable to take action, notwithstanding the provision of an indemnity to it and/or security (including by way of pre-funding), and it will be for Holders to take action directly.

Amendments and Waivers

Subject to certain exceptions, the Notes Documents may be amended, supplemented or otherwise modified with the consent of Holders of at least a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, the Notes) and, subject to certain exceptions, any default or compliance with any provisions thereof may be waived with the consent of the Holders of at least a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, the Notes). However, without the consent of Holders holding not less than 90% (or, in the case of clause (8) below, 75%) of the then outstanding principal amount of the Notes affected, an amendment or waiver may not, with respect to any Notes held by a non-consenting Holder:

- (1) reduce the principal amount of the Notes whose Holders must consent to an amendment, waiver or modification;
- (2) reduce the stated rate of or extend the stated time for payment of interest on any Note;
- (3) reduce the principal of or extend the Stated Maturity of any Note;
- (4) reduce the premium payable upon the redemption of any Note or change the time at which any Note may be redeemed, in each case as described under "*—Optional Redemption*";
- (5) make any Note payable in money other than that stated in the Note;
- (6) impair the right of any Holder to institute suit for the enforcement of any payment of principal of and interest or Additional Amounts, if any, on such Holder's Notes on or after the due dates therefor;
- (7) make any change in the provision of the Indenture described under "*—Withholding Taxes*" that adversely affects the right of any Holder of such Notes in any material respect or amends the terms of such Notes in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the applicable Payor agrees to pay Additional Amounts, if any, in respect thereof;
- (8) release any security interests granted for the benefit of the Holders in the Collateral other than in accordance with the terms of the Security Documents, the Intercreditor Agreement, any applicable Additional Intercreditor Agreement or the Indenture;
- (9) waive a Default or Event of Default with respect to the nonpayment of principal, premium or interest or Additional Amounts, if any, on the Notes (except pursuant to a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of such Notes and a waiver of the payment default that resulted from such acceleration);
- (10) release any Guarantor from any of its obligations under its Notes Guarantee or the Indenture, except in accordance with the terms of the Indenture and the Intercreditor Agreement; or
- (11) make any change in the amendment or waiver provisions which require the Holders' consent described in this sentence.

Notwithstanding the foregoing, without the consent of any Holder, the Company, the Issuer, the Trustee, the Security Agents and the other parties thereto, as applicable, may amend or supplement any Notes Documents to:

- (1) cure any ambiguity, omission, defect, error or inconsistency;
- (2) provide for the assumption by a successor Person of the obligations of the Company or any Restricted Subsidiary under any Notes Document;

- (3) add to the covenants or provide for a Notes Guarantee, in each case for the benefit of the Holders, or surrender any right or power conferred upon the Company or any Restricted Subsidiary;
- (4) make any change that would provide additional rights or benefits to the Trustee or the Holders or that does not adversely affect the rights or benefits to the Trustee or any of the Holders in any material respect under the Notes Documents;
- (5) make such provisions as necessary (as determined in good faith by the Board of Directors or a member of Senior Management of the Company) for the issuance of Additional Notes that may be issued in compliance with the Indenture;
- (6) to provide for any Restricted Subsidiary to provide a Notes Guarantee in accordance with the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" or "*—Certain Covenants—Additional Guarantees*" to add Guarantees with respect to the Notes, to add security to or for the benefit of the Notes, or to confirm and evidence the release, termination, discharge or retaking of any Notes Guarantee or Lien (including the Collateral and the Security Documents) or any amendment in respect thereof with respect to or securing the Notes when such release, termination, discharge or retaking or amendment is provided for under the Indenture, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement;
- (7) to conform the text of the Indenture, the Security Documents or the Notes to any provision of this "*Description of the Notes*" to the extent that such provision in this "*Description of the Notes*" was intended to be a verbatim recitation of a provision of the Indenture, the Security Documents or the Notes;
- (8) to evidence and provide for the acceptance and appointment under the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement of a successor Trustee or Security Agents pursuant to the requirements thereof or to provide for the accession by the Trustee or Security Agents to any Notes Document;
- (9) in the case of the Security Documents, to mortgage, pledge, hypothecate or grant a security interest in favor of the Security Agents for the benefit of the Holders or parties to the Revolving Credit Facility Agreement, in any property which is required by the Security Documents or the Revolving Credit Facility Agreement (as in effect on the Issue Date) to be mortgaged, pledged or hypothecated, or in which a security interest is required to be granted to the Security Agents, or to the extent necessary to grant a security interest in the Collateral for the benefit of any Person; provided that the granting of such security interest is not prohibited by the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement and the covenant described under "*—Certain Covenants—Impairment of Security Interest*" is complied with; or
- (10) as provided in "*—Certain Covenants—Additional Intercreditor Agreements*".

In formulating its decision on such matters, the Trustee shall be entitled to require and rely absolutely on such evidence as it may request, including Officer's Certificates and Opinions of Counsel.

The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment of any Notes Document. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Indenture by any Holder of the Notes given in connection with a tender of such Holder's Notes will not be rendered invalid by such tender. The Indenture will not contain a covenant regulating the offer and/or payment of a consent fee to Holders.

For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market and the rules and regulations of the Luxembourg Stock Exchange so require, the Issuer shall publish notice of any amendment, supplement and

waiver in a leading daily newspaper of general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Luxembourg Stock Exchange (www.bourse.lu).

Notwithstanding anything to the contrary in the paragraph above, in order to effect an amendment authorized by subsections (3) and (6) in respect of providing for a Notes Guarantee, it shall only be necessary for the supplemental indenture or guarantee agreement of such additional Guarantor to be duly authorized and executed by (i) the Issuer, (ii) such additional Guarantor and (iii) the Trustee.

Acts by Holders

In determining whether the Holders of the required principal amount of the Notes have concurred in any direction, waiver or consent, the Notes owned by the Issuer or by any Person directly or indirectly controlled, or controlled by, or under direct or indirect common control with, the Issuer will be disregarded and deemed not to be outstanding.

Defeasance

The Issuer at any time may terminate all obligations of the Issuer and each Guarantor under the Notes and the Indenture ("*legal defeasance*") and cure all then existing Defaults and Events of Default, except for certain obligations, including those respecting the defeasance trust, the rights, powers, trusts, duties, immunities and indemnities of the Trustee and the obligations of the Issuer in connection therewith and obligations concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust. Subject to the foregoing, if the Issuer exercises its legal defeasance option, the Security Documents and the rights of the Trustee and the Holders under the Intercreditor Agreement or any Additional Intercreditor Agreement in effect at such time will terminate (other than with respect to the defeasance trust).

The Issuer at any time may terminate its and the Guarantors' obligations under the covenants described under "*Certain Covenants*" (other than with respect to the covenant described under "*—Certain Covenants—Merger and Consolidation—The Issuer*", clauses (1) and (2) of the covenant described under "*—Certain Covenants—Merger and Consolidation—The Company*") and "*—Change of Control*" and the default provisions relating to such covenants described under "*—Events of Default*" above, the operation of the cross-default upon a payment default, the cross acceleration provisions, the bankruptcy provisions with respect to the Significant Subsidiaries (other than the Issuer), the judgment default provision, the guarantee provision and the security default provision described under "*—Events of Default*" ("*covenant defeasance*").

The Issuer at its option at any time may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Issuer exercises its legal defeasance option, payment of the Notes may not be accelerated because of an Event of Default with respect to such Notes. If the Issuer exercises its covenant defeasance option with respect to the Notes, payment of the Notes may not be accelerated because of an Event of Default specified in clause (3) (other than with respect to the covenant described under "*—Certain Covenants—Merger and Consolidation—The Issuer*", clauses (1) and (2) of the covenant described under "*—Certain Covenants—Merger and Consolidation—The Company*"), and clauses (4), (5) with respect to the Significant Subsidiaries (other than the Issuer), (6), (7) or (8) under "*—Events of Default*".

In order to exercise either defeasance option, the Issuer must irrevocably deposit in trust (the “*defeasance trust*”) with the Trustee (or another entity designated (or appointed (as agent)) by the Trustee for this purpose) cash in euro or euro-denominated European Government Obligations or a combination thereof sufficient (without reinvestment), in the opinion of the Issuer, acting in good faith, for the payment of principal, premium, if any, and interest on the Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of:

- (1) an Opinion of Counsel in the United States to the effect that Holders and beneficial owners of the relevant Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and in the case of legal defeasance only, such Opinion of Counsel in the United States must be based on a ruling of the U.S. Internal Revenue Service or change in applicable U.S. federal income tax law);
- (2) an Officer’s Certificate stating that the deposit was not made by the Issuer with the intent of defeating, hindering, delaying, defrauding or preferring any creditors of the Issuer;
- (3) an Officer’s Certificate and an Opinion of Counsel (which opinion of counsel may be subject to customary assumptions and exclusions), each stating that all conditions precedent provided for or relating to legal defeasance or covenant defeasance, as the case may be, have been complied with; and
- (4) the Issuer delivers to the Trustee all other documents or other information that the Trustee may require in connection with either defeasance option.

Satisfaction and Discharge

The Indenture, and the rights of the Trustee and the Holders under the Intercreditor Agreement and any Additional Intercreditor Agreement and the Security Documents will be discharged and cease to be of further effect (except as to surviving rights of conversion or transfer or exchange of the Notes, as expressly provided for in the Indenture) as to all outstanding Notes when (1) either (a) all the Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Notes, and certain Notes for which provision for payment was previously made and thereafter the funds have been released to the Issuer) have been delivered to the Paying Agent for cancellation; or (b) all Notes not previously delivered to the Paying Agent for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Paying Agent in the name, and at the expense, of the Issuer; (2) the Issuer has deposited or caused to be deposited with the Trustee (or another entity designated (or appointed (as agent)) by the Trustee for this purpose), money or Euro-denominated European Government Obligations, or a combination thereof, as applicable, in an amount sufficient to pay and discharge the entire Indebtedness on the Notes not previously delivered to the Paying Agent for cancellation, for principal, premium, if any, and interest to the date of deposit (in the case of the Notes that have become due and payable), or to the Stated Maturity or redemption date, as the case may be; (3) the Issuer has paid or caused to be paid all other sums payable under the Indenture; (4) the Issuer has delivered to the Trustee an Officer’s Certificate and an Opinion of Counsel each to the effect that all conditions precedent under the “*Satisfaction and Discharge*” section of the Indenture relating to the satisfaction and discharge of the Indenture have been complied with, *provided* that any such counsel may rely on any Officer’s Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)) and (5) the Issuer has delivered irrevocable instructions to the Trustee to apply the deposited money towards the payment of the Notes at maturity or on the redemption date, as the case may be.

No Personal Liability of Directors, Officers, Employees and Shareholders

No director, officer, employee, incorporator or shareholder of the Company or any of their respective Subsidiaries or Affiliates, as such, shall have any liability for any obligations of the Issuer or any Guarantor under the Notes Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws and it is the view of the SEC that such a waiver is against public policy.

Concerning the Trustee and Certain Agents

BNY Mellon Corporate Trustee Services Limited is to be appointed as Trustee under the Indenture. The Indenture will provide that, except during the continuance of an Event of Default of which a responsible officer of the Trustee is actually aware, the Trustee will perform only such duties as are set forth specifically in the Indenture. During the existence of an Event of Default of which a responsible officer of the Trustee is actually aware, the Trustee will exercise such of the rights and powers vested in it under the Indenture and use the same degree of care that a prudent Person would use in conducting its own affairs. The permissive rights of the Trustee to take or refrain from taking any action enumerated in the Indenture will not be construed as an obligation or duty.

The Trustee, the Security Agents, the Paying Agent or any other such Agent will be permitted to engage in other transactions with the Issuer and its Affiliates and Subsidiaries. If the Trustee, the Security Agents, the Paying Agent or any other Agent becomes the Holder, beneficial owner or pledgee of any Notes, it may deal with the Issuer or its Affiliates with the same rights it would have if it were not the Trustee, Security Agents, Paying Agent or any other such Agent. For the avoidance of doubt, the Security Agents, the Paying Agent, the Authenticating Agent or any other Agent may do the same with like rights.

The Indenture will set out the terms under which the Trustee may retire or be removed, and replaced. Such terms will include, among others, (1) that the Trustee may be removed at any time by the Holders of a majority in principal amount of the then outstanding Notes, or may resign at any time by giving written notice to the Issuer and (2) that if the Trustee at any time (a) has or acquires a conflict of interest that is not eliminated, or (b) becomes incapable of acting as Trustee or becomes insolvent or bankrupt, then the Issuer may remove the Trustee, or any Holder who has been a bona fide Holder for not less than six months may petition any court for removal of the Trustee and appointment of a successor Trustee.

Any removal or resignation of the Trustee shall not become effective until the acceptance of appointment by the successor Trustee.

The Indenture will contain provisions for the indemnification of the Trustee for any loss, liability, Taxes or expenses incurred without gross negligence, willful misconduct or fraud on its part, arising out of or in connection with the acceptance or administration of the Indenture.

Notices

For so long as any of the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, notices of the Issuer with respect to the Notes will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu). In addition, for so long as any Notes are represented by Global Notes, all notices to Holders of the Notes will be delivered by or on behalf of the Issuer to Euroclear and Clearstream. Such notices may instead be published in a daily newspaper having a general circulation in Luxembourg (which is currently expected to be the *Luxemburger Wort*) or if, in the opinion of the Issuer such publication is not practicable, in an English language newspaper having general circulation in Europe.

Each such notice shall be deemed to have been given on the date of such publication or, if published more than once on different dates, on the first date on which publication is made; *provided that*, if notices are mailed, such notice shall be deemed to have been given on the later of such publication and the seventh day after being so mailed. Any notice or communication mailed to a Holder shall be mailed to such Person by first-class mail or other equivalent means and shall be sufficiently given to such Holder if so mailed within the time prescribed. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it. If a notice or communication is given in via Euroclear or Clearstream, it is duly given on the day the notice is given to Euroclear or Clearstream.

Prescription

Claims against the Issuer and the Guarantors for the payment of principal, or premium, if any, on the Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer and the Guarantors for the payment of interest on the Notes will be prescribed six years after the applicable due date for payment of interest.

Currency Indemnity and Calculation of Euro-Denominated Restrictions

Euro is the sole currency of account and payment for all sums payable by the Issuer and the Guarantors, if any, under or in connection with the Notes and the Notes Guarantees, if any, including damages. Any amount received or recovered in a currency other than the euro, whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, any Guarantor or otherwise by any Holder or by the Trustee or the Paying Agent, in respect of any sum expressed to be due to it from the Issuer or a Guarantor will only constitute a discharge to the Issuer or such Guarantor, as applicable, to the extent of the euro amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

If that euro amount is less than the euro amount expressed to be due to the recipient or the Trustee under any Note, the Issuer and the Guarantors will indemnify them against any loss sustained by such recipient or the Trustee or the Paying Agent as a result. In any event, the Issuer and the Guarantors will indemnify the recipient or the Trustee or the Paying Agent on a joint and several basis against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be prima facie evidence of the matter stated therein for the Holder of a Note or the Trustee or the Paying Agent to certify (indicating the sources of information used) the loss it incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantors' other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any Holder of a Note or the Trustee (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any Notes Guarantee, or to the Trustee.

Except as otherwise specifically set forth herein, for purposes of determining compliance with any euro-denominated restriction herein, the Euro Equivalent amount for purposes hereof that is denominated in a non-euro currency shall be calculated based on the relevant currency exchange rate in effect on the date such non-euro amount is Incurred or made, as the case may be.

Listing

Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes to trading on the Euro MTF Market. There can be no assurance that the application to list the Notes on the Official List of the Luxembourg Stock Exchange and

to admit the Notes on the Euro MTF Market will be approved and settlement of the Notes is not conditioned on obtaining such listing.

Enforceability of Judgments

Since all the assets of the Issuer and the Guarantors are located outside the United States, any judgment obtained in the United States against the Issuer or the Guarantors, including judgments with respect to the payment of principal, premium, interest, Additional Amounts, if any, and any redemption price and any purchase price with respect to the Notes, may not be collectable within the United States.

Consent to Jurisdiction and Service

In relation to any legal action or proceedings arising out of or in connection with the Indenture and the Notes, the Issuer and the Guarantors will in the Indenture irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States. The Indenture will provide that the Issuer and each Guarantor will appoint an agent for service of process in any suit, action or proceeding with respect to the Indenture, the Notes and the Notes Guarantees brought in any U.S. federal or New York state court located in the City of New York.

Governing Law

The Indenture and the Notes, and the rights and duties of the parties thereunder, shall be governed by and construed in accordance with the laws of the State of New York. The Intercreditor Agreement and the rights and duties of the parties thereunder shall be governed by and construed in accordance with the laws of England and Wales. The Security Documents will be governed by the law of the location of the relevant asset that is part of the Collateral.

Certain Definitions

“Acquired Indebtedness” means Indebtedness (1) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary, or (2) assumed in connection with the acquisition of assets from such Person, in each case whether or not Incurred by such Person in connection with such Person becoming a Restricted Subsidiary of the Company or such acquisition or (3) of a Person at the time such Person merges with or into or consolidates or otherwise combines with the Company or any Restricted Subsidiary. Acquired Indebtedness shall be deemed to have been Incurred, with respect to clause (1) of the preceding sentence, on the date such Person becomes a Restricted Subsidiary and, with respect to clause (2) of the preceding sentence, on the date of consummation of such acquisition of assets and, with respect to clause (3) of the preceding sentence, on the date of the relevant merger, consolidation or other combination.

“Affiliate” of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, *“control”* when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms *“controlling”* and *“controlled”* have meanings correlative to the foregoing.

“Agent” means the Paying Agent, the Registrar and the Transfer Agent.

“Agreed Security Principles” means the agreed security principles appended to the Intercreditor Agreement, as of the Issue Date, as applied *mutatis mutandis* with respect to the Notes in good faith by the Issuer.

“Applicable Premium” means, on any redemption date prior _____, 2020, the greater of:

(1) 1.0% of the principal amount of such Note; and

(2) the excess (to the extent positive) of:

- (a) the present value at such redemption date of (1) the redemption price of such Note at , 2020 (such redemption price (expressed in percentage of principal amount) being set forth in the table above under the first paragraph of this section (excluding accrued and unpaid interest)), plus (2) all required interest payments due on such Note to and including , 2020 (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the Bund Rate at such redemption date plus 50 basis points; over
- (b) the outstanding principal amount of such Note.

For the avoidance of doubt, calculation of the Applicable Premium will not be a duty or obligation of the Trustee or the Paying Agent.

“Asset Disposition” means any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business), transfer, issuance or other disposition, or a series of related sales, leases (other than operating leases entered into in the ordinary course of business), transfers, issuances or dispositions that are part of a common plan, of shares of Capital Stock of a Subsidiary (other than directors’ qualifying shares), property or other assets (each referred to for the purposes of this definition as a *“disposition”*) by the Company or any of its Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction. Notwithstanding the preceding provisions of this definition, the following items shall be deemed not to be Asset Dispositions:

- (1) a disposition by a Restricted Subsidiary to the Company or by the Company or a Restricted Subsidiary to a Restricted Subsidiary;
- (2) a disposition of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;
- (3) a disposition of inventory, trading stock, security equipment or other equipment or assets in the ordinary course of business;
- (4) a disposition of obsolete, damaged, retired, surplus or worn out equipment or assets or equipment, facilities or other assets that are no longer useful in the conduct of the business of the Company and its Restricted Subsidiaries and any transfer, termination, unwinding or other disposition of hedging instruments or arrangements not for speculative purposes;
- (5) transactions permitted under *“—Certain Covenants—Merger and Consolidation”* or a transaction that constitutes a Change of Control;
- (6) an issuance of Capital Stock by a Restricted Subsidiary to the Company or to another Restricted Subsidiary or as part of or pursuant to an equity incentive or compensation plan approved by the Board of Directors of the Company or the issuance of directors’ qualifying shares and shares issued to individuals as required by applicable law;
- (7) any dispositions of Capital Stock, properties or assets in a single transaction or series of related transactions with a fair market value (as determined in good faith by the Board of Directors or a member of Senior Management of the Company) of less than €10.0 million;
- (8) any Restricted Payment that is permitted to be made, and is made, under the covenant described above under *“—Certain Covenants—Limitation on Restricted Payments”* and the making of any Permitted Payment or Permitted Investment or, solely for purposes of the second paragraph of the covenant described under *“—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock”*, asset sales, the proceeds of which are used to make such Restricted Payments or Permitted Investments;
- (9) the granting of Liens not prohibited by the covenant described above under the caption *“—Certain Covenants—Limitation on Liens”*;

- (10) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements or any sale of assets received by the Company or a Restricted Subsidiary upon the foreclosure of a Lien granted in favor of the Company or any Restricted Subsidiary;
- (11) the licensing or sub-licensing of intellectual property or other general intangibles and licenses, sub-licenses, leases or subleases of other property, in each case, in the ordinary course of business;
- (12) foreclosure, condemnation, taking by eminent domain or any similar action with respect to any property or other assets;
- (13) the sale or discount (with or without recourse, and on customary or commercially reasonable terms) of accounts receivable or notes receivable arising in the ordinary course of business, or the conversion or exchange of accounts receivable for notes receivable;
- (14) any issuance, sale or disposition of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary;
- (15) any disposition of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than the Company or a Restricted Subsidiary) from whom such Restricted Subsidiary was acquired, or from whom such Restricted Subsidiary acquired its business and assets (having been newly formed in connection with such acquisition), made as part of such acquisition and in each case comprising all or a portion of the consideration in respect of such sale or acquisition;
- (16) any surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;
- (17) any disposition of assets to a Person who is providing services related to such assets, the provision of which have been or are to be outsourced by the Company or any Restricted Subsidiary to such Person; *provided, however*, that the Board of Directors of the Company shall certify that in the opinion of the Board of Directors of the Company, the outsourcing transaction will be economically beneficial to the Company and its Restricted Subsidiaries (considered as a whole); *provided, further*, that the fair market value of the assets disposed of, when taken together with all other dispositions made pursuant to this clause (17), does not exceed €10.0 million;
- (18) an issuance of Capital Stock by a Restricted Subsidiary to the Company or to another Restricted Subsidiary, an issuance or sale by a Restricted Subsidiary of Preferred Stock that is permitted by the covenant described above under “—*Certain Covenants—Limitation on Indebtedness*” or an issuance of Capital Stock by the Company pursuant to an equity incentive or compensation plan approved by the Board of Directors of the Company;
- (19) sales, transfers or other dispositions of Investments in joint ventures to the extent required by, or made pursuant to, customary buy/sell arrangements between the joint venture parties set forth in joint venture arrangements and similar binding agreements; *provided* that any cash or Cash Equivalents received in such sale, transfer or disposition is applied in accordance with the “—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*” covenant;
- (20) any disposition with respect to property built, owned or otherwise acquired by the Company or any Restricted Subsidiary pursuant to customary sale and lease-back transactions, asset securitizations and other similar financings permitted by the Indenture; and
- (21) any contribution to or conversion of intercompany Indebtedness into equity of the Company or a Restricted Subsidiary.

“**Associate**” means (i) any Person engaged in a Similar Business of which the Company or its Restricted Subsidiaries are the legal and beneficial owners of between 20% and 50% of all

outstanding Voting Stock and (ii) any joint venture entered into by the Company or any Restricted Subsidiary of the Company.

"Board of Directors" means: (1) with respect to the Company or any corporation, the board of directors or managers, as applicable, of the corporation, or any duly authorized committee thereof; (2) with respect to any partnership, the board of directors or other governing body of the general partner of the partnership or any duly authorized committee thereof; and (3) with respect to any other Person, the board or any duly authorized committee of such Person serving a similar function. Whenever any provision of the Indenture requires any action or determination to be made by, or any approval of, a Board of Directors, such action, determination or approval shall be deemed to have been taken or made if approved by a majority of the directors (excluding employee representatives, if any) on any such Board of Directors (whether or not such action or approval is taken as part of a formal board meeting or as a formal board approval).

"Bund Rate" means, with respect to any relevant date, the rate per annum equal to the equivalent yield to maturity as of such date of the Comparable German Bund Issue, assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price for such relevant date, where:

- (1) **"Comparable German Bund Issue"** means the German Bundesanleihe security selected by any Reference German Bund Dealer as having a fixed maturity most nearly equal to the period from such redemption date to July 1, 2021, and that would be utilized at the time of selection and in accordance with customary financial practice, in pricing new issues of euro-denominated corporate debt securities in a principal amount approximately equal to the then outstanding principal amount of the Notes and of a maturity most nearly equal to July 1, 2021; provided, however, that, if the period from such redemption date to July 1, 2021 is less than one year, a fixed maturity of one year shall be used;
- (2) **"Comparable German Bund Price"** means, with respect to any relevant date, the average of all Reference German Bund Dealer Quotations for such date (which, in any event, must include at least two such quotations), after excluding the highest and lowest such Reference German Bund Dealer Quotations, or if the Company obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations;
- (3) **"Reference German Bund Dealer"** means any dealer of German Bundesanleihe securities appointed by the Company; and
- (4) **"Reference German Bund Dealer Quotations"** means, with respect to each Reference German Bund Dealer and any relevant date, the average as determined by the Company of the bid and offered prices for the Comparable German Bund Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Company by such Reference German Bund Dealer at 3:30 p.m. Frankfurt, Germany, time on the third Business Day preceding the relevant date.

"Business Day" means each day that is not a Saturday, Sunday or other day on which banking institutions in Stockholm, London, United Kingdom or Luxembourg are authorized or required by law to close; provided, however, that for any payments to be made under the Indenture, such day shall also be a TARGET Settlement Date.

"Capital Stock" of any Person means any and all shares of, rights to purchase, warrants or options for, or other equivalents of or partnership or other interests in (however designated), equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

"Capitalized Lease Obligations" means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes on the basis of IFRS. The amount of Indebtedness will be, at the time any determination is to be made, the amount of such obligation required to be capitalized on a balance sheet (excluding any notes thereto) prepared in accordance with IFRS, and the stated maturity thereof will be the date of the last

payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

"Cash Equivalents" means:

- (1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian governments, a member state of the European Union, Switzerland or Norway whose long-term debt is rated "*F-2*" or higher by Fitch, "*A-1*" or higher by Moody's or "*A+*" or higher by S&P or the equivalent rating category of another internationally recognized rating agency or, in each case, any agency or instrumentality of thereof (*provided* that the full faith and credit of such country or such member state is pledged in support thereof), having maturities of not more than two years from the date of acquisition;
- (2) certificates of deposit, time deposits, overnight bank deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof issued by any lender party to the Revolving Credit Facility or by any bank or trust company (a) whose commercial paper is rated at least "*F-2*" or the equivalent thereof by Fitch, "*A-1*" or the equivalent thereof by S&P or at least "*P-1*" or the equivalent thereof by Moody's (or if at the time neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) or (b) (in the event that the bank or trust company does not have commercial paper which is rated) having combined capital and surplus in excess of €250 million;
- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) entered into with any bank meeting the qualifications specified in clause (2) above;
- (4) commercial paper rated at the time of acquisition thereof at least "*F-2*" or the equivalent thereof by Fitch, "*A-2*" or the equivalent thereof by S&P or "*P-2*" or the equivalent thereof by Moody's or carrying an equivalent rating by a Nationally Recognized Statistical Rating Organization, if both of the two named rating agencies cease publishing ratings of investments or, if no rating is available in respect of the commercial paper, the issuer of which has an equivalent rating in respect of its long-term debt, and in any case maturing within one year after the date of acquisition thereof;
- (5) readily marketable direct obligations issued by any state of the United States of America, any province of Canada, any member of the European Union, Switzerland or Norway or any political subdivision thereof, in each case, having one of the two highest rating categories obtainable from either Moody's or S&P (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of not more than two years from the date of acquisition;
- (6) Indebtedness or preferred stock issued by Persons with a rating of "*BBB-*" or higher from S&P or "*Baa3*" or higher from Moody's (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of 12 months or less from the date of acquisition;
- (7) bills of exchange issued in the United States, Canada, a member state of the European Union, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent); and
- (8) interests in any investment company, money market or enhanced high yield fund which invests 95% or more of its assets in instruments of the type specified in clauses (1) through (7) above.

"Change of Control" means the occurrence of any of the following:

- (1) the Company becoming aware that (by way of a report or any other filing pursuant to Section 13(d) of the U.S. Exchange Act, proxy, vote, written notice or otherwise) any "*person*" or "*group*" of related persons (as such terms are used in Sections 13(d) and 14(d) of

the U.S. Exchange Act as in effect on the Issue Date), other than one or more Permitted Holders, is or becomes the “*beneficial owner*” (as defined in Rules 13d-3 and 13d-5 under the U.S. Exchange Act as in effect on the Issue Date), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Company; or

- (2) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Company and its Restricted Subsidiaries taken as a whole to a Person, other than a Restricted Subsidiary or one or more Permitted Holders,

provided that, in each case, a Change of Control shall not be deemed to have occurred if such a Change of Control is also a Specified Change of Control Event.

“**Clearstream**” means Clearstream Banking S.A., or any successor thereof.

“**Collateral**” means any and all assets from time to time in which a security interest has been or will be granted on the Issue Date or thereafter pursuant to any Security Document to secure the obligations under the Indenture, the Notes and/or any Notes Guarantee.

“**Commodity Hedging Agreements**” means, in respect of a Person, any commodity purchase contract, commodity futures or forward contract, commodities option contract or other similar contract (including commodities derivative agreements or arrangements), to which such Person is a party or a beneficiary.

“**Consolidated EBITDA**” for any period means, without duplication, the Consolidated Net Income for such period, plus the following to the extent deducted in calculating such Consolidated Net Income:

- (1) Consolidated Interest Expense;
- (2) Consolidated Income Taxes;
- (3) consolidated depreciation expense;
- (4) consolidated amortization or impairment expense;
- (5) any expenses, charges or other costs related to any issuance of Capital Stock, listing of Capital Stock, Investment, acquisition (including amounts paid in connection with the acquisition or retention of one or more individuals comprising part of a management team retained to manage the acquired business and any expenses, charges or other costs related to deferred or contingent payments), disposition, recapitalization or the Incurrence of any Indebtedness permitted by the Indenture (whether or not successful) (including any such fees, expenses or charges related to the Refinancing (including any expenses in connection with related due diligence activities)), in each case, as determined in good faith by the Board of Directors or a member of Senior Management of the Company;
- (6) any minority interest expense (whether paid or not) consisting of income attributable to minority equity interests of third parties in such period or any prior period or any net earnings, income or share of profit of any Associates, except to the extent of dividends declared or paid on, or other cash payments in respect of, equity interests held by such third parties;
- (7) the amount of management, monitoring, consulting and advisory fees and related expenses paid in such period to the Permitted Holders to the extent permitted by clause 10(a) of the covenant described under “—*Certain Covenants—Limitation on Affiliate Transactions*”;
- (8) other non-cash charges, write-downs or items reducing Consolidated Net Income (excluding any such non-cash charge, write-down or item to the extent it represents an accrual of or reserve for cash charges expected to be paid in any future period); and

- (9) the proceeds of any business interruption insurance received or that become receivable during such period to the extent the associated losses arising out of the event that resulted in the payment of such business interruption insurance proceeds were included in computing Consolidated Net Income in an amount not to exceed €500,000.

“Consolidated Income Taxes” means Taxes or other payments, including deferred taxes, based on income, profits or capital (including, without limitation, withholding taxes with respect to the foregoing) of any of the Company and its Restricted Subsidiaries whether or not paid, estimated, accrued or required to be remitted to any governmental authority.

“Consolidated Interest Expense” means, for any period (in each case, determined on the basis of IFRS), the consolidated net interest income (expense) of the Company and its Restricted Subsidiaries, whether paid or accrued, plus or including (without duplication) any interest, costs and charges consisting of:

- (1) interest expense attributable to Capitalized Lease Obligations;
- (2) amortization of original issue discount (but not including deferred financing fees, debt issuance costs, commissions, fees and expenses);
- (3) non-cash interest expense;
- (4) costs associated with Hedging Obligations (excluding amortization of fees or any non-cash interest expense attributable to the movement in mark-to-market valuation of such obligations);
- (5) the product of (a) all dividends or other distributions in respect of all Disqualified Stock of the Company and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than the Company or a Subsidiary of the Company, multiplied by (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined national, state and local statutory tax rate of such Person, expressed as a decimal, as estimated in good faith by a responsible accounting or financial officer of the Company;
- (6) the consolidated interest expense that was capitalized during such period (but excluding any interest capitalized, accrued, accreted or paid in respect of Subordinated Shareholder Funding); and
- (7) interest actually paid by the Company or any Restricted Subsidiary under any Guarantee of Indebtedness or other obligation of any other Person,

minus (i) accretion or accrual of discounted liabilities other than Indebtedness, (ii) any expense resulting from the discounting of any Indebtedness in connection with the application of purchase accounting in connection with any acquisition, (iii) interest with respect to Indebtedness of any Holding Company of such Person appearing upon the balance sheet of such Person solely by reason of push-down accounting under IFRS, (iv) any Additional Amounts with respect to the Notes or other similar tax gross up on any Indebtedness (including, without limitation, under any Credit Facility), which is included in interest expenses under IFRS, and (v) any interest expense related to a Guarantee of Indebtedness of a Parent Incurred in compliance with the Indenture.

“Consolidated Leverage” means the sum of the aggregate outstanding Indebtedness of the Company and its Restricted Subsidiaries described in clause (1), (2), (3) (only in the case of drawn letters of credit that have not been reimbursed within 30 days of Incurrence), (4), (5), (6), (7), (8) and (9) (excluding Hedging Obligations entered into for bona fide hedging purposes and not for speculative purposes (as determined in good faith by the Board of Directors or a member of Senior Management of the Company)) of the definition of “Indebtedness” herein.

“Consolidated Leverage Ratio” means, as of any date of determination, the ratio of (x) Consolidated Leverage at such date to (y) the aggregate amount of Consolidated EBITDA for the period of the four most recent fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Company are available. In the event

that the Company or any of its Restricted Subsidiaries Incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness (other than ordinary working capital borrowings) subsequent to the commencement of the period for which the Consolidated Leverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Consolidated Leverage Ratio is made (the “**Calculation Date**”), then the Consolidated Leverage Ratio will be calculated giving pro forma effect (as determined in good faith by a responsible accounting or financial officer of the Company), in addition to any anticipated expense and cost reductions and synergies, to such Incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable reference period; *provided, however*, that the pro forma calculation shall not give effect to (i) any Indebtedness Incurred on the Calculation Date pursuant to the provisions described in the second paragraph under “—*Certain Covenants— Limitation on Indebtedness*” (other than for the purposes of the calculation of the Consolidated Senior Secured Leverage Ratio under clause (5) thereunder) or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described in the second paragraph under “—*Certain Covenants—Limitation on Indebtedness*.”

In addition, for purposes of calculating the Consolidated Leverage Ratio (in each case, without duplication):

- (1) acquisitions and Investments that have been made by the Company or any of its Restricted Subsidiaries (including through mergers or consolidations or investments in new hotels) or any Person or any of its Subsidiaries which are Restricted Subsidiaries acquired by the Company or any of its Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Subsidiaries which are Restricted Subsidiaries, during the reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given *pro forma* effect (as determined in good faith by an Officer of the Company responsible for accounting or financial reporting and may include anticipated expense and cost reduction synergies;
- (2) the Consolidated EBITDA (whether positive or negative) attributable to discontinued operations, as determined in accordance with IFRS, and operations, businesses or group of assets constituting a business or operating unit (and ownership interests therein and including hotels, sites or leases)) disposed of prior to the Calculation Date, will be excluded on a pro forma basis as if such disposition occurred on the first day of such period;
- (3) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such reference period; and
- (4) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such reference period.

“**Consolidated Net Income**” means, for any period, the net income (loss) of the Company and its Restricted Subsidiaries determined on a consolidated basis on the basis of IFRS; *provided, however*, that there will not be included in such Consolidated Net Income:

- (1) subject to the limitations contained in clause (3) below, any net income (loss) of any Person if such Person is not a Restricted Subsidiary, except that the Company’s equity in the net income of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution or return on investment (subject, in the case of a dividend or other distribution or return on investment to a Restricted Subsidiary, to the limitations contained in clause (2) below);
- (2) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph of the covenant described under “—*Certain Covenants—*

Limitation on Restricted Payments", any net income (loss) of any Restricted Subsidiary (other than a Guarantor) if such Restricted Subsidiary is subject to restrictions on the payment of dividends or the making of distributions by such Restricted Subsidiary to the Company (or any Guarantor that holds the equity interests of such Restricted Subsidiary, as applicable) by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to the Notes or the Indenture, (c) contractual restrictions in effect on the Issue Date with respect to a Restricted Subsidiary (including pursuant to the Intercreditor Agreement), and other restrictions with respect to such Restricted Subsidiary that, taken as a whole, are not materially less favorable to the Holders than such restrictions in effect on the Issue Date, and (d) restrictions specified in clause (11) of the second paragraph of the covenant described under "*Certain Covenants—Limitation on Restrictions on Distributions from Restricted Subsidiaries*", except that the Company's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Company or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary (other than any Guarantor), to the limitation contained in this clause);

- (3) any net gain (or loss) realized upon the sale or other disposition of any asset or disposed operations of the Company or any Restricted Subsidiaries (including pursuant to any sale/ leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by an Officer or the Board of Directors of the Company);
- (4) any special, extraordinary, one-off, non-recurring, exceptional or unusual gain, loss, expense or charge;
- (5) the cumulative effect of a change in accounting principles;
- (6) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards, any non-cash deemed finance charges in respect of any pension liabilities or other provisions, any non-cash net after tax gains or losses attributable to the termination or modification of any employee pension benefit plan and any charge or expense relating to any payment made to holders of equity based securities or rights in respect of any dividend sharing provisions of such securities or rights to the extent such payment was made pursuant to the covenant described under "*Certain Covenants—Limitation on Restricted Payments*";
- (7) all deferred financing costs written off and premiums paid or other expenses Incurred directly in connection with any early extinguishment of Indebtedness or Hedging Obligations and any net gain (loss) from any write- off or forgiveness of Indebtedness;
- (8) any unrealized gains or losses in respect of Hedging Obligations or other financial instruments or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value or changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations;
- (9) any unrealized foreign currency transaction gains or losses in respect of Indebtedness or other obligations of the Company or any Restricted Subsidiary denominated in a currency other than the functional currency of such Person and any unrealized foreign exchange gains or losses resulting from remeasuring assets and liabilities denominated in foreign currencies;
- (10) any unrealized foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of the Company or any Restricted Subsidiary owing to the Company or any Restricted Subsidiary;

- (11) any one-time non-cash charges or any amortization or depreciation, in each case to the extent related to the Refinancing;
- (12) any goodwill or other intangible asset amortization charge, impairment charge or write-off or write-down; and
- (13) the impact of capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding.

"Consolidated Senior Secured Leverage" means the sum of the aggregate outstanding Senior Secured Indebtedness of the Company and its Restricted Subsidiaries that is described in clause (1), (2), (3) (only in the case of drawn letters of credit that have not been reimbursed within 30 days of Incurrence), (4), (5), (6), (7), (8) and (9) (excluding Hedging Obligations entered into for bona fide hedging purposes and not for speculative purposes (as determined in good faith by the Board of Directors or a member of Senior Management of the Company)) of the definition of "Indebtedness" herein.

"Consolidated Senior Secured Leverage Ratio" means, as of any date of determination, the ratio of (x) the Consolidated Senior Secured Leverage at such date to (y) the aggregate amount of Consolidated EBITDA for the period of the four most recent fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Company are available, in each case calculated with such pro forma and other adjustments as are consistent with the pro forma provisions set forth in the definition of Consolidated Leverage Ratio.

"Contingent Obligations" means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that does not constitute Indebtedness ("**primary obligations**") of any other Person (the "**primary obligor**"), including any obligation of such Person, whether or not contingent:

- (1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;
- (2) to advance or supply funds:
 - (a) for the purchase or payment of any such primary obligation; or
 - (b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or
- (3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"Credit Facility" means, with respect to the Company or any of its Subsidiaries, one or more debt facilities, arrangements, instruments or indentures (including the Revolving Credit Facility or commercial paper facilities and overdraft facilities) with banks, institutions or investors providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), notes, letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks, institutions or investors and whether provided under the original Revolving Credit Facility Agreement or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any Notes Guarantee and collateral

agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "Credit Facility" shall include any agreement or instrument (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Company as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

"Currency Agreement" means, in respect of a Person, any foreign exchange contract, currency swap agreement, currency futures contract, currency option contract, currency derivative or other similar agreement to which such Person is a party or beneficiary.

"Default" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"Designated Non-Cash Consideration" means the fair market value (as determined in good faith by the Board of Directors or a member of Senior Management of the Company) of non-cash consideration received by the Company or one of its Restricted Subsidiaries in connection with an Asset Disposition that is so designated as Designated Non-Cash Consideration pursuant to an Officer's Certificate, setting forth the basis of such valuation, less the amount of cash, Cash Equivalents or Temporary Cash Investments received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non-Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the covenant described under *"—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock"*.

"Designated Preference Shares" means, with respect to the Company or any Parent, Preferred Stock (other than Disqualified Stock) (a) that is issued for cash (other than to the Company or a Subsidiary of the Company or an employee stock ownership plan or trust established by the Company or any such Subsidiary for the benefit of their employees to the extent funded by the Company or such Subsidiary) and (b) that is designated as **"Designated Preference Shares"** pursuant to an Officer's Certificate of the Company at or prior to the issuance thereof, the Net Cash Proceeds of which are excluded from the calculation set forth in clause (c)(ii) of the second paragraph of the covenant described under *"—Certain Covenants—Limitation on Restricted Payments"*.

"Disqualified Stock" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, in each case on or prior to the date that is 90 days after the earlier of (a) the Stated Maturity of the Notes or (b) the date on which there are no Notes outstanding. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the issuer thereof to repurchase such Capital Stock upon the occurrence of a Change of Control or an Asset Disposition will not constitute Disqualified Stock if the terms of such Capital Stock provide that the issuer thereof may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described under the caption *"—Certain Covenants—Limitation on Restricted Payments"*. For purposes hereof, the amount of Disqualified Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the fair market value of such Disqualified Stock, such fair market value to be determined as set forth herein. Only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock.

"Equity Investors" means HNA Group Co., Ltd., HNA Tourism Group Co., Limited and their respective Affiliates or any trust, fund, company or partnership owned, managed or advised by HNA Group Co., Ltd. or HNA Tourism Group Co., Limited or of which HNA Group Co., Ltd. or HNA Tourism Group Co., Limited is the general partner or any limited partner of any such trust, fund, company or partnership.

"Equity Offering" means (x) a sale of Capital Stock of the Company (other than Disqualified Stock and other than offerings registered on Form S-8 (or any successor form) under the U.S. Securities Act or any similar offering in other jurisdictions), or (y) the sale of Capital Stock or other securities by any Person, the proceeds of which are contributed as Subordinated Shareholder Funding or to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through Excluded Contributions) of the Company or any of its Restricted Subsidiaries.

"Escrowed Proceeds" means the proceeds from the offering of any debt securities or other Indebtedness paid into escrow accounts with an independent escrow agent on the date of the applicable offering or incurrence pursuant to escrow arrangements that permit the release of amounts on deposit in such escrow accounts upon satisfaction of certain conditions or the occurrence of certain events. The term **"Escrowed Proceeds"** shall include any interest earned on the amounts held in escrow.

"Euro Equivalent" means, with respect to any monetary amount in a currency other than the euro, at any time of determination thereof by the Company, the amount of euro obtained by converting such currency other than euro involved in such computation into euro at the spot rate for the purchase of euros with the applicable currency other than euro as quoted by Reuters at approximately 11:00 a.m. (New York City time) (or, if Reuters is no longer available, or if such information is no longer available in Reuters, such source as may be selected in good faith by the Board of Directors or a member of Senior Management of the Company) on the date of such determination.

"Euroclear" means Euroclear Bank SA/NV or any successor thereof.

"European Government Obligations" means direct obligations (or certificates representing an ownership interest in such obligations) of a member state of the European Union (including any agency or instrumentality thereof) for the payment of which the full faith and credit of such government is pledged.

"Excluded Contribution" means Net Cash Proceeds or property or assets received by the Company after the Issue Date as (i) capital contributions to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Company or (ii) from the issuance or sale (other than to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding of the Company, in each case, to the extent designated as an Excluded Contribution pursuant to an Officer's Certificate of the Company.

"fair market value" wherever such term is used in this *"Description of the Notes"* or the Indenture (except in relation to an enforcement action pursuant to the Intercreditor Agreement and except as otherwise specifically provided in this *"Description of the Notes"* or the Indenture), may be conclusively established by means of an Officer's Certificate or a resolution of the Board of Directors of the Company setting out such fair market value as determined by such Officer or such Board of Directors in good faith.

"Fitch" means Fitch Ratings Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"Fixed Charge Coverage Ratio" means, as of any date of determination, the ratio of (x) the aggregate amount of Consolidated EBITDA of such Person for the period of the four most recent

fiscal quarters prior to the date of such determination for which internal consolidated financial statements are available to (y) the Fixed Charges of such Person for such four fiscal quarters.

In the event that the specified Person or any of its Restricted Subsidiaries Incurs, assumes, guarantees, repays, repurchases, redeems, defeases, retires, extinguishes or otherwise discharges any Indebtedness (other than Indebtedness Incurred under any revolving credit facility unless such Indebtedness has been permanently repaid and has not been replaced) or issues, repurchases or redeems Disqualified Stock or Preferred Stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "**Calculation Date**"), then the Fixed Charge Coverage Ratio will be calculated giving pro forma effect (as determined in good faith by a responsible accounting or financial officer of such Person), in addition to any anticipated expense and cost reductions and synergies, to such Incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance, retirement, extinguishment or other discharge of Indebtedness, or such issuance, repurchase or redemption of Disqualified Stock or Preferred Stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable four-quarter reference period; *provided, however*, that the pro forma calculation of Fixed Charges shall not give effect to (i) any Indebtedness Incurred on the Calculation Date pursuant to the provisions described in the second paragraph of the covenant described under "*Certain Covenants—Limitation on Indebtedness*" (other than for the purposes of the calculation of the Fixed Charge Coverage Ratio under clause (5) thereunder) or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described in the second paragraph of the covenant described under "*Certain Covenants—Limitation on Indebtedness*".

In addition, for purposes of calculating the Fixed Charge Coverage Ratio (in each case, without duplication):

- (1) acquisitions and Investments that have been made by the Company or any of its Restricted Subsidiaries (including through mergers or consolidations or investments in new hotels) or any Person or any of its Subsidiaries which are Restricted Subsidiaries acquired by the Company or any of its Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Subsidiaries which are Restricted Subsidiaries, during the reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given *pro forma* effect (as determined in good faith by an Officer of the Company responsible for accounting or financial reporting and may include anticipated expense and cost reduction synergies;
- (2) the Consolidated EBITDA attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein and including hotels, sites or leases) disposed of prior to the Calculation Date, will be excluded;
- (3) the Fixed Charges attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein and including hotels, sites or leases) disposed of prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the specified Person or any of its Restricted Subsidiaries following the Calculation Date;
- (4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period;
- (5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter period;
- (6) if any Indebtedness bears a floating rate of interest and is being given pro forma effect, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any

Hedging Obligation applicable to such Indebtedness if such Hedging Obligation has a remaining term as of the Calculation Date in excess of 12 months, or, if shorter, at least equal to the remaining term of such Indebtedness); and

- (7) Interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by a responsible financial or accounting officer of the Company to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with IFRS.

"Fixed Charges" means, with respect to any specified Person for any period, the sum, without duplication, of:

- (1) the Consolidated Interest Expense of such Person for such period; plus
- (2) all dividends, whether paid or accrued and whether or not in cash, on or in respect of all Disqualified Stock of the Company or any Restricted Subsidiary or any series of Preferred Stock of any Restricted Subsidiary, other than dividends on Capital Stock payable to the Company or a Restricted Subsidiary.

"Guarantee" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

- (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or
- (2) entered into primarily for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), *provided, however*, that the term **"Guarantee"** will not include endorsements for collection or deposit in the ordinary course of business. The term **"Guarantee"** used as a verb has a corresponding meaning.

"Guarantors" means the Company and any Restricted Subsidiary that Guarantees the Notes.

"Hedging Obligations" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Hedging Agreement.

"Holder" means each Person in whose name the Notes are registered on the Registrar's books, which shall initially be the respective nominee of Euroclear or Clearstream, as applicable.

"Holding Company" means, in relation to any Person, any other Person in respect of which it is a Subsidiary.

"IFRS" means International Financial Reporting Standards (formerly International Accounting Standards) endorsed from time to time by the European Union or any variation thereof with which the Company or its Restricted Subsidiaries are, or may be, required to comply, as in effect on the Issue Date or, with respect to the covenant described under the caption "Reports", as in effect from time to time. Notwithstanding any of the foregoing, the impact of IFRS16 (Leases) and any successor standard thereto (or any equivalent measure under GAAP) shall be disregarded with respect to all ratios, calculations and determinations based upon IFRS to be calculated or made, as the case may be, pursuant to the Indenture and (without limitation) any lease, concession or license of property that would be considered an operating lease under IFRS (or, as applicable, GAAP) as of the Issue Date and any guarantee given by the Company or any Restricted Subsidiary in the ordinary course of business solely in connection with, and in respect of, the obligations of the Company or any Restricted Subsidiary under any such operating lease shall be accounted for in accordance with IFRS (or, as applicable, GAAP) as in effect on the Issue Date.

"Incur" means issue, create, assume, enter into any Guarantee of, incur or otherwise become liable for; *provided, however*, that any Indebtedness or Capital Stock of a Person existing at the

time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and the terms “**Incurred**” and “**Incurrence**” have meanings correlative to the foregoing and any Indebtedness pursuant to any revolving credit or similar facility shall only be “**Incurred**” at the time any funds are borrowed thereunder.

“**Indebtedness**” means, with respect to any Person on any date of determination (without duplication):

- (1) the principal of indebtedness of such Person for borrowed money;
- (2) the principal of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all reimbursement obligations of such Person in respect of letters of credit, bankers’ acceptances or other similar instruments (except to the extent such reimbursement obligations relate to trade payables and such obligations are satisfied within 30 days of Incurrence), in each case only to the extent that the underlying obligation in respect of which the instrument was issued would be treated as Indebtedness;
- (4) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of property (except trade payables), where the deferred payment is arranged primarily as a means of raising finance, which purchase price is due more than one year after the date of placing such property in service or taking final delivery and title thereto;
- (5) Capitalized Lease Obligations of such Person;
- (6) the principal component of all obligations, or liquidation preference, of such Person with respect to any Disqualified Stock or, with respect to any Person that is a Restricted Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends);
- (7) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided, however,* that the amount of such Indebtedness will be the lesser of (a) the fair market value of such asset at such date of determination (as determined in good faith by the Board of Directors or a member of Senior Management of the Company) and (b) the amount of such Indebtedness of such other Persons;
- (8) Guarantees by such Person of the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person; and
- (9) to the extent not otherwise included in this definition, net obligations of such Person under Currency Agreements, Interest Rate Agreements and Commodity Hedging Agreements (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time).

The term “**Indebtedness**” shall not include (i) Subordinated Shareholder Funding, (ii) any lease, concession or license of property (or Guarantee thereof) which would be considered an operating lease under IFRS as in effect on the Issue Date, (iii) prepayments of deposits received from clients or customers in the ordinary course of business or (iv) obligations under any license, permit or other approval (or Guarantees given in respect of such obligations) Incurred prior to the Issue Date or in the ordinary course of business.

The amount of Indebtedness of any Person at any time in the case of a revolving credit or similar facility shall be the total amounts of funds borrowed and then outstanding. The amount of Indebtedness of any Person at any date shall be determined as set forth above or otherwise provided in the Indenture, and (other than with respect to letters of credit or Guarantees or Indebtedness specified in clauses (6), (7) or (8) above) shall equal the amount thereof that would appear on a balance sheet of such Person (excluding any notes thereto) prepared on the basis of IFRS.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

- (1) Contingent Obligations Incurred in the ordinary course of business and accrued liabilities Incurred in the ordinary course of business that are not more than 90 days past due;
- (2) in connection with the purchase by the Company or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided, however*, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 30 days thereafter; or
- (3) any obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes.

"Independent Financial Advisor" means an investment banking or accounting firm of international standing or any third party appraiser of international standing; provided, however, that such firm or appraiser is not an Affiliate of the Issuer.

"Intercreditor Agreement" means the Intercreditor Agreement dated on or about the Issue Date, by and among, *inter alios*, the Company, the Issuer, the Security Agents and the Trustee, as amended from time to time.

"Interest Rate Agreement" means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement to which such Person is party or a beneficiary.

"Investment" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any advance, loan or other extensions of credit (other than advances or extensions of credit to customers, suppliers, directors, officers or employees of any Person in the ordinary course of business, and excluding any debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or the Incurrence of a Guarantee of any obligation of, or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such other Persons and all other items that are or would be classified as investments on a balance sheet (excluding any notes thereto) prepared on the basis of IFRS; *provided, however*, that endorsements of negotiable instruments and documents in the ordinary course of business will not be deemed to be an Investment. If the Company or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by the Company or any Restricted Subsidiary in such Person remaining after giving effect thereto will be deemed to be a new Investment equal to the fair market value of the Capital Stock of such Subsidiary not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described under the caption "*—Certain Covenants—Limitation on Restricted Payments*".

For purposes of "*—Certain Covenants—Limitation on Restricted Payments*":

- (1) **"Investment"** will include the portion (proportionate to the Company's equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary of the Company at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; and

- (2) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer, in each case as determined in good faith by the Board of Directors or a member of Senior Management of the Company.

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at the Company's option) by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

"Investment Grade Securities" means:

- (1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian government or any agency or instrumentality thereof (other than Cash Equivalents);
- (2) securities issued or directly and fully guaranteed or insured by a member of the European Union, Switzerland or Norway or any agency or instrumentality thereof (other than Cash Equivalents);
- (3) debt securities or debt instruments with a rating of *"BBB–"* or higher from S&P or *"Baa3"* or higher by Moody's or the equivalent of such rating by such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization, but excluding any debt securities or instruments constituting loans or advances among the Company and its Subsidiaries; and
- (4) investments in any fund that invests exclusively in investments of the type described in clauses (1), (2) and (3) above which fund may also hold cash and Cash Equivalents pending investment or distribution.

"Investment Grade Status" shall occur when all of the Notes receive both of the following:

- (1) a rating of *"BBB–"* or higher from S&P; and
- (2) a rating of *"Baa3"* or higher from Moody's,

or the equivalent of such rating by either such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Rating Organization.

"Issue Date" means , 2018.

"Issuer" means Radisson Hotel Holdings AB (publ) and its successors and assigns.

"Lien" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

"Management Advances" means loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers or employees of any Parent, the Company or any Restricted Subsidiary:

- (1) (a) in respect of travel, entertainment or moving related expenses Incurred in the ordinary course of business or (b) for purposes of funding any such person's purchase of Capital Stock or Subordinated Shareholder Funding (or similar obligations) of the Company, its Subsidiaries or any Parent with (in the case of this sub-clause (b)) the approval of the Board of Directors of the Company;
- (2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or
- (3) (in the case of this clause (3)) not exceeding €3.0 million in the aggregate outstanding at any time.

"Management Investors" means (i) members of the management team of the Company or any Restricted Subsidiary investing, or committing to invest, directly or indirectly, in the Company as of the Issue Date and any subsequent members of the management team of the Company or any

Restricted Subsidiary who invest directly or indirectly in the Company from time to time and (ii) such entity as may hold shares transferred by departing members of the management team of the Company or any Restricted Subsidiary for future redistribution to such management team.

"Market Capitalization" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the Issuer (or, as the case may be, of a direct or indirect parent entity whose Equity Interests are traded on a securities exchange) on the date of the declaration of the relevant dividend multiplied by (ii) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

"Master Franchise Agreement" means (a) the master licensing agreement with Park Global Holdings SAS, Inc. dated August 29, 2002 described in the Offering Memorandum under *"Business—Intellectual Property"* and (b) the master franchise agreement with Radisson Hotels International, Inc. dated February 21, 1995 described in the Offering Memorandum under *"Business—Intellectual Property"*, in each case as amended, restated, replaced, supplemented, modified or otherwise changed from time to time.

"Moody's" means Moody's Investors Service, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"Nationally Recognized Statistical Rating Organization" means a nationally recognized statistical rating organization within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the U.S. Exchange Act.

"Net Available Cash" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

- (1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all Taxes paid or required to be paid or accrued as a liability under IFRS (after taking into account any available tax credits or deductions, as a consequence of such Asset Disposition;
- (2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law, be repaid out of the proceeds from such Asset Disposition;
- (3) all distributions and other payments required to be made to minority interest holders (other than any Parent, the Company or any of their respective Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Disposition; and
- (4) the deduction of appropriate amounts required to be provided by the seller as a reserve, on the basis of IFRS, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Company or any Restricted Subsidiary after such Asset Disposition.

"Net Cash Proceeds", with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Funding, means the cash proceeds of such issuance or sale received, net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of Taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions).

"Notes Guarantee" means a Guarantee of the Notes by a Guarantor.

"Offering Memorandum" means this offering memorandum in relation to the Notes dated June , 2018.

"Officer" means, with respect to any Person, (1) any member of the Board of Directors, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer or the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an **"Officer"** for the purposes of the Indenture by the Board of Directors of such Person.

"Officer's Certificate" means, with respect to any Person, a certificate signed by one Officer of such Person.

"Operating Lease" means a lease that would be considered an operating lease under IFRS.

"Opinion of Counsel" means a written opinion from legal counsel in form satisfactory to the Trustee. The counsel may be an employee of or counsel to the Company or its Subsidiaries.

"Parent" means any Person of which the Company at any time is or becomes a Subsidiary after the Issue Date and any holding companies established by any Permitted Holder for purposes of holding its investment in any Parent.

"Parent Expenses" means the declaration and payment of dividends or other distributions, or the making of loans, by the Company or any of its Restricted Subsidiaries to any Parent in amounts and at times required to pay:

- (1) franchise fees and other fees, taxes and expenses required to maintain the corporate existence of any Parent of the Company;
- (2) general corporate overhead expenses of any Parent to the extent such expenses are attributable to the ownership or operation of the Company and its Restricted Subsidiaries or related to the proper administration of such Parent (including fees and expenses properly incurred in the ordinary course of business to auditors and legal advisors and payments in respect of services provided by directors, officers or employees of any such Parent) not to exceed €1 million in any 12-month period;
- (3) any income taxes, to the extent such income taxes are attributable to the income of the Company and any of its Restricted Subsidiaries, taking into account any net operating loss carryovers and other tax attributes, and, to the extent of the amount actually received in cash from its Unrestricted Subsidiaries, in amounts required to pay such taxes to the extent attributable to the income of such Unrestricted Subsidiaries; provided that such Parent shall promptly pay such taxes or refund such amount to the Company;
- (4) costs (including all professional fees and expenses) Incurred by any Parent in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Indenture or any other agreement or instrument relating to Indebtedness of the Parent Guarantor or any of its Restricted Subsidiaries, including in respect of any reports filed with respect to the U.S. Securities Act, U.S. Exchange Act or the respective rules and regulations promulgated thereunder; and
- (5) fees and expenses of any Parent Incurred in relation to any public offering or other sale of Capital Stock or Indebtedness (whether or not completed) (a) where the net proceeds of such offering or sale are intended to be received by or contributed to the Company or any of its Restricted Subsidiaries; (b) in a pro rated amount of such expenses in proportion to the amount of such net proceeds intended to be so received or contributed; or (c) otherwise on an interim basis prior to completion of such offering so long as any Parent shall cause the amount of such expenses to be repaid to the Company or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed.

"Pari Passu Indebtedness" means Indebtedness of the Issuer or any Guarantor which does not constitute Subordinated Indebtedness.

"Paying Agent" means any Person authorized by the Issuer to pay the principal of (and premium, if any) or interest on any Note on behalf of the Issuer.

"Permitted Business" means (a) any business, services or activities engaged in by the Company or any Restricted Subsidiary on the Issue Date or which is contemplated by the Company on the Issue Date and (b) any business, services and activities engaged in by the Company or any Restricted Subsidiary that are related, complimentary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

"Permitted Collateral Liens" means Liens on the Collateral:

- (a) that are described in one or more of clauses (3), (4), (5), (6), (8), (9), (11), (12), (18), (20), (23), (24) and (30) of the definition of "Permitted Liens"; or
- (b) to secure all obligations (including paid-in-kind interest) in respect of:
 - (i) the Notes (other than Additional Notes);
 - (ii) Indebtedness permitted to be Incurred under the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*";
 - (iii) Indebtedness described under clause (1) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*", up to the greater of (x) 20% of Consolidated EBITDA and (y) €20 million of aggregate principal amount of which Indebtedness may have super senior priority status in respect of the proceeds from the enforcement of the Collateral and certain distressed disposals of assets, not materially less favorable to the Holders than what is contemplated pursuant to the Intercreditor Agreement as in effect on the Issue Date;
 - (iv) Indebtedness described under clause (2) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*", to the extent such guarantee is in respect of Indebtedness otherwise permitted to be secured and specified in this definition of Permitted Collateral Liens;
 - (v) Indebtedness described under clause (5) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" and that is Incurred by the Issuer or a Guarantor *provided* that, at the time of such acquisition or other transaction and after giving *pro forma* effect to such acquisition or other transaction and to the related Incurrence of Indebtedness, the Consolidated Senior Secured Leverage Ratio of the Company would have been either (x) no greater than 2.5 to 1.0 or (y) no greater than it was immediately prior to giving effect to the relevant transaction;
 - (vi) Indebtedness described under clause (6) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*"; provided that Currency Agreements and Interest Rate Agreements entered into with respect to any Indebtedness Incurred in compliance with the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" that is not subordinated in right of payment to the Notes and that is permitted under the Indenture to be secured by a Permitted Collateral Lien which ranks *pari passu* with the Lien on the Collateral securing the Notes may have super senior priority status in respect of the proceeds from the enforcement of the Collateral and certain distressed disposals of assets, not materially less favorable to the Holders than what is contemplated pursuant to the Intercreditor Agreement as in effect on the Issue Date;
 - (vii) Indebtedness described under clause (12) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" *provided* that at the time of and giving *pro forma* effect to the Incurrence of such Indebtedness, the Consolidated Senior Secured Leverage Ratio of the Company would have been no greater than 2.5 to 1.0;

- (viii) Indebtedness described under clauses (7) (other than with respect to Capitalized Lease Obligations) or (11) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*”; or
- (ix) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clauses (i) to (vii),

provided that each of the secured parties to any such Indebtedness (acting directly or through its respective creditor representative) will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement; *provided, further*, that all property and assets (including, without limitation, the Collateral) securing such Indebtedness (including any guarantees thereof) or Refinancing Indebtedness secure the Notes and the Indenture on a senior or *pari passu* basis (including by application of payment order, turnover or equalization provisions substantially consistent with the corresponding provisions set forth in the Intercreditor Agreement or any Additional Intercreditor Agreement), except to the extent provided in clauses (iii) and (vi) above.

“Permitted Holders” means, collectively, (1) the Equity Investors, (2) the Management Investors, (3) any Related Person of any Persons specified in clauses (1) and (2) and (4) any Person who is acting as an underwriter in connection with a public or private offering of Capital Stock of any Parent or the Company, acting in such capacity. Any person or group whose acquisition of beneficial ownership constitutes (1) a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Indenture or (2) a Change of Control which is also a Specified Change of Control Event, will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

“Permitted Investment” means (in each case, by the Company or any of its Restricted Subsidiaries):

- (1) Investments in (a) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary) or the Company or (b) a Person (including the Capital Stock of any such Person) and such Person will, upon the making of such Investment, become a Restricted Subsidiary;
- (2) Investments in another Person and as a result of such Investment such other Person is merged, consolidated or otherwise combined with or into, or transfers or conveys all or substantially all its assets to, the Company or a Restricted Subsidiary;
- (3) Investments in cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;
- (4) Investments in receivables owing to the Company or any Restricted Subsidiary created or acquired in the ordinary course of business;
- (5) Investments in payroll, travel, relocation, entertainment and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;
- (6) Management Advances;
- (7) Investments in Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Company or any Restricted Subsidiary, or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement including upon the bankruptcy or insolvency of a debtor;
- (8) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including an Asset Disposition, in each case, that was made in compliance with “—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*”;
- (9) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Issue Date, and any extension, modification or renewal of any such Investment;

provided that the amount of the Investment may be increased (i) as required by the terms of the Investment as in existence on the Issue Date or (b) as otherwise permitted under the Indenture;

- (10) Currency Agreements, Interest Rate Agreements, Commodity Hedging Agreements and related Hedging Obligations, which transactions or obligations are Incurred in compliance with "*—Certain Covenants—Limitation on Indebtedness*";
- (11) Investments, taken together with all other Investments made pursuant to this clause (11) and at any time outstanding, in an aggregate amount at the time of such Investment (net of any distributions, dividends, payments or other returns in respect of such Investments) not to exceed the greater of 25% of Consolidated EBITDA of the Company and €25.0 million; *provided* that, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*", such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of "**Permitted Investments**" and not this clause;
- (12) pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or Liens otherwise described in the definition of "**Permitted Liens**" or made in connection with Liens permitted under the covenant described under "*—Certain Covenants—Limitation on Liens*";
- (13) any Investment to the extent made using Capital Stock of the Company (other than Disqualified Stock), Subordinated Shareholder Funding or Capital Stock of any Parent as consideration;
- (14) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Affiliate Transactions*" (except those described in clauses (1), (3), (6), (7), (8) and (11) of that paragraph);
- (15) Guarantees of Indebtedness of the Company or the Restricted Subsidiaries permitted to be Incurred by the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business;
- (16) Investments in loans under the Revolving Credit Facility Agreement, the Notes and any Additional Notes;
- (17) Investments in joint ventures that principally conduct a Permitted Business and Investments in Unrestricted Subsidiaries and Associates, taken together with all other Investments made pursuant to this clause (17) and at any time outstanding, in an aggregate amount at the time of such Investment (net of any distributions, dividends, payments or other returns in respect of such Investments) not to exceed the greater of 15% of Consolidated EBITDA of the Company and €20.0 million; *provided* that, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*", such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of "**Permitted Investments**" and not this clause; and
- (18) Investments in joint ventures with Radisson Hospitality Inc. or any of its Subsidiaries for information technology systems and related services in connection with implementing the Group's global IT infrastructure platform in accordance with the Five-Year Operating Plan as described under "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key factors affecting our financial condition and results of operation—Strategic initiatives, including the Five-Year Operating Plan—IT platform and organizational system*".

"Permitted Liens" means, with respect to any Person:

- (1) Liens on assets or property of a Restricted Subsidiary that is not a Guarantor securing Indebtedness of any Restricted Subsidiary that is not the Issuer or a Guarantor permitted by the covenant described under "*Certain Covenants—Limitation on Indebtedness*";
- (2) pledges, deposits or Liens under workmen's compensation laws, unemployment insurance laws, social security laws or similar legislation, or insurance related obligations (including pledges or deposits securing liability to insurance carriers under insurance or self-insurance arrangements), or in connection with bids, tenders, completion guarantees, contracts (other than for borrowed money) or leases, or to secure utilities, licenses, public or statutory obligations, or to secure surety, indemnity, judgment, appeal or performance bonds, guarantees of government contracts (or other similar bonds, instruments or obligations), or as security for contested Taxes or import or customs duties or for the payment of rent, or other obligations of like nature, in each case Incurred in the ordinary course of business;
- (3) Liens imposed by law, including carriers', warehousemen's, mechanics', landlords', materialmen's and repairmen's or other similar Liens, in each case for sums not yet overdue for a period of more than 60 days or that are bonded or being contested in good faith by appropriate proceedings;
- (4) Liens for Taxes, assessments or other governmental charges not yet delinquent or which are being contested in good faith by appropriate proceedings; *provided* that appropriate reserves required pursuant to IFRS have been made in respect thereof;
- (5) Liens (a) in favor of issuers of surety, performance or other bonds, guarantees or letters of credit or bankers' acceptances (not issued to support Indebtedness for borrowed money) issued pursuant to the request of and for the account of the Company or any Restricted Subsidiary in the ordinary course of its business and (b) securing obligations in respect of letters of credit, bank guaranties, surety bonds, performance bonds or similar instruments permitted to be Incurred pursuant to the second paragraph of the covenant entitled "*Certain Covenants—Limitation on Indebtedness*";
- (6) encumbrances, ground leases, easements (including reciprocal easement agreements), survey exceptions, or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the Company and its Restricted Subsidiaries or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the Company and its Restricted Subsidiaries;
- (7) Liens on assets or property of the Company or any Restricted Subsidiary (other than Collateral) securing Hedging Obligations permitted under the Indenture relating to Indebtedness permitted to be Incurred under the Indenture and which is secured by a Lien on the same assets or property that secures such Indebtedness;
- (8) leases, licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business;
- (9) Liens arising out of judgments, decrees, orders or awards not giving rise to an Event of Default so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree, order or award have not been finally terminated or the period within which such proceedings may be initiated has not expired;
- (10) Liens on assets or property of the Company or any Restricted Subsidiary for the purpose of securing Capitalized Lease Obligations or Purchase Money Obligations, or securing the payment of all or a part of the purchase price of, or securing other Indebtedness Incurred to finance or refinance the acquisition, improvement or construction of, assets or property acquired or constructed in the ordinary course of business; *provided* that (a) the aggregate

principal amount of Indebtedness secured by such Liens is Incurred under clause (7) of the covenant described above under “—*Certain Covenants—Limitation on Indebtedness*” and (b) any such Lien may not extend to any assets or property of the Company or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Indebtedness and any improvements or accessions to such assets and property;

- (11) Liens arising by virtue of any statutory or common law provisions relating to banker’s Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depository or financial institution;
- (12) Liens arising from New York Uniform Commercial Code financing statement filings (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Company and its Restricted Subsidiaries in the ordinary course of business;
- (13) Liens existing on, or provided for or required to be granted under written agreements existing on, the Issue Date;
- (14) Liens on property, other assets or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary (or at the time the Company or a Restricted Subsidiary acquires such property, other assets or shares of stock, including any acquisition by means of a merger, consolidation or other business combination transaction with or into the Company or any Restricted Subsidiary); *provided* that such Liens are limited to all or part of the same property, other assets or stock (plus improvements, accession, proceeds or dividends or distributions in connection with the original property, other assets or stock) that secured (or, under the written arrangements under which such Liens arose, could secure) the obligations to which such Liens relate;
- (15) Liens on assets or property of the Company or any Restricted Subsidiary securing Indebtedness or other obligations of such Restricted Subsidiary owing to the Company or another Restricted Subsidiary, or Liens in favor of the Company or any Restricted Subsidiary;
- (16) Liens securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, and permitted to be secured under the Indenture (other than initially incurred under clauses (30) and (31) of this definition); *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced;
- (17) any interest or title of a lessor under any Capitalized Lease Obligation or operating lease;
- (18) (a) mortgages, liens, security interest, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which the Company or any Restricted Subsidiary of the Company has easement rights or on any leased property and subordination or similar arrangements relating thereto and (b) any condemnation or eminent domain proceedings affecting any real property;
- (19) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of, or assets owned by, any joint venture or similar arrangement pursuant to any joint venture or similar agreement;
- (20) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;
- (21) Liens on Escrowed Proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or cash set aside at the time of the Incurrence of any Indebtedness or government securities purchased with such cash, in either case to the extent such cash or government securities prefund the payment of interest on

such Indebtedness and are held in escrow accounts or similar arrangement to be applied for such purpose;

- (22) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities;
- (23) Liens (a) that are contractual rights of setoff or netting relating to (i) the establishment of depositary relations with banks not granted in connection with the issuance of Indebtedness, (ii) pooled deposit or sweep accounts of the Company or any Restricted Subsidiary to permit satisfaction of overdraft or similar obligations Incurred in the ordinary course of business of the Company or any Restricted Subsidiary, (iii) purchase orders and other agreements entered into with customers of the Company or any Restricted Subsidiary in the ordinary course of business and (iv) commodity trading or other brokerage accounts incurred in the ordinary course of business, (b) Liens encumbering reasonable customary initial deposits and margin deposits and (c) bankers Liens and rights and remedies as to deposit accounts;
- (24) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;
- (25) Liens on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;
- (26) [Reserved];
- (27) Liens over cash paid into an escrow account pursuant to any purchase price retention arrangement as part of any permitted disposal by the Company or a Restricted Subsidiary;
- (28) limited recourse Liens in respect of the ownership interests in, or assets owned by, any joint ventures which are not Restricted Subsidiaries securing obligations of such joint ventures;
- (29) (a) Liens created for the benefit of or to secure, directly or indirectly, the Notes and (b) Liens securing the Revolving Credit Facility and described under "*—Description of Certain Financing Arrangements—Revolving Credit Facility Agreement*" and any other Lien provided to the Revolving Credit Facility to the extent the Agreed Security Principles would permit such Lien to be granted to the Revolving Credit Facility and not to the Notes;
- (30) Liens; provided that the maximum amount of Indebtedness secured in the aggregate at any one time pursuant to this clause (30) does not exceed the greater of 10% of Consolidated EBITDA of the Company and €10.0 million; and
- (31) Liens securing Indebtedness Incurred under clause (13) of the definition of Permitted Debt.

"Permitted Reorganization" means any amalgamation, demerger, merger, voluntary liquidation, consolidation, reorganization, winding up or corporate reconstruction involving the Company or any of its Restricted Subsidiaries (a **"Reorganization"**) that is made on a solvent basis; provided that:

- (a) any payments or assets distributed in connection with such Reorganization remain within the Company and its Restricted Subsidiaries; and
- (b) if any shares or other assets form part of the Collateral, substantially equivalent Liens must be granted over such shares or assets of the recipient such that they form part of the Collateral.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

"Preferred Stock," as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"Public Debt" means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the U.S. Securities Act or (2) a private placement to institutional and other investors, in each case, that are not Affiliates of the Company, in accordance with Section 4(a)(2) of and/or Rule 144A or Regulation S under the U.S. Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale.

"Public Offering" means any offering of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A or Regulation S under the U.S. Securities Act to professional market investors or similar persons).

"Purchase Money Obligations" means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

"Rating Agencies" means Fitch and Moody's, in the event Fitch or Moody's no longer assigns a rating to the Notes, any other *"nationally recognized statistical rating organization"* within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the U.S. Exchange Act selected by the Company as a replacement agency.

"Receivable" means a right to receive payment arising from a sale or lease of goods or services by a Person pursuant to an arrangement with another Person pursuant to which such other Person is obligated to pay for goods or services under terms that permit the purchase of such goods and services on credit, as determined on the basis of IFRS.

"Refinance" means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge mechanism) and the terms **"refinances," "refinanced"** and **"refinancing"** as used for any purpose in the Indenture shall have a correlative meaning.

"Refinancing" shall have the meaning assigned to such term in this offering memorandum under the caption "The Refinancing".

"Refinancing Indebtedness" means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness existing on the date of the Indenture or Incurred in compliance with the Indenture (including Indebtedness of the Company that refinances Indebtedness of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of the Company or another Restricted Subsidiary) including Indebtedness that refinances Refinancing Indebtedness; *provided, however*, that:

- (1) if the Indebtedness being refinanced constitutes Subordinated Indebtedness, the Refinancing Indebtedness has a final stated maturity at the time such Refinancing Indebtedness is Incurred that is the same as or later than the final stated maturity of the Indebtedness being refinanced or, if shorter, the Stated Maturity of the Notes;
- (2) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and costs, expenses and fees Incurred in connection therewith); and
- (3) if the Indebtedness being refinanced is expressly subordinated to the Notes, such Refinancing Indebtedness is subordinated to the Notes on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced,

provided, however, that Refinancing Indebtedness shall not include Indebtedness of the Company or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary or Indebtedness of a Restricted Subsidiary that is not a Guarantor that refinances Indebtedness of the Issuer or a Guarantor.

"Related Person" with respect to any Permitted Holder, means:

- (1) any controlling equity holder, majority (or more) owned Subsidiary or partner or member of such Person;
- (2) in the case of an individual, any spouse, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individual and any such spouse, family member or relative, or the estate, executor, administrator, committee or beneficiaries of any thereof;
- (3) any trust, corporation, partnership or other Person for which one or more of the Permitted Holders and other Related Persons of any thereof constitute the beneficiaries, stockholders, partners or owners thereof, or Persons beneficially holding in the aggregate a majority (or more) controlling interest therein; or
- (4) any investment fund or vehicle managed, sponsored or advised by such Person or any successor thereto, or by any Affiliate of such Person or any such successor.

"Related Taxes" means any Taxes, including sales, use, transfer, rental, ad valorem, value added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar Taxes (other than (x) Taxes measured by income and (y) withholding imposed on payments made by any Parent), required to be paid (*provided* such Taxes are in fact paid) by any Parent by virtue of its:

- (a) being incorporated or otherwise being established or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, the Company or any of the Company's Subsidiaries);
- (b) issuing or holding Subordinated Shareholder Funding;
- (c) being a holding company parent, directly or indirectly, of the Company or any of the Company's Subsidiaries;
- (d) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Company or any of the Company's Subsidiaries; or
- (e) having made any payment with respect to any of the items for which the Company is permitted to make payments to any Parent pursuant to "*—Certain Covenants—Limitation on Restricted Payments*".

"Replacement Assets" means non-current properties and assets that replace the properties and assets that were the subject of an Asset Disposition or non-current properties and assets that will be used in the Company's business or in that of the Restricted Subsidiaries or any and all other businesses that in the good faith judgment of the Board of Directors or any member of Senior Management of the Company are reasonably related thereto.

"Representative" means any trustee, agent or representative (if any) for an issue of Indebtedness or the provider of Indebtedness (if provided on a bilateral basis), as the case may be.

"Restricted Investment" means any Investment other than a Permitted Investment.

"Restricted Subsidiary" means any Subsidiary of the Company other than an Unrestricted Subsidiary.

"Revolving Credit Facility" means the revolving credit facility to be entered into under the Revolving Credit Facility Agreement.

"Revolving Credit Facility Agreement" means an agreement to be entered into on or about the Issue Date, among, *inter alios*, the Issuer, the Guarantors, and certain financial institutions named therein.

"SEC" means the U.S. Securities and Exchange Commission.

"Security Documents" means the security agreements, pledge agreements, collateral assignments, and any other instrument and document executed and delivered pursuant to the Indenture or otherwise or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time, creating the security interests in the Collateral as contemplated by the Indenture.

"Senior Management" means the officers, directors, and other members of senior management of the Company or any of its Subsidiaries, who on the Issue Date beneficially own or have the right to acquire, directly or indirectly, Capital Stock of the Company or any Parent.

"Senior Secured Indebtedness" means, with respect to any Person as of any date of determination, any Indebtedness that (a) is secured by a first ranking Lien on the Collateral, or (b) is Incurred by a Restricted Subsidiary that is not a Guarantor and that, in the case of each of (a) and (b), is Incurred under the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" or clauses (1), (4), (5), (6), (7), (11), (12) or (13) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" and any Refinancing Indebtedness in respect thereof, in all cases without double-counting.

"Notes Documents" means the Notes (including Additional Notes), the Indenture, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreements.

"Significant Subsidiary" means any Restricted Subsidiary that meets any of the following conditions:

- (1) the Company's and its Restricted Subsidiaries' investments in and advances to the Restricted Subsidiary exceed 10% of the total assets of the Company and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year;
- (2) the Company's and its Restricted Subsidiaries' proportionate share of the total assets (after intercompany eliminations) of the Restricted Subsidiary exceeds 10% of the total assets of the Company and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year; or
- (3) the Company's and its Restricted Subsidiaries' proportionate share of the Consolidated EBITDA of the Restricted Subsidiary exceeds 10% of the Consolidated EBITDA of the Company and its Restricted Subsidiaries on a consolidated basis for the most recently completed fiscal year.

"Similar Business" means (a) any businesses, services or activities engaged in by the Company or any of its Subsidiaries or any Associates on the Issue Date and (b) any businesses, services and activities that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

"Specified Change of Control Event" means the occurrence of any event that would constitute a Change of Control pursuant to the definition thereof, *provided* that immediately after the occurrence of such event and giving pro forma effect thereto, the Consolidated Leverage Ratio of the Company and its Subsidiaries would have been less than 1.75 to 1.00.

Notwithstanding the foregoing, only one Specified Change of Control Event shall be permitted under the Indenture after the Issue Date.

"Stated Maturity" means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including

pursuant to any mandatory redemption provision, but shall not include any contingent obligations, including those described in “—*Change of Control*” and the covenant under “—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*”, to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

“Subordinated Indebtedness” means, with respect to any person, any Indebtedness (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinated in right of payment to the Notes or any Guarantee of the Notes pursuant to a written agreement.

“Subordinated Shareholder Funding” means, collectively, any funds provided to the Company by any Parent, any Affiliate of any Parent or any Permitted Holder or any Affiliate thereof, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by any of the foregoing Persons, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; *provided, however*, that such Subordinated Shareholder Funding:

- (1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the date that is six months after the Stated Maturity of the Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Company or any funding meeting the requirements of this definition) or the making of any such payment prior to the date that is six months after the Stated Maturity of the Notes is restricted by the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement;
- (2) does not require, prior to the date that is six months after the Stated Maturity of the Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts or the making of any such payment prior to the date that is six months after the Stated Maturity of the Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;
- (3) contains no change of control, asset sale or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the date that is six months after the Stated Maturity of the Notes or the payment of any amount as a result of any such action or provision or the exercise of any rights or enforcement action, in each case, prior to the date that is six months after the Stated Maturity of the Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;
- (4) does not provide for or require any security interest or encumbrance over any asset of the Company or any of its Subsidiaries;
- (5) pursuant to its terms or to the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement, is fully subordinated and junior in right of payment to the Notes and any Notes Guarantee pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding or are no less favorable in any material respect to Holders than those contained in the Intercreditor Agreement as in effect on the Issue Date with respect to the “Shareholder Liabilities” (as defined therein); and
- (6) contains restrictions on transfer to a Person who is not a Parent, any Affiliate of any Parent, any holder of Capital Stock of a Parent or any Affiliate of a Parent or any Permitted Holder or any Affiliate thereof; provided that any transfer of Subordinated Shareholder Funding to any of the foregoing persons shall not be deemed to be materially adverse to the interest of the Holders.

“Subsidiary” means, with respect to any Person:

- (1) any corporation, association, or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total

voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof; or

- (2) any partnership, joint venture, limited liability company or similar entity of which:
 - (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof whether in the form of membership, general, special or limited partnership interests or otherwise; and
 - (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"Subsidiary Guarantor" means a Guarantor other than the Company.

"TARGET Settlement Date" means a day on which the Trans-European Automated Real-time Gross Settlement Express Transfer (TARGET) payment system is open for the settlement of payments.

"Taxes" means all present and future taxes, levies, imposts, deductions, charges, assessments, duties and withholdings and any charges of a similar nature (including interest and penalties with respect thereto) that are imposed by any government or other taxing authority.

"Temporary Cash Investments" means any of the following:

- (1) any investment in:
 - (a) direct obligations of, or obligations Guaranteed by, (i) the United States of America or Canada, (ii) any European Union member state whose long-term debt is rated "A-1" or higher by Moody's or "A+" or higher by S&P or the equivalent rating category of another internationally recognized rating agency, (iii) Switzerland or Norway, (iv) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by the Company or a Restricted Subsidiary in that country with such funds or (v) any agency or instrumentality of any such country or member state; or
 - (b) direct obligations of any country recognized by the United States of America rated at least "A" by S&P or "A-1" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);
- (2) overnight bank deposits, and investments in time deposit accounts, certificates of deposit, bankers' acceptances and money market deposits (or, with respect to foreign banks, similar instruments) maturing not more than one year after the date of acquisition thereof issued by:
 - (a) the lender under the Revolving Credit Facility Agreement;
 - (b) any institution authorized to operate as a bank in any of the countries or member states referred to in sub-clause (1)(a) above; or
 - (c) any bank or trust company organized under the laws of any such country or member state or any political subdivision thereof,

in each case, having capital and surplus aggregating in excess of €250 million (or the foreign currency equivalent thereof) and whose long-term debt is rated at least "A" by S&P or "A-2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) or (2) above entered into with a Person meeting the qualifications described in clause (2) above;
- (4) Investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a Person (other than the Company or any of its Subsidiaries), with a rating at the time as of which any Investment therein is made of "P-2" (or higher) according to Moody's or "A-2" (or higher) according to S&P (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);
- (5) Investments in securities maturing not more than one year after the date of acquisition issued or fully Guaranteed by any state, commonwealth or territory of the United States of America, Canada, any European Union member state or Switzerland, Norway or by any political subdivision or taxing authority of any such state, commonwealth, territory, country or member state, and rated at least "BBB-" by S&P or "Baa3" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);
- (6) bills of exchange issued in the United States, Canada, a member state of the European Union, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);
- (7) any money market deposit accounts issued or offered by a commercial bank organized under the laws of a country that is a member of the Organization for Economic Co-operation and Development, in each case, having capital and surplus in excess of €250 million (or the foreign currency equivalent thereof) or whose long term debt is rated at least "A" by S&P or "A2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;
- (8) investment funds investing 95% of their assets in securities of the type described in clauses (1) through (7) above (which funds may also hold reasonable amounts of cash pending investment or distribution); and
- (9) investments in money market funds complying with the risk limiting conditions of Rule 2a-7 (or any successor rule) of the SEC under the U.S. Investment Company Act of 1940, as amended.

"U.S. Exchange Act" means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"U.S. GAAP" means generally accepted accounting principles in the United States of America as in effect from time to time.

"U.S. Securities Act" means the U.S. Securities Act of 1933, as amended and the rules and regulations of the SEC promulgated thereunder, as amended.

"Unrestricted Subsidiary" means:

- (1) any Subsidiary of the Company that at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors of the Company in the manner provided below); and
- (2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of the Company may designate any Subsidiary of the Company (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through

merger, consolidation or other business combination transaction, or Investment therein) to be an Unrestricted Subsidiary only if:

- (1) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of, or own, or hold any Lien on, any property of, the Company or any other Subsidiary of the Company which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary;
- (2) such designation and the Investment of the Company in such Subsidiary complies with “—*Certain Covenants—Limitation on Restricted Payments*”; and
- (3) neither such Subsidiary nor any of its Subsidiaries is a party to a Master Franchise Agreement.

Any such designation by the Board of Directors of the Company shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of the Company giving effect to such designation and an Officer’s Certificate certifying that such designation complies with the foregoing conditions.

The Board of Directors of the Company may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that immediately after giving effect to such designation (1) no Default or Event of Default would result therefrom and (2) the Company could Incur at least €1.00 of additional Indebtedness under the first paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” on a pro forma basis taking into account such designation. Any such designation by the Board of Directors of the Company shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of the Board of Directors of the Company giving effect to such designation and an Officer’s Certificate certifying that such designation complied with the foregoing provisions.

“Uniform Commercial Code” means the New York Uniform Commercial Code.

“Voting Stock” of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors.

“Wholly Owned Subsidiary” means a Restricted Subsidiary of the Company, all of the Capital Stock of which (other than directors’ qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Company or another Wholly Owned Subsidiary) is owned by the Company or another Wholly Owned Subsidiary.

Book-entry, delivery and form

General

The Notes sold within the United States to QIBs in reliance on Rule 144A (the “**Rule 144A Notes**”) under the U.S. Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (collectively, the “**Rule 144A Global Notes**”). The Rule 144A Global Notes will be deposited on the Issue Date with, or on behalf of, a common depositary (the “**Common Depositary**”) for the accounts of Euroclear Bank SA/NV, as operator of the Euroclear system (“**Euroclear**”), and Clearstream Banking S.A. (“**Clearstream**”) and registered in the name of the Common Depositary or its nominee.

The Notes sold outside the United States in reliance on Regulation S (the “**Regulation S Notes**”) under the U.S. Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (collectively, the “**Regulation S Global Notes**” and, together with the Rule 144A Global Notes, the “**Global Notes**”). The Regulation S Global Notes will be deposited on the Issue Date with, or on behalf of, the Common Depositary for the accounts of Euroclear and Clearstream and registered in the name of the nominee of the Common Depositary.

Ownership of interests in the Rule 144A Global Notes (the “**144A Book-Entry Interests**”) and in the Regulation S Global Notes (the “**Regulation S Book-Entry Interests**” and, together with the 144A Book-Entry Interests, the “**Book-Entry Interests**”) will be limited to persons that have accounts with Euroclear and/or Clearstream, or persons that hold interests through such participants or otherwise in accordance with applicable transfer restrictions set out in the Indenture and any applicable securities laws of any state of the United States or any other jurisdiction. Euroclear and Clearstream will hold interests in the Global Notes on behalf of their participants through customers’ securities accounts in their respective names on the books of their respective depositaries. Except under the limited circumstances described below, owners of beneficial interests in the Global Notes will not be entitled to receive physical delivery of certificated Notes.

Book-Entry Interests will be shown on, and transfers thereof will be done only through, records maintained in book-entry form by Euroclear and Clearstream and their respective participants. The Book-Entry Interests in the Global Notes will be issued only in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive certificated form. The foregoing limitations may impair your ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, holders of Book-Entry Interests will not be considered the owners or “holders” of Notes for any purpose.

So long as the Notes are held in global form, the Common Depositary (or its nominee), as applicable, will be considered the sole holder of the Global Notes for all purposes under the Indenture. As such, participants must rely on the procedures of Euroclear and/or Clearstream, as the case may be, and indirect participants must rely on the procedures of Euroclear, Clearstream and the participants through which they own Book-Entry Interests in order to transfer their interests or to exercise any rights of holders under the Indenture.

None of the Issuer, the Guarantors or the Trustee nor any of their respective agents and none of the Registrar, the Paying Agent or the Transfer Agent, nor any of their respective agents, will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

Redemption of the Global Notes

In the event that any Global Note (or any portion thereof) is redeemed, Euroclear and/or Clearstream (or their respective nominee), as applicable, will redeem an equal amount of the

Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The Common Depositary will surrender such Global Note to the Paying Agent for a cancellation or, in the case of a partial redemption, the Paying Agent will mark down, endorse and return the applicable Global Note to reflect the reduction in the principal amount of such Global Note as a result of such partial redemption. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear and Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that, under existing practices of Euroclear and Clearstream, if fewer than all the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or on such other basis as they deem fair and appropriate unless otherwise required by applicable law or applicable stock exchange or depositary requirements; provided, however, that no Book-Entry Interest of less than €100,000 in principal amount may be redeemed in part.

Payments on Global Notes

The Issuer will make payments of any amounts owing in respect of the Global Notes (including principal, premium, if any, interest and additional interest, if any) to the Paying Agent. The Paying Agent will, in turn, make such payments to the Common Depositary for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their respective procedures. Under the terms of the Indenture, all payments required to be made by the Issuer with respect to the Notes, or by any Guarantor under its applicable Notes Guarantee, will be made free and clear of, and without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under *"Description of the Notes—Additional Amounts"*. If any such deduction or withholding is required to be made, then, to the extent described under *"Description of the Notes—Additional Amounts"*, the Issuer or such Guarantor, as applicable, will pay additional amounts as may be necessary in order for the net amounts received by any holder of the Global Notes or owner of Book-Entry Interests after such deduction or withholding to equal the net amounts that such holder or owner would have otherwise received in respect of such Global Note or Book-Entry Interest, as the case may be, absent such withholding or deduction. The Issuer expects that standing customer instructions and customary practices will govern payments by participants to owners of Book-Entry Interests held through such participants.

Under the terms of the Indenture, the Issuer and the Trustee and the relevant agents will treat the registered holders of the Global Notes (i.e., the Common Depositary (or its nominee)) as the owners thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Trustee or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest;
- any other matter relating to the actions and practices of Euroclear, Clearstream or any participant or indirect participant; or
- the records of the Common Depositary.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants, as is now the case with securities held for the accounts of customers registered in "street name".

Currency of payment for the Global Notes

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes will be paid to holders of interests in such Notes through Euroclear and/or Clearstream in euro.

Payments will be subject in all cases to any fiscal or other laws and regulations (including any regulations of the applicable clearing system) applicable thereto. Neither the Issuer nor the Trustee nor the Initial Purchaser nor any of their respective agents will be liable to any holder of a Global Note or any other person for any commissions, costs, losses or expenses in relation to or resulting from any currency conversion or rounding effected in connection with any such payment. Action by owners of Book-Entry Interests

Euroclear and Clearstream have advised the Issuer that they will take any action permitted to be taken by a holder of Notes only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Notes, each of Euroclear and Clearstream, at the request of the holders of such Notes, reserves the right to exchange the Global Notes for the Notes in definitive registered (the “**Definitive Registered Notes**”) in certificated form, and to distribute such Definitive Registered Notes to its participants.

Transfers

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream’s rules and will be settled in immediately available funds. If a holder of a Note requires physical delivery of Definitive Registered Notes for any reason, including to sell Notes to persons in jurisdictions that require physical delivery of such securities or to pledge such securities, such holder of Notes must transfer its interests in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the procedures to be set forth in the Indenture.

Transfers of beneficial interests in the Global Notes will be subject to the applicable rules and procedures of Euroclear and Clearstream and their respective direct or indirect participants, which rules and procedures may change from time to time.

The Global Notes will bear a legend to the effect set forth in “*Transfer restrictions*”. Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers and certification requirements as discussed in “*Transfer restrictions*”.

Transfers of 144A Book-Entry Interests to persons wishing to take delivery of 144A Book-Entry Interests will at all times be subject to the transfer restrictions contained in the legend appearing on the face of the Rule 144A Global Note, as set forth in “*Transfer restrictions*”.

144A Book-Entry Interests may be transferred to a person who takes delivery in the form of a Regulation S Book-Entry Interest only upon delivery by the transferor of a written certification (in the form to be provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S or Rule 144A under the U.S. Securities Act or any other exemption (if available) under the U.S. Securities Act.

Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of a 144A Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a QIB within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under “*Transfer restrictions*” and in accordance with any applicable securities laws of any other jurisdiction.

In connection with transfers involving an exchange of a Regulation S Book-Entry Interest for a 144A Book-Entry Interest, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note.

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in such other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

Transfers of interests in the Global Notes between participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures, which rules and operating procedures may change from time to time.

Although Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, as the case may be, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuer, the Trustee, the Paying Agent, the Transfer Agent, the Registrar or any of their respective agents will have any responsibility for the performance by Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Definitive Registered Notes

Under the terms of the Indenture, owners of Book-Entry Interests will receive Definitive Registered Notes if:

- Euroclear or Clearstream notifies the Issuer that it is unwilling or unable to continue to act as depositary for the Global Notes, and the Issuer fails to appoint a successor;
- Euroclear or Clearstream so requests following an event of default under the Indenture; or
- the owner of a Book-Entry Interest requests such exchange in writing delivered through either Euroclear or Clearstream, as applicable.

Euroclear has advised the Issuer that upon request by an owner of a Book-Entry Interest, its current procedure is to request that the Issuer issue or cause to be issued Notes in definitive registered form to all owners of Book-Entry Interests.

In such an event, the Registrar will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear and/or Clearstream, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend set forth in "*Transfer restrictions*", unless that legend is not required by the Indenture or applicable law.

To the extent permitted by law, the Issuer, the Trustee, the Paying Agent, the Registrar and the Transfer Agent shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such. Ownership of the Global Notes will be evidenced through registration from time to time at the registered office of the Issuer, and such registration is a means of evidencing title to the Notes.

In the case of the issuance of Definitive Registered Notes, the holder of a Definitive Registered Note may transfer such Note by surrendering it to the Registrar. In the event of a partial transfer or a partial redemption of a holding of Definitive Registered Notes represented by one Definitive Registered Note, a Definitive Registered Note will be issued to the transferee in respect of the part transferred, and a new Definitive Registered Note in respect of the balance of the holding

not transferred or redeemed will be issued to the transferor or the holder, as applicable; provided that no Definitive Registered Note in a denomination less than €100,000 and in integral multiples of €1,000, in excess thereof, will be issued. The Issuer will bear the cost of preparing, printing, packaging and delivering the Definitive Registered Notes. We will not impose any fees or other charges in respect of the Notes; however, holders of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and/or Clearstream.

If Definitive Registered Notes are issued and a holder thereof claims that such Definitive Registered Notes have been lost, destroyed or wrongfully taken or if such Definitive Registered Notes are mutilated and are surrendered to the Registrar or at the office of a Transfer Agent, the Issuer will issue and the Trustee or an authenticating agent will authenticate a replacement Definitive Registered Note if the Trustee's and the Issuer's requirements are met. The Issuer or the Trustee may require a holder requesting replacement of a Definitive Registered Note to furnish an indemnity bond sufficient in the judgment of both the Trustee and the Issuer to protect the Issuer, the Trustee or the Paying Agent appointed pursuant to the Indenture from any loss which any of them may suffer if a Definitive Registered Note is replaced. The Issuer may charge for the expenses of replacing a Definitive Registered Note.

In case any such mutilated, destroyed, lost or stolen Definitive Registered Note has become or is about to become due and payable, or is about to be redeemed or purchased by the Issuer pursuant to the provisions of the Indenture, the Issuer in its discretion may, instead of issuing a new Definitive Registered Note, pay, redeem or purchase such Definitive Registered Note, as the case may be.

Definitive Registered Notes may be transferred and exchanged for Book- Entry Interests in a Global Note only in accordance with the Indenture and, if required, only after the transferor first delivers to the Transfer Agent a written certification (in the form provided in the Indenture) to the effect that such transfer will comply with the transfer restrictions applicable to such Notes. See "*Transfer restrictions*".

So long as the Notes are listed on the Official List of and the rules of the Luxembourg Stock Exchange so require, the Issuer will publish a notice of any issuance of Definitive Registered Notes in a newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). Payment of principal, any repurchase price, premium and interest on Definitive Registered Notes will be payable at the office of the Paying Agent in Luxembourg so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require.

Global clearance and settlement under the Book-Entry system

Initial settlement

Initial settlement for the Notes will be made in euro. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional euro bonds in registered form. Book- Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value of the settlement date.

Secondary market trading

The Book-Entry Interests will trade through participants of Euroclear or Clearstream and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

Special timing considerations

You should be aware that investors will only be able to make and receive deliveries, payments and other communications involving Notes through Euroclear or Clearstream on days when those systems are open for business.

In addition, because of time-zone differences, there may be complications with completing transactions involving Clearstream and/or Euroclear on the same business day as in the United States. U.S. investors who wish to transfer their interests in the Notes, or to receive or make a payment or delivery of Notes, on a particular day, may find that the transactions will not be performed until the next business day in Luxembourg if Clearstream is used, or Brussels if Euroclear is used.

Clearing information

The Issuer expects that the Notes will be accepted for clearance through the facilities of Euroclear and Clearstream. The international securities identification numbers and common codes for the Notes are set out under *"Listing and general information"*.

Information concerning Euroclear and Clearstream

The following description of the operations and procedures of Euroclear and Clearstream are provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them. Neither the Issuer nor the Initial Purchaser takes any responsibility for these operations and procedures and the Issuer urges investors to contact the systems or their participants directly to discuss these matters.

The Issuer understands as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream also interface with domestic securities markets in several countries. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Euroclear and Clearstream have no record of or relationship with persons holding through their account holders. Since Euroclear and Clearstream only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear or Clearstream systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definitive certificate for that interest. The Issuer understands that, under existing industry practices, if either the Issuer or the Trustee requests any action by owners of Book-Entry Interests or if an owner of a Book-Entry Interest desires to give or take any action that a holder is entitled to give or take under the Indenture, Euroclear and Clearstream would authorize participants owning the relevant Book-Entry Interest to give or take such action, and such participants would authorize indirect participants to give or take such action or would otherwise act upon the instructions of such indirect participants.

The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such persons may be limited. In addition, owners of beneficial interests through the Euroclear or Clearstream systems will receive distributions attributable to the Rule 144A Global Notes only through Euroclear or Clearstream participants.

Certain tax considerations

Prospective purchasers of the Notes are advised to consult their own tax advisors as to the tax consequences, under the tax laws of the country of which they are resident, of a purchase of Notes including, the consequences of receipt of interest and premium, if any, on and sale or redemption of, the Notes or any interest therein.

References in this discussion to Notes acquired, owned, held or disposed of by noteholders include, except where otherwise expressly stated, the book-entry interests held by purchasers in the Notes in global form deposited with, and registered in the name of a common depository for Euroclear or Clearstream.

Certain U.S. federal income tax considerations

The discussion below is a summary of material U.S. federal income tax consequences of the acquisition, ownership and disposition of Notes as of the date hereof. The following summary addresses only U.S. Holders (as defined herein) who purchase the Notes at the “issue price” (the first price at which a substantial amount of Notes is sold for money, excluding sales to underwriters, placement agents or wholesalers) in the initial offering and hold the Notes as capital assets within the meaning of Section 1221 of the Code. This summary does not address the tax consequences to subsequent purchasers of the Notes.

As used herein, the term “U.S. Holder” means a beneficial owner of Notes that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States, (ii) a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate, the income of which is subject to U.S. federal income tax regardless of its source or (iv) a trust (a) that is subject to the primary supervision of a U.S. court and with respect to which one or more U.S. persons has the authority to control all of the substantial decisions of the trust or (b) that has made a valid election in effect under applicable U.S. Treasury Regulations (“Treasury Regulations”) to be treated as a U.S. person.

This summary is based upon provisions of the Code and Treasury Regulations, rulings and judicial decisions as of the date hereof, all of which are subject to change (possibly with retroactive effect), so as to result in U.S. federal income tax consequences different from those summarized below. The discussion below does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Notes by particular investors, nor does it address any tax consequences arising under U.S. federal estate and gift tax laws or under the laws of any state, local, non-U.S. or other taxing jurisdiction. Moreover, this discussion does not address the Medicare surtax on net investment income. In addition, this summary does not address tax consequences to U.S. Holders who may be subject to special tax treatment, such as banks, dealers, traders that elect to mark to market, insurance companies, financial institutions, regulated investment companies, real estate investment trusts, grantor trusts, investors liable for the alternative minimum tax, U.S. expatriates, tax-exempt entities, persons holding the Notes as part of a hedge, straddle, conversion or other integrated financial transaction, persons subject to special tax accounting rules as a result of any item of gross income with respect to the Notes being taken into account in an “applicable financial statement” (as defined in Section 451 of the Code), investors in partnerships or other pass-through entities or arrangements for U.S. federal income tax purposes or U.S. Holders whose “functional currency” is not the U.S. dollar. If a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) holds the Notes, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. A partner of a partnership considering holding the Notes is urged to consult its own tax advisors regarding the U.S. federal income tax consequences to it of the acquisition, ownership and disposition of the Notes by the partnership.

The summary of U.S. federal income tax consequences set out below is for general information only. Prospective investors should consult their own tax advisors concerning the particular U.S.

federal income tax consequences to them of purchasing, owning or disposing of the Notes, as well as the consequences to them arising under the laws of any other taxing jurisdiction or due to changes in tax law.

Payments of interest

General

Interest paid by the Issuer on the Notes (including any Additional Amounts) generally will be considered income from sources outside the United States and, for purposes of the U.S. foreign tax credit, generally will be considered passive category income. A U.S. Holder will generally be denied a foreign tax credit for foreign taxes imposed with respect to the Notes where such holder does not meet a minimum holding period requirement during which such holder is not protected from risk of loss. Prospective investors should consult their tax advisors concerning the applicability of the U.S. foreign tax credit and source of income rules to income attributable to the Notes.

Euro-denominated stated interest

Each payment of “qualified stated interest” (including any amounts withheld and any Additional Amounts paid in respect of withholding taxes imposed on payments on the Notes) will generally be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, depending on the U.S. Holder’s method of accounting for U.S. federal income tax purposes. The term “qualified stated interest” generally means stated interest that is unconditionally payable in cash or in property, other than debt instruments of the Issuer, at least annually at a qualifying rate during the entire term of the Note. The Issuer expects that stated interest on the Notes will be treated as qualified stated interest.

The amount of income recognized by a cash basis U.S. Holder with respect to a payment of stated interest denominated in euro will be the U.S. dollar value of the interest payment based upon the “spot rate” (as such term is defined in Treasury Regulations) on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars. A cash basis U.S. Holder generally will not recognize exchange gain or loss on the interest payment but may recognize exchange gain or loss when it disposes of any euro it receives (as discussed below under “—*Disposition of euro*”).

An accrual basis U.S. Holder may determine the amount of income recognized with respect to a payment of stated interest denominated in euro in accordance with either of two methods. Under the first method, the amount of income accrued will be based upon the average spot rate in effect during the interest accrual period or periods (or, in the case of an accrual period that spans two taxable years of a U.S. Holder, the part of the period within each taxable year). Under the second method, the accrual basis U.S. Holder may elect to determine the amount of income accrued on the basis of the spot rate on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the spot rate on the last day of the portion of the accrual period within each taxable year). Additionally, if the interest payment is actually paid or received within five business days of the last day of the accrual period, an electing accrual basis U.S. Holder may instead translate the accrued interest into U.S. dollars at the spot rate on the day of actual payment or receipt. Any such election will apply to all debt instruments held by the U.S. Holder from year to year and cannot be changed without the consent of the Internal Revenue Service (the “IRS”).

Upon an accrual basis U.S. Holder’s receipt of a stated interest payment denominated in euro (including a payment attributable to accrued but unpaid interest upon the sale, exchange, retirement or other taxable disposition of a Note), the U.S. Holder may recognize U.S.-source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount of such stated interest payment previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

Disposition of Notes

On a sale, exchange, retirement or other taxable disposition of a Note, a U.S. Holder will generally recognize gain or loss equal to the difference between (i) the amount realized on the disposition (less an amount equal to any accrued but unpaid qualified stated interest, which will be taxable as interest income to the extent not previously included in income) and (ii) the U.S. Holder's adjusted tax basis in the Note. The amount realized by a U.S. Holder on a taxable disposition of a Note for an amount in euro will be the U.S. dollar value of such euro on the date of the disposition (or on the settlement date of the disposition, in the case of Notes traded on an established securities market and taxably disposed of by a cash basis U.S. Holder or an electing accrual basis U.S. Holder). If an accrual method taxpayer makes the election described in this paragraph, such election must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS.

A U.S. Holder's adjusted tax basis in a Note will generally equal the "U.S. dollar cost" (as defined herein) of the Note to such holder. The U.S. dollar cost of a Note purchased with euro will generally be the U.S. dollar value of the purchase price on the date of purchase (or on the settlement date of the purchase, in the case of Notes traded on an established securities market that are purchased by a cash basis U.S. Holder or an electing accrual basis U.S. Holder).

Except as discussed below with respect to exchange gain or loss on a Note attributable to currency fluctuations, any gain or loss recognized by a U.S. Holder in excess of exchange gain or loss on a sale, exchange, retirement or other taxable disposition of a Note will generally be treated as U.S.-source capital gain or loss and will be long-term capital gain or loss if, at the time of the disposition, the Note was held by the U.S. Holder for more than one year. In the case of an individual U.S. Holder, any long-term capital gain will generally be subject to preferential U.S. federal income tax rates. The deductibility of capital losses is subject to significant limitations. Prospective investors should consult their own tax advisors as to the foreign tax credit implications of the sale, exchange, retirement or other taxable disposition of the Notes.

The gain or loss that a U.S. Holder realizes on the sale, exchange, retirement or other taxable disposition of a Note that is attributable to fluctuations in currency exchange rates will be taxable as ordinary income or loss and generally will be treated as U.S.-source for U.S. foreign tax credit limitation purposes. Such exchange gain or loss will generally equal the difference, if any, between the U.S. dollar value of the purchase price of the Note on (i) the date of the disposition and (ii) the date on which the U.S. Holder acquired the Note. However, a U.S. Holder will only realize exchange gain or loss with respect to the purchase price of a Note to the extent of the total gain or loss realized by such holder on the disposition. Prospective investors should consult their own tax advisors regarding the proper calculation of exchange gain or loss realized in connection with their acquisition and disposition of the Notes.

Disposition of euro

Euros received as interest on a Note or upon the sale, exchange, retirement or other taxable disposition of a Note generally will have a tax basis equal to their U.S. dollar value at the time they are received. Any gain or loss recognized on a sale, exchange, retirement or other taxable disposition of the euro (including their use to purchase Notes or upon their exchange for U.S. dollars) will be U.S.-source ordinary income or loss.

Reportable transactions

Under the Treasury Regulations, certain transactions are required to be reported to the IRS including, in certain circumstances, a sale, exchange, retirement or other taxable disposition of a Note or foreign currency received in respect of a Note to the extent that such disposition results in a tax loss in excess of a threshold amount. Prospective investors should consult with their own tax advisors to determine the tax return obligations, if any, with respect to their acquisition, holding or disposition of the Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

Backup withholding and information reporting

Generally, information reporting requirements will apply to all payments of principal and interest on and accruals of OID on, or the proceeds from a sale of, a Note, unless the U.S. Holder is an exempt recipient, such as a corporation. Additionally, if a U.S. Holder fails to provide its taxpayer identification number, or in the case of interest payments, fails either to report in full dividend and interest income or to make certain certifications, it may be subject to backup withholding.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a U.S. Holder's U.S. federal income tax liability provided the required information is timely furnished to the IRS. U.S. Holders are urged to consult their own tax advisors regarding backup withholding and information reporting requirements relating to their ownership of the Notes.

Additional tax reporting requirements

Certain U.S. Holders are required to report information relating to interests in the Notes, subject to certain exceptions (including an exception for Notes held in accounts maintained by certain financial institutions), by attaching a complete IRS Form 8938 (Statement of Specified Foreign Financial Assets) with their tax return for each year in which they hold an interest in the Notes. Penalties may apply for failure to properly complete and file IRS Form 8938. Prospective investors are urged to consult their own tax advisors regarding information reporting requirements relating to their ownership of the Notes.

U.S. Foreign Account Tax Compliance Withholding

Pursuant to Sections 1471 through 1474 of the Code (provisions commonly known as "FATCA"), a "foreign financial institution" may be required to withhold on certain payments it makes ("Foreign Passthru Payments") to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions (including the Kingdom of Sweden) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("IGAs"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to January 1, 2019 and Notes issued on or prior to the date that is six months after the date on which final regulations defining "Foreign Passthru Payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. Prospective investors should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, neither Issuer nor the Guarantors will be required to pay Additional Amounts as a result of the withholding.

Certain Swedish tax considerations

The following summary of certain tax considerations that may arise as a result of holding the Notes is based on current Swedish tax legislation and is intended only as general information for Noteholders who are resident in Sweden for tax purposes, unless otherwise indicated. This description does not deal comprehensively with all tax consequences that may occur for Noteholders. For instance, it does not cover the specific rules where Notes are held by a partnership, as current assets in a business operation, via a capital insurance (*Sw: kapitalförsäkring*) or investment deposit account (*Sw: investeringssparkonto*) or held as hedge for foreign currency exposure. Special tax consequences that are not described below may also apply

for certain categories of taxpayers, including investment companies, investment funds and insurance companies. Prospective purchasers of the Notes should consult their own tax advisers for information with respect to the special tax consequences that may arise as a result of holding Notes, including the applicability and effect of foreign income tax rules, provisions in double taxation treaties and other rules which may be applicable.

Taxation of Individuals Resident in Sweden

Capital Gains and Losses

Individuals who sell their Notes are subject to capital gain taxation with a tax rate of 30 per cent. The capital gain or loss is calculated as the difference between the sales (or redemption) proceeds, after deduction of sales costs, and the Notes' acquisition cost for tax purposes. The acquisition cost is determined according to the "average method". This means that the costs of acquiring all Notes of the same type and class as the sold Notes are added together and the average acquisition cost is calculated collectively, with respect to changes of the holding.

Gains or losses on currency exchange rate fluctuations may arise in relation to Notes where the sales proceeds received are in a foreign currency. However, no special calculations are required if the sales proceeds are exchanged into SEK within 30 days from the time of disposal. In such case, the exchange rate on the date of exchange shall be used when calculating the value of the sales proceeds. The exchange rate on the date of acquisition is generally used when determining the acquisition cost for tax purposes.

Capital losses on listed Swedish receivables are fully deductible in the income category capital (for the Notes to be considered as listed it is, according to the Swedish Tax Agency, not sufficient that the Notes are admitted to trading on a regulated market, the Notes also have to be traded). According to Swedish case law, full deductibility also applies for capital losses on listed foreign receivables.

If a deductible deficit arises in the income category capital, a reduction of the tax on income from employment and from business operations, as well as tax on real estate and the municipal real estate fee, is allowed. The tax reduction amounts to 30 per cent. of the deficit not exceeding SEK 100,000 and 21 per cent. of any part of the deficit in excess of SEK 100,000. Deficits may not be carried forward to a subsequent fiscal year.

Interest

Any interest income received by an individual holder during the time of holding the Notes is subject to Swedish tax at a tax rate of 30 per cent. in the income from capital category. Interest income is taxable when the income can be disposed of, in accordance with the "cash method".

Preliminary Withheld Tax on Interest

If amounts that are considered to be interest for Swedish tax purposes are paid by a legal entity domiciled in Sweden, including a Swedish branch, to a private individual (or an estate of a deceased individual) with residence in Sweden for Swedish tax purposes, Swedish preliminary taxes are normally withheld by the legal entity on such payments. Swedish preliminary taxes should normally be withheld also on other return on the Notes (but not capital gains), if the return is paid out together with such a payment of interest referred to above.

Taxation of Swedish Legal Entities

Limited liability companies and other legal entities, except for estates of deceased Swedish individuals, are normally taxed on its worldwide income as income from business activities (including income from the sale or redemption of the Notes) with a corporate tax rate of 22 per cent.

Capital Gains and Losses

Capital gains on receivables incurred by legal entities are taxed as income from business activities. Tax deductible capital losses on receivables incurred by limited liability companies and certain other legal entities are normally fully deductible against any taxable income.

Notes in foreign currency should be valued at closing date rate at year end. A foreign exchange gain is taxable and a foreign exchange loss is tax deductible. Foreign exchange rate fluctuations that are treated as taxable/tax deductible may affect the acquisition cost of the Notes.

Interest

Interest income is normally taxed on an accrual basis subject to corporate income tax.

Taxation of Tax Residents Outside of Sweden

Capital Gains and Losses

Noteholders that are not tax residents in Sweden and who are not conducting business from a permanent establishment in Sweden are generally not liable for Swedish capital gain taxation on the disposal of Notes. The Noteholders may be subject to tax in their country of tax residence.

Withholding Tax and Preliminary Withheld Tax on Interest

There is no withholding tax in Sweden on interest payments nor will a preliminary tax be withheld on the interest payments or on the portion of the repayment of the Notes that constitute interest.

Certain Danish tax considerations

The following is a summary description of the taxation in Denmark of the Notes according to the Danish tax laws in force at the date of this offering memorandum and is subject to any changes in law and the interpretation and application thereof, which changes could be made with retroactive effect. The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, hold or dispose of the Notes, and does not purport to deal with the tax consequences applicable to all categories of Noteholders, some of which may be subject to special rules. Potential Noteholders are under all circumstances strongly recommended to contact their own tax advisor to clarify the individual consequences of their investment in, holding of and disposal of the Notes. The Issuer makes no representations regarding the tax consequences of purchase, holding or disposal of the Notes.

Taxation at source

Under existing Danish tax law, no withholding tax is levied on payments of interest or principal or other amounts due on the Notes to the owner of such payment, except if the owner is a corporate entity that is "related to" the Issuer within the meaning of Section 3B of the Danish Tax Inspection Act (consolidated act No. 1264 of 31 October 2013 as amended). If the owner is related to the Issuer, then a withholding tax may in certain circumstances apply (22% withholding tax).

This will not have any impact on holders of Notes who are not "related to" the Issuer.

Resident holders of notes

Under existing Danish tax laws, private individuals and companies, funds and other entities that are considered separate taxable entities for Danish tax purposes and who are domiciled in Denmark for tax purposes, are (save for certain exceptions) liable to pay tax on capital gains and payments on interest of the Notes.

As a starting point, capital gains are for individuals taxed pursuant to a realisation-principle, while a mark-to-market principle as a starting point applies for companies.

Non-resident holders of notes

Under existing Danish tax laws, payments of interest or principal amounts to any non-resident holders of Notes are not subject to taxation in Denmark, no withholding tax will be payable with respect to such payments and any capital gain realised upon the sale, exchange or retirement of

a Note be subject to taxation in Denmark, other than in certain cases on payments as set out in the Section entitled Taxation at source above,

This tax treatment applies solely to holders of Notes who are not subject to full tax liability in Denmark or included in a Danish joint taxation scheme and do not carry on business in Denmark through a permanent establishment.

Plan of distribution

Subject to the terms and conditions set forth in a purchase agreement (the “**Purchase Agreement**”) dated the date of the final offering memorandum, the Issuer has agreed to sell to the Initial Purchaser, and the Initial Purchaser has agreed to purchase from the Issuer, €250 million aggregate principal amount of the Notes.

The Purchase Agreement provides that the obligations of the Initial Purchaser to pay for and accept delivery of the Notes are subject to customary closing conditions.

The Initial Purchaser proposes to offer the Notes initially at the price indicated on the cover page hereof. After the initial offering, the offering price and other selling terms of the Notes may from time to time be varied by the Initial Purchaser without notice. The Initial Purchaser may offer or sell the Notes through certain of its affiliates or through registered broker-dealers.

Persons who purchase Notes from the Initial Purchaser may be required to pay stamp duty, taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the offering price set forth on the cover page hereof.

The Purchase Agreement provides that the Issuer will indemnify and hold harmless the Initial Purchaser against certain liabilities, including liabilities under the U.S. Securities Act, and will contribute to payments that the Initial Purchaser may be required to make in respect thereof. We have agreed that, except with the prior written consent of the Initial Purchaser, for a period of 120 days after the date of this offering memorandum neither the Issuer nor any of its subsidiaries or other affiliates will offer, sell, contract to sell, issue or otherwise dispose of any secured debt securities issued or guaranteed by the Issuer or any of the Guarantors.

The Notes and the Notes Guarantees have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States except to QIBs in reliance on Rule 144A and to non-U.S. persons in offshore transactions in reliance on Regulation S. Until 40 days after the later of: (i) the commencement of this Offering and (ii) the Issue Date of the Notes, an offer or sale of the Notes initially sold in reliance on Regulation S within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the U.S. Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S. Resales of the Notes are restricted as described under “*Transfer restrictions*”.

The Initial Purchaser has represented, warranted and agreed that it:

- has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA received by it in connection with the issuance or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantors; and
- has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

The Initial Purchaser has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the EEA. For the purposes of this provision, a retail investor means a person who is one (or more) of:

- (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or
- (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the “**Insurance Mediation Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the “**Prospectus Directive**”); and

the expression “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe to the Notes.

No action has been taken in any jurisdiction, including the United States and the United Kingdom, by any of the Issuer, the Guarantors or the Initial Purchaser that would permit a public offering of the Notes or the possession, circulation or distribution of this offering memorandum or any other material relating to the Issuer, the Guarantors or the Notes in any jurisdiction where action for this purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this offering memorandum nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This offering memorandum does not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this offering memorandum comes are advised to inform themselves about and to observe any restrictions relating to the Offering, the distribution of this offering memorandum and resale of the Notes. See “*Transfer restrictions*”.

The Issuer and the Guarantors have also agreed that they will not at any time offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities under circumstances in which such offer, sale, pledge, contract or disposition would cause the exemption afforded by Section 4(2) of the U.S. Securities Act or the safe harbors of Rule 144A and Regulation S to cease to be applicable to the offer and sale of the Notes.

The Notes are a new issue of securities for which there currently is no market. We have applied to list the Notes on the Official List of the Luxembourg Stock Exchange and to have the Notes admitted to trading on the Euro MTF; however, we cannot assure you that such listing will be maintained.

The Initial Purchaser has advised us that it intends to make a market in the Notes after completing the Offering. The Initial Purchaser is not obligated, however, to make a market in the Notes, and any market-making activity may be discontinued at any time at the sole discretion of the Initial Purchaser without notice. In addition, any such market-making activity will be subject to the limits imposed by the U.S. Securities Act and the U.S. Exchange Act. Accordingly, we cannot assure you that any market for the Notes will develop, that it will be liquid if it does develop, or that you will be able to sell any Notes at a particular time or at a price which will be favourable to you. See “*Risk factors—Risks relating to the Notes and our structure—There is no existing public trading market for the Notes and the ability to transfer them is limited, which may adversely affect the value of the Notes*”.

In connection with the offering, J.P. Morgan Securities plc (the “**Stabilizing Manager**”), or persons acting on its behalf, may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, the Stabilizing Manager, or persons acting on its behalf, may bid for and purchase Notes in the open markets to stabilize the price of the Notes. The Stabilizing Manager, or persons acting on its behalf, may also over allot the Offering, creating a syndicate short position, and may bid for and purchase Notes in the open market to cover the syndicate short position. In addition, the Stabilizing Manager, or persons acting on its behalf, may bid for and purchase Notes in market making transactions as permitted by applicable laws and regulations and impose penalty bids. The Stabilizing Manager is not required to engage in these activities, and may end these activities at any time. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Notes. See “*Risk factors—Risks relating to the Notes and our structure—Your ability to transfer the Notes may be limited by the absence of an active trading market, and there is no assurance that any active trading market will develop for the Notes*”.

We expect that delivery of the Notes will be made against payment on the Notes on or about the date specified on the cover page of this offering memorandum, which will be five business days following the date of pricing of the Notes (this settlement cycle is being referred to as "T+5"). Under Rule 15c6-1 of the U.S. Exchange Act, trades in the secondary market generally are required to settle in two business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of this offering memorandum or the next two succeeding business days will be required to specify an alternative settlement code at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

The Initial Purchaser may engage in over allotment, stabilizing transactions, covering transactions and penalty bids in accordance with applicable laws and regulations. Over allotment involves sales in excess of the offering size, which creates a short position for the Initial Purchase. Stabilizing transactions permit bidders to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchase of the Notes in the open market after the distribution has been completed to cover short positions. Penalty bids permit the Initial Purchaser to reclaim a selling concession from a broker or dealer when the Notes originally sold by that broker or dealer are purchased in a stabilizing or covering transaction to cover short positions. These stabilizing transactions, covering transactions and penalty bids may cause the price of the Notes to be higher than it would otherwise be in the absence of these transactions. These transactions, if commenced, may be discontinued at any time.

The Initial Purchaser and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial investment banking, financial advising, investment management, principal investment, hedging, financing and brokerage activities. The Initial Purchaser or its respective affiliates from time to time have provided in the past, are currently providing and may provide in the future, investment banking, consultancy, financial advisory, commercial banking and cash management services to the Issuer and its affiliates in the ordinary course of business for which they have received or may receive customary fees and commissions. J.P. Morgan Securities plc and/or an affiliate owns a position of less than 1% of the shares of the Parent Company. The Issuer has agreed to pay the Initial Purchaser certain customary fees for their services in connection with the Offering and to reimburse them for certain out-of-pocket expenses. The Initial Purchaser or its affiliates may also receive allocations of the Notes.

In the ordinary course of their business activities, the Initial Purchaser and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and instruments of the Issuer or its affiliates. Certain of the Initial Purchaser or its affiliates may be lenders under the Revolving Credit Facility Agreement; as such they have received or will be entitled to receive customary fees and reimbursement of certain expenses in connection therewith. If the Initial Purchaser or its respective affiliates have a lending relationship with the Issuer, they routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, the Initial Purchaser and its affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The Initial Purchaser and its affiliates may also make investment recommendations and publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and short positions in such securities and instruments.

Transfer restrictions

Because of the following restrictions, you are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Notes offered hereby.

General

The Notes and the Notes Guarantees have not been and will not be registered under the U.S. Securities Act or any state securities laws and, therefore, the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. Accordingly, the Notes are only to be offered and sold to:

- (b) QIBs in compliance with Rule 144A; and
- (c) non-U.S. persons in offshore transactions outside the United States in reliance upon Regulation S.

We use the terms “offshore transaction”, “U.S. person” and “United States” with the meanings given to them in Regulation S.

The Notes are available initially only in Book-Entry form. The Notes were issued in one or more Global Notes bearing the legends set forth below.

Important information about the Offering

If you purchase Notes, you will be deemed to have acknowledged, represented and agreed as follows:

- (1) You understand and acknowledge that the Notes and the Notes Guarantees have not been and will not be registered under the U.S. Securities Act or any other applicable securities laws and that the Notes are being offered for resale in transactions not requiring registration under the U.S. Securities Act or any other securities laws, including sales pursuant to Rule 144A, and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the U.S. Securities Act or any other applicable securities laws, pursuant to an exemption therefrom, or in a transaction not subject thereto, and in each case in compliance with the conditions for transfer set forth in paragraph (4) below.
- (2) You are not our “affiliate” (as defined in Rule 144 under the U.S. Securities Act), you are not acting on our behalf and you are either:
 - (a) a QIB and are aware that any sale of the Notes to you will be made in reliance on Rule 144A, and such acquisition will be for your own account or for the account of another QIB; or
 - (b) not a “U.S. person” or purchasing for the account or benefit of a U.S. person (other than a distributor), and you are purchasing notes in an offshore transaction in accordance with Regulation S.
- (3) You acknowledge that neither the Issuer, any Guarantor, the Initial Purchaser nor any other person representing any of them has made any representation to you with respect to us or the offer or sale of any of the Notes, other than the information contained in this offering memorandum, which offering memorandum has been delivered to you and upon which you are relying in making your investment decision with respect to the Notes. You acknowledge that no person other than the Issuer makes any representation or warranty as to the accuracy or completeness of this offering memorandum. You have had access to such financial and other information concerning us and the Notes, including an opportunity to ask questions of, and request information from, us and the Initial Purchaser.

(4) You are purchasing Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the U.S. Securities Act or any other applicable securities laws, subject to any requirement of law that the disposition of your property or the property of such investor account or accounts be at all times within your or their control and subject to your or their ability to resell such Notes pursuant to Rule 144A, Regulation S or any other available exemption from registration available under the U.S. Securities Act. You agree on your own behalf and on behalf of any investor account for which you are purchasing the Notes, and each subsequent holder of the Notes by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Notes prior to (x) the date which is one year (in the case of Rule 144 Notes) or 40 days (in the case of Regulation S Notes) after the later of the date of the original issue of the Notes and the last date on which the Issuer or any of its affiliates was the owner of such Notes (or any predecessor thereto) or (y) such later date, if any, as may be required by applicable law (the “**Resale Restriction Termination Date**”) only:

- (a) to us;
- (b) pursuant to a registration statement which has been declared effective under the U.S. Securities Act;
- (c) for so long as the Notes are eligible for resale pursuant to Rule 144A, to a person you reasonably believe is a QIB that purchases for its own account or for the account of another QIB to whom you give notice that the transfer is being made in reliance on Rule 144A;
- (d) pursuant to offshore transactions to non-U.S. persons occurring outside the United States within the meaning of Regulation S in reliance on Regulation S; or
- (e) pursuant to any other available exemption from the registration requirements of the U.S. Securities Act;

subject, in each of the foregoing cases, to any requirement of law that the disposition of the seller's property or the property of an investor account or accounts be within the seller's or account's control, and in compliance with any applicable securities laws of the states of the United States and other jurisdictions.

You acknowledge that the Issuer, the relevant Trustee, the applicable registrar and the applicable Transfer Agent reserve the right prior to any offer, sale or other transfer of the Notes (i) pursuant to clause (d) or clause (e) above prior to the Resale Restriction Termination Date of the Notes to require the delivery of an opinion of counsel, certifications and/or other information satisfactory to us, the relevant Trustee, the applicable registrar and the applicable Transfer Agent, and (ii) in each of the foregoing cases, to require that a certificate of transfer in the form appearing on the reverse of the security is completed and delivered by the transferor to the trustee. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date.

Each purchaser acknowledges that each Global Note will contain a legend substantially in the following form:

“THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “U.S. SECURITIES ACT”), OR OTHER SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION UNLESS THE TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT.

THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT (A) IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT) OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS NOTE IN AN “OFFSHORE TRANSACTION” PURSUANT TO RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, (2) AGREES THAT IT

WILL NOT, ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR FOR WHICH IT HAS PURCHASED SECURITIES, PRIOR TO (X) THE DATE WHICH IS [IN THE CASE OF THE RULE 144A NOTES: ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE COMPANY OR ANY AFFILIATE OF THE COMPANY WAS THE OWNER OF THIS NOTE (OR ANY PREDECESSOR OF SUCH NOTE)] [IN THE CASE OF THE REGULATION S NOTES: 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE DATE ON WHICH THIS NOTE (OR OF ANY PREDECESSOR OF THIS NOTE) WAS FIRST OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN RULE 902 OF REGULATION S) IN RELIANCE ON REGULATION S] AND (Y) SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAW (THE "RESALE RESTRICTION TERMINATION DATE"), OFFER, SELL OR OTHERWISE TRANSFER THIS NOTE EXCEPT (A) TO THE COMPANY, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE NOTES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A UNDER THE U.S. SECURITIES ACT, (D) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND; SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND IN COMPLIANCE WITH ANY APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE COMPANY'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSES (D) AND (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AND (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS NOTE IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND (4) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND".

If you purchase Notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in the Notes as well as to holders of the Notes.

- (1) You acknowledge that the registrar will not be required to accept for registration of transfer any Notes acquired by you, except upon presentation of evidence satisfactory to us and the registrar that the restrictions set forth herein have been complied with.
- (2) You acknowledge that:
 - (a) the Issuer, the Guarantors, the Initial Purchaser and others will rely upon the truth and accuracy of your acknowledgements, representations and agreements set forth herein, and you agree that, if any of your acknowledgements, representations or agreements herein cease to be accurate and complete, you will notify us and the Initial Purchaser promptly in writing; and
 - (b) if you are acquiring any Notes as fiduciary or agent for one or more investor accounts, you represent with respect to each such account that:
 - (i) you have sole investment discretion; and
 - (ii) you have full power to make the foregoing acknowledgements, representations and agreements.
- (3) You understand that the issuance of Additional Notes under the Indenture may have the effect of extending the Resale Restriction Termination Date.

- (4) You agree that you will, and each subsequent holder is required to, give to each person to whom you transfer the Notes notice of any restrictions on the transfer of the Notes, if then applicable.
- (5) If you are a purchaser in a sale that occurs outside the United States within the meaning of Regulation S, you acknowledge that until the expiration of the “distribution compliance period” (as defined below), you shall not make any offer or sale of the Notes to a U.S. person or for the account or benefit of a U.S. person within the meaning of Rule 902 under the U.S. Securities Act. The “distribution compliance period” means the 40-day period following the Issue Date for the Notes.
- (6) You acknowledge that until 40 days after the commencement of the relevant offering, any offer or sale of the Notes within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the U.S. Securities Act.
- (7) You understand that no action has been taken in any jurisdiction (including the United States) by the Issuer, the Guarantors or the Initial Purchaser that would permit a public offering of the Notes or the possession, circulation or distribution of this offering memorandum or any other material relating to the Issuer or the Notes in any jurisdiction where action for that purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth in this section of this offering memorandum and/or in the front of this offering memorandum under *“Notice to certain European investors”*, *“Notice to Canadian investors”* and *“Plan of distribution”*.
- (8) Each purchaser and subsequent transferee of a Note will be deemed to have represented and warranted that either (i) no portion of the assets used by such purchaser or transferee to acquire and hold the Notes constitutes assets of any employee benefit plan subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended (**“ERISA”**), any plan, individual retirement account or other arrangement subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the **“Code”**) or provisions under any federal, state, local, non-U.S. or other laws or regulations that are similar to such provisions of ERISA or the Code (collectively, **“Similar Law”**), or any entity whose underlying assets are considered to include “plan assets” of any such plan or account, within the meaning of U.S. Department of Labor Regulations, 29 C.F.R. §2510.3-101, as modified by Section 3(42) of ERISA or otherwise, or (ii) the purchase and holding of the Notes will not constitute a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation under any applicable Similar Law.
- (9) If you are using the assets of any employee benefit plan subject to Title I of ERISA, any plan, individual retirement account (**“IRA”**) or other arrangement subject to Section 4975 of the Code or any entity whose underlying assets are considered to include “plan assets” of any such plan or account (any **“Benefit Plan”**), then you will be deemed to have represented and warranted that the decision to acquire the Note has been made by an independent fiduciary of the Benefit Plan (a **“Plan Fiduciary”**) who is independent of the Issuer, the Guarantors, the Initial Purchaser and their respective affiliates (the **“Transaction Parties”**), which Plan Fiduciary (i) is a fiduciary under ERISA or the Code, or both, with respect to the decision to purchase the Note, (ii) is not the IRA owner (in the case of a purchaser or acquirer that is an IRA), (iii) is capable of evaluating investment risks independently, both in general and with regard to the prospective investment in the Note, (iv) has exercised independent judgment in evaluating whether to invest the assets of such Benefit Plan in the Note, (v) is either a bank, an insurance carrier, a registered investment adviser, a registered broker-dealer or an independent fiduciary with at least \$50 million of assets under management or control, (vi) has been fairly informed that the Transaction Parties have not and will not undertake to provide impartial investment advice, or to give advice in a fiduciary capacity, in connection with the purchase and holding of the Note, (vii) has been fairly informed that the

Transaction Parties have financial interests in the Benefit Plan's acquisition and holding of the Note, which interests may conflict with the interest of the Benefit Plan, as more fully described in this offering memorandum, and (viii) is not paying any Transaction Party any fee or other compensation directly for the provision of investment advice (as opposed to other services) in connection with the Benefit Plan's acquisition and holding of the Notes; *provided* that the foregoing representations and warranties in this sentence shall be deemed to be no longer in effect or required to the extent and at such times that the U.S. Department of Labor regulations codified at 29 C.F.R. § 2510.3-21(a) and (c)(1), as promulgated on April 8, 2016, are revoked, repealed or no longer effective.

Limitations on validity and enforceability of the Notes Guarantees and the security interests and certain insolvency law considerations

The validity and enforceability of the Notes Guarantees and the Collateral will be subject to certain limitations on enforcement and may be limited under applicable law or subject to certain defences that may limit their validity and enforceability. The following is a summary description of certain limitations on the validity and enforceability of the Notes Guarantees and Collateral, and a summary of certain insolvency law considerations in the jurisdictions in which the Issuer, some of the Guarantors and some of the providers of Collateral are organized. In the event that any one or more of the Issuer, the Guarantors and the providers of Collateral experience financial difficulties, it is not possible to know with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced or what the outcome of such proceedings would be. Applicable insolvency laws may affect the enforceability of the obligations of the Issuer, the Guarantors and the providers of the Collateral and of the Notes Guarantees and the Collateral themselves. The descriptions below are only a summary and do not purport to be complete or to discuss all of the limitations or considerations that may affect the validity and enforceability of the Notes Guarantees and the Collateral. If additional Notes Guarantees and/or Collateral are required to be granted pursuant to the Indenture in the future, such Notes Guarantees and/or Collateral will also be subject to limitations on enforceability and validity, which may differ from those discussed below.

For further information regarding limitations on validity and enforceability of guarantees and security interests see “Risk factors—Risks relating to the Notes and our structure—Your rights in the Collateral may be adversely affected by the failure to perfect security interests in the Collateral” above.

European Union

The Issuer and certain of the Guarantors are incorporated or organized under the laws of Member States of the European Union.

Pursuant to Council Regulation (EU) 2015/848 of May 20, 2015 on insolvency proceedings (recast) (the “**EU Insolvency Regulation**”), which became fully effective on June 26, 2017 and applies within the European Union (other than Denmark) (and accordingly, for the purposes of this section any reference to a “Member State” shall exclude Denmark), the courts of the Member State in which a debtor’s “center of main interests” (as that term is used in Article 3(1) of the EU Insolvency Regulation) is situated have jurisdiction to commence main insolvency proceedings relating to such debtor. The determination of where a debtor has its center of main interests is a question of fact on which the courts of the different Member States may have differing and even conflicting views.

Article 3(1) of the EU Insolvency Regulation provides that the center of main interests, or “COMI” of a “debtor shall be the place where the debtor conducts the administration of its interests on a regular basis and which is ascertainable by third parties”. It sets forth, as explained by Recital (30), a rebuttable presumption that a debtor has its COMI in the Member State in which it has its registered office in the absence of proof to the contrary. This presumption shall only apply if the registered office of the legal person has not been moved to another Member State within the 3-month period prior to the request for the opening of insolvency proceedings. Recital (30) provides that it should be possible to rebut this presumption if a debtor’s central administration is located in a Member State other than that of its registered office and a comprehensive assessment of all the relevant factors establishes, in a manner that is ascertainable by third parties, that the debtor’s actual centre of management and supervision and the management of its interests is located in that other Member State. Under the previous EU insolvency regulation (Council Regulation (EC) 1346/2000 of May 29, 2000), which defined the COMI in similar terms, the courts have taken into consideration a number of factors in

determining a debtor's COMI, including in particular where board meetings are held, the location where the debtor conducts the majority of its business or has its head office and the location where the majority of the debtor's creditors are established. A debtor's COMI is not a static concept and may change from time to time but is determined for the purposes of deciding which courts have competent jurisdiction to commence insolvency proceedings at the time of the filing of the insolvency petition.

If a debtor's COMI is and will remain located in the Member State in which it has its registered office, the main insolvency proceedings in respect of the debtor under the EU Insolvency Regulation would be commenced in such jurisdiction and accordingly a court in such jurisdiction would be entitled to commence the types of insolvency proceedings referred to in Annex A to the EU Insolvency Regulation. Main insolvency proceedings commenced in one Member State under the EU Insolvency Regulation are to be recognized in the other EU Member States, although secondary proceedings may be commenced in another Member State.

If a debtor's COMI is in a Member State, under Article 3(2) of the EU Insolvency Regulation, the courts of another Member State have jurisdiction to commence secondary (territorial) insolvency proceedings against that debtor only if such debtor has an "establishment" (within the meaning and as defined in Article 2(10) of the EU Insolvency Regulation) in the territory of such other Member State. An "establishment" is defined to mean "any place of operations where the debtor carries out or has carried out in the 3-month period prior to the request to commence main insolvency proceedings a non-transitory economic activity with human means and assets".

Where main proceedings have been commenced in the Member State in which the debtor has its COMI, any proceedings commenced subsequently in another Member State in which the debtor has an establishment shall be secondary insolvency proceedings. The effects of such proceedings are restricted to the assets of the debtor situated in the territory of such other Member State. Where main proceedings in the Member State in which the debtor has its COMI have not yet been commenced, secondary insolvency proceedings may only be commenced in another Member State where the debtor has an establishment where either (a) insolvency proceedings cannot be commenced in the Member State in which the debtor's COMI is situated under that Member State's law; or (b) the secondary insolvency proceedings are commenced at the request of (i) a creditor which is domiciled, habitually resident or has its registered office in the other Member State or whose claim arises from the operation of the establishment or (ii) a public authority that has the right to make such a request under the law of the Member State in which the establishment is located. Irrespective of whether the insolvency proceedings are main or secondary insolvency proceedings, such proceedings will, subject to certain exceptions, be governed by the *lex fori concursus*, i.e., the local insolvency law of the court that has assumed jurisdiction over the insolvency proceedings of the debtor.

The courts of all Member States must recognize the judgment of the court commencing main proceedings, which will be given the same effect in the other Member States so long as no secondary proceedings have been commenced there. The insolvency practitioner appointed by a court in a Member State which has jurisdiction to commence main proceedings (because the debtor's COMI is located there) may exercise the powers conferred on it by the laws of that Member State in another Member State (such as to remove assets of the debtor from that other Member State) subject to certain limitations, as long as no insolvency proceedings have been commenced in that other Member State or no preservation measures have been taken to the contrary further to a request to commence insolvency proceedings in that other Member State where the debtor has assets.

The EU Insolvency Regulation provides for cooperation between (i) insolvency practitioners of the main insolvency proceedings and of the secondary insolvency proceedings, (ii) jurisdictions and (iii) jurisdictions and insolvency practitioners. It also provides for specific cooperation, communication and coordination measures in order to ensure the efficient administration of insolvency proceedings relating to different companies forming part of the same group. As from June 26, 2018, the Member States shall establish and maintain a register of insolvency

proceedings and, as from June 26, 2019, the European Commission shall establish a decentralized system for the interconnection of such insolvency registers.

Limitations on validity and enforceability of Notes Guarantees and security interests granted by any Swedish subsidiaries

Limitation on enforcement

A Swedish limited liability company may not provide a guarantee for the obligations of a parent or sister company, unless they belong to the same group of companies and the parent company of that group is domiciled within the European Economic Area. Furthermore, if a Swedish limited liability company (*aktiebolag*) provides any guarantee without receiving sufficient corporate benefit in return, such guarantee will, in whole or in part, be considered as a distribution of assets, which will be lawful only (i) to the extent that there is sufficient coverage for the restricted equity capital of the Swedish limited liability company immediately after the distribution (i.e. at the time the guarantee is provided) and (ii) if considered prudent by the Swedish limited liability company to undertake such distribution after having taken into consideration the equity requirements imposed by the nature, scope and risks relating to its business or its need to strengthen its balance sheet, liquidity or financial position in general. Where the Swedish limited liability company is a parent company, the latter assessment is made also on a group level.

A guarantee granted by a Swedish limited liability company for another party's obligation may also be deemed to constitute a distribution of assets if, at the time the guarantee is provided, the obligor of the secured obligation could be deemed unable to fulfil its obligation to indemnify the Swedish limited liability company if the guarantee is called upon and provided that the guarantor does not otherwise receive sufficient corporate benefit.

It should also be noted that laws relating to financial assistance in Sweden prohibit limited liability companies incorporated in Sweden from providing guarantees or other credit support for obligations of any person where such obligations are being incurred for the purpose of acquiring shares in the limited liability company itself or in any other structurally superior member of the same Swedish group of companies.

The guarantees of the guarantors in Sweden are limited in accordance with the above restrictions relating to prohibited security, the distribution of assets and financial assistance and are subject to limitation language limiting the liability of such entities thereunder to the extent required by the above restrictions.

Limitations on Enforceability due to the Swedish Reorganisation Act

The Swedish Reorganisation Act (*lag (1996:764) om företagsrekonstruktion*) provides companies facing difficulty in meeting their payment obligations with an opportunity to resolve these without being declared bankrupt. A petition for company reorganization may be presented by (i) the debtor or (ii) a creditor of the debtor. Corporate reorganization proceedings shall, as a main rule, terminate within three months from commencement but may under certain conditions be extended for up to one year.

An administrator is appointed by the court and supervises the day to-day activities of the debtor and safeguards the interests of creditors as well as the debtor. However, the debtor remains in full possession of the business except that, for important decisions such as paying a debt that has fallen due prior to the order of reorganization, granting security for a debt that arose prior to the order, undertaking new obligations or transferring, pledging or granting rights in respect of assets of a substantial value for the business, the consent of the administrator is required.

The making of an order under the Swedish Reorganisation Act does not have the effect of terminating contracts with the debtor and, during the reorganization procedure, the debtor's business activities continue in the ordinary course of business. However, the procedure includes a suspension of payments to creditors and the debtor cannot pay a debt that fell due prior to the order without the consent of the administrator and such consent may only be granted should

there be exceptional reasons for doing so and any petition for bankruptcy in respect of the debtor will be stayed. A moratorium also applies to execution in respect of a claim or enforcement of security during corporate reorganization proceedings unless the security assets are in the physical possession of the secured creditor or any agent acting on behalf of such creditor, which is the case with a Swedish law pledge over the shares in a Swedish limited liability company where the share certificates of such company have been delivered to the agent.

The debtor may apply to the court requesting public composition proceedings (*offentligt ackord*) which means that the amount of a creditor's claim may be reduced. The proposal for a public composition must meet certain requirements such as that a sufficient proportion of the creditors which are allowed to vote, in respect of a sufficient proportion of the total outstanding claims, vote in favor of such public composition proposal. Creditors with set off rights and secured creditors will not participate in the composition unless they wholly or partly waive their set off rights or priority rights. Should the security not cover a secured creditor's full claim, the remaining claim will, however, be part of a composition. A creditors' meeting is convened to vote on the proposed composition. The public composition is a binding proceeding.

Foreign Currency

Whereas Swedish courts may award judgments in currencies other than Swedish kronor, judgments will be enforced in Swedish kronor, generally at the rate of exchange prevailing at the date of enforcement rather than at the date of judgment.

Security Granted in Favor of an Agent

It is generally possible under Swedish law to grant guarantees and security interests in favor of an agent acting on behalf of the secured parties. However, it is not established by judicial precedent or otherwise by law that a power of attorney or a mandate of agency, including the appointment of an agent (including any agent for service of process), can be made irrevocable. Therefore, any powers of attorney or mandates of agency can be revoked and will terminate by operation of law and without notice at the bankruptcy or temporal demise of the party giving such powers.

Effect of Bankruptcy on the Bankruptcy Debtor's Contracts

The declaration of bankruptcy (*konkurs*) does not automatically terminate existing contracts and instead the receiver may in its discretion choose to have the bankruptcy estate itself become party to any such existing contracts. If the estate enters into the contract and performance by the creditor is due, the creditor may demand that the estate performs its obligations as well or, if a grace period has been granted, request that the estate, without unreasonable delay, provides acceptable security for its performance. If performance by the creditor is not due, the creditor may request security where this is necessary in order to protect against loss. If the estate does not enter into the contract within a reasonable time after the creditor's demand or if it does not comply with the creditor's request to provide security, the creditor may terminate the contract.

Limitations on the Validity of Certain Transactions

In bankruptcy and company reorganization proceedings, transactions can (in certain circumstances and subject to a time limit) be reversed and the goods or money can then be returned to the bankruptcy estate or the company subject to company reorganization. Broadly, these transactions include, among others, situations where the debtor has conveyed property fraudulently or preferentially to one creditor to the detriment of its other creditors before the initiation of the relevant insolvency proceedings, granting a guarantee that was either not stipulated at the time when the obligation arose or not perfected without delay after such time and the delay is not considered to be ordinary, or paid a debt that is not due or that is considerable compared to the value of the debtor's assets or if the payment is made by using unusual means of payment. In the majority of situations, a claim for recovery can be made concerning actions that were made during the three months preceding the commencement of the relevant insolvency proceedings. In certain situations, longer time limits apply and in others there are no time limits. These include, among others, situations where the other party to an

agreement or other arrangement is deemed to be a closely related party to the debtor such as a subsidiary or parent company.

Limitations on validity and enforceability of Notes Guarantees and security interests granted by any Belgian subsidiaries

Limitations on Enforcement

The grant of a guarantee or security interests *in rem* by a Belgian company securing the obligations and liabilities of another group company must fall within such Belgian company's legal and corporate purpose and serve its corporate benefit.

If the granting of a guarantee or security interests *in rem* does not fall within the Belgian company's legal and/or corporate purpose, the security could, upon certain conditions, be held null and void.

The assessment of whether or not the grant of a guarantee or security interests *in rem* is in the Belgian Guarantor's corporate interest, is largely dependent on factual considerations and is to be determined on a case-by-case basis by the directors of the Belgian company and to be reviewed ultimately on a case-by-case basis by the relevant courts. Consideration has to be given to any actual benefit that the Belgian company would actually derive from the transaction and is particularly relevant for upstream or cross-stream guarantees and security interests. It is generally taught by legal scholars at least the following principles apply to such evaluation: (i) the risk taken by the Belgian company in granting the guarantee and/or security interest *in rem* must be proportionate to the direct and/or indirect benefit derived from the transaction, and (ii) the financial support granted by the Belgian company should not exceed its financial capabilities. The responsibility for such assessment is that of the directors of the relevant company.

If the corporate benefit requirement is not met, the directors of the Belgian company may be held liable (i) by the company for negligence in the management of the company and (ii) by third parties in tort. Moreover, the guarantee or security interest *in rem* could be declared null and void and, under certain circumstances, the creditor benefiting from the guarantee or security interest *in rem* could be held on the basis of the principle of tort liability. Alternatively, the guarantee or security interest *in rem* could be reduced to an amount corresponding to the corporate benefit or the creditor may be held liable for any guarantee amount in excess of such amount. These rules have been seldom tested under Belgian law, and there is only limited case law on this issue.

In order to enable Belgian subsidiaries to grant a guarantee and/or security interests *in rem* to secure liabilities of a direct or indirect parent or affiliated company limiting the risk of violating Belgian rules on corporate benefit, it is standard market practice for indentures, credit agreements, guarantees and security documents to contain so-called "limitation language" in relation to subsidiaries incorporated or established in Belgium.

Beneficial Ownership

As there is no established concept of "trust", "trustee", "beneficial ownership" or "beneficial owner" under present Belgian law, the rights, claims and effects resulting from such a concept may not be enforceable under Belgian law.

Hardening period and Fraudulent Transfer

In the event that bankruptcy proceedings are governed by Belgian law, certain business transactions shall be declared ineffective against third parties if concluded or performed during a so-called "hardening period".

Under Belgian law the hardening or suspect period is the period between the date of cessation of payments by the bankrupt party until the date of the bankruptcy judgment. In principle, a debtor is deemed to have stopped paying its debts as of the date of the bankruptcy judgment. The court issuing the bankruptcy order may determine, based on serious and objective indications, that the cessation of payments occurred on an earlier date. Such earlier date may not

be earlier than six months before the date of the bankruptcy judgment, except in cases where the bankruptcy order relates to a company that was dissolved more than six months before the date of the bankruptcy order in circumstances suggesting an intent to defraud its creditors, in which case the date of cessation of payments may be determined as being the date of such decision to dissolve the company. The period from the date of cessation of payments up to the declaration of bankruptcy is referred to as the “hardening period.”

The business transactions entered into during the hardening period which will be declared ineffective against third parties include, among others, (i) gratuitous transactions or unbalanced transactions entered into on extremely beneficial terms for the counterparty, (ii) payments for debts which are not due, (iii) payments other than in money for debts due, and (iv) security provided for pre-existing debt.

The Belgian receiver may request the court to declare payments of a Belgian company made during the hardening period for debts due ineffective against third parties, *provided* that it can be proven that the creditor concerned was aware of the cessation of payment of the company.

If the guarantee or security interest *in rem* granted by the Belgian guarantor or Belgian security provider were successfully held ineffective (based on any of the above), Noteholders would cease to have any claim in respect thereof and would be under an obligation to repay any amounts received pursuant to such guarantee or the enforcement proceeds of the collateral.

Finally, regardless of any declaration by the commercial court of a hardening period, transactions of which it can be demonstrated that they have been entered into with the fraudulent intention to cause prejudice to a third creditor, may be declared ineffective against third parties, under certain circumstances.

Grace Periods

In addition enforcement rights may, like those of any other creditor, be subject to Article 1244 of the Belgian Civil Code.

Pursuant to the provisions of these articles, Belgian courts may, in any civil proceeding involving a debtor, defer or otherwise reasonably reschedule the payment dates of payment obligations. Belgian courts can also decide that the interest rate applicable be reduced if it is considered to exceed the normal rate applicable to similar debts.

Recognition and enforcement

The granting of security interests over movable or immovable, tangible or intangible, assets may be subject to validity and/or enforceability conditions. The breach of any of such conditions may render such security interests invalid or unenforceable. The foreclosure of security interests may be subject to formalities (e.g. judicial or non judicial consent) and may be time consuming in the event that the foreclosure takes place under judicial control or in the event of a legal dispute. Courts may condition the enforcement of a security interest and/or guarantee upon the evidence that the creditor has a final and undisputed claim triggering the foreclosure of the security interest and/or guarantee. Enforcement of security interests and/or guarantees may be hindered by conflict of law and/or conflict of jurisdiction issues and may not breach any public policy provision and/or mandatory legal provisions. Courts may require a sworn translation in French or Dutch of the English documents which they may review.

In particular, and without limiting the generality of what is set out above, the validity, effectiveness and enforceability of certain security interests may be limited as follows:

- Pledge on bank account and receivables: the perfection of the pledge towards respectively the account bank or the debtor of the pledged receivables requires a notice of pledge or acknowledgment of pledge by the relevant account bank or debtor. In the absence of notice (or, in the case of a receivable governed by foreign law, of compliance with the applicable rules set by that foreign law), the pledge is not perfected as against the debtors of the receivables and (i) the debtors validly pay the receivables to the pledgor, (ii) the debtors may

still raise defences of set-off, (iii) subsequent assignment or pledge of the receivables to a bona fide third party in respect of which notice is given first would take priority over the pledge effected by the bank account and receivable pledge agreement, (iv) the pledge will not be effective against a third-party creditor of the company (such as, typically, a creditor, a creditor having made an attachment on the receivables) to whom a debtor would, in good faith, have paid a receivable before having received notice of the pledge, and (v) it is uncertain whether, after notice, debtors may still raise defences of setoff.

- Pledge on registered shares representing the issued share capital of a Belgian company: a notice of pledge must be recorded and dated in the share register of the Belgian company to be enforceable against third parties. As long as the recordation is not effectuated in the share register of the Belgian company, there is a risk that the Noteholders will not receive any proceeds from an enforcement of the security interest in that collateral.

Limitations on validity and enforcement of Notes Guarantees granted by any English subsidiaries

There are circumstances under English insolvency law in which the granting by an English company of security and guarantees can be challenged. In most cases, this will only arise if the company is placed into administration or liquidation within a specified period of the granting of the relevant guarantee or security (as detailed further below). Therefore, if during the specified period an administrator or liquidator is appointed to an English company, the administrator or liquidator may challenge the validity of any security or guarantees given by such company.

Limitations on validity and enforceability of Notes Guarantees and security interests granted by any German subsidiaries

Under German law, claims may become barred under statutory limitation period rules (the general limitation period being 3 years) and may be subject to defences of set-off or counterclaims.

Limitations pursuant to German corporate law, particularly Sections 30 and 31 of the German Act on Limited Liability Companies (GmbH-Gesetz)

Certain Guarantors, namely Radisson Hotel Hannover GmbH, Radisson Hotel Köln GmbH, Radisson Hotel Hamburg Airport GmbH and Radisson Hotel Deutschland GmbH, are incorporated under the laws of Germany in the legal form of either a limited liability company (*Gesellschaft mit beschränkter Haftung*) ("**GmbH**") or a limited partnership with a general partner (*persönlich haftender Gesellschafter*), personally liable for the limited partnership's debts without limitation, that is not a natural person but a GmbH ("**GmbH & Co. KG**"). The grant of guarantees or collateral by these types of companies is subject to certain provisions of the German Act on Limited Liability Companies (*GmbH-Gesetz*).

As a general rule, Sections 30 and 31 of the GmbH-Gesetz prohibit a GmbH from disbursing its assets to its shareholders or its affiliates to the extent that the amount of the GmbH's net assets (i.e., assets minus liabilities and liability reserves) is already less or would fall below the amount of its stated share capital (*Stammkapital*). If and to the extent a payment prohibited by Sections 30 and 31 takes place, the recipient is obliged to repay such amount to the GmbH. The granting of guarantees and other security by a GmbH or GmbH & Co. KG in order to guarantee or secure liabilities of a direct or indirect shareholder or affiliate thereof may be considered a disbursement pursuant to Sections 30 and 31 of the GmbH Gesetz. Therefore, in order to enable German subsidiaries to grant guarantees and collateral to secure liabilities of a direct or indirect shareholder or affiliate without the risk of violating Sections 30 and 31, it is standard market practice for indentures, credit agreements, guarantees, and security documents to contain so-called "limitation language" in relation to entities in the legal form of a GmbH or a partnership with a GmbH as unlimited liable partner (e.g. a GmbH & Co. KG) incorporated or established in Germany. Pursuant to such limitation language, the secured parties of such instruments agree, subject to certain exemptions, to enforce the collateral (or to release the proceeds of an

enforcement, as applicable) and the beneficiaries of the guarantees agree to enforce the guarantees against the German subsidiary only to the extent that such enforcement does not result in the GmbH's or, in case of a GmbH & Co. KG, the general partner's net assets falling below its stated share capital or, as the case may be, if the net assets are already below the amount of its stated share capital, to cause such amount to be further reduced. Accordingly, the Notes Guarantees and the Security Documents granted by the German Guarantors will contain such limitation language and the respective Notes Guarantees and security interests will be limited in the manner described.

Furthermore, Section 64 sentence 3 of the GmbH-Gesetz restricts payments if and to the extent such payments under any Note Guarantee or enforcement of Collateral would deprive the German Guarantor of the liquidity necessary to fulfill its financial liabilities to its creditors. These limitations could, to the extent applicable, restrict the enforcement of the relevant Note Guarantee or security interests.

German capital maintenance rules and liquidity rules (including, without limitation, the prohibition to make payments in case of existing illiquidity (*Zahlungsunfähigkeit*), over-indebtedness (*Überschuldung*) or if such payments cause illiquidity (*Zahlungsunfähigkeit herbeiführen*) and are regarded as being made to or for the benefit of an affiliate pursuant to section 64 of the GmbH-Gesetz) are subject to ongoing court decisions. Future court rulings may thus further limit the access of direct or indirect shareholders to assets of their subsidiaries constituted in the form of a GmbH or a GmbH & Co. KG, which can negatively affect the ability of such subsidiaries to make payments on the Notes Guarantees or of the beneficiaries of the Notes Guarantees or security interests to enforce the Notes Guarantees or security interests.

Furthermore, it cannot be ruled out that the case law of the German Federal Supreme Court (*Bundesgerichtshof*) regarding so-called destructive interference (*existenzvernichtender Eingriff*) (i.e., a situation where a shareholder deprives a German limited liability company of the liquidity necessary for it to meet its own payment obligations) may be applied by courts with respect to the enforcement of the Notes Guarantees. In such case, the amount of proceeds to be realized may be reduced, even to zero.

In addition, under German law, a creditor who provided additional, or extended existing, funding to a debtor and/or obtained security from the debtor may be liable in tort if such creditor was aware of the debtor's impending insolvency or of circumstances indicating such debtor's impending insolvency at the time such funding was provided or extended and/or such security was granted. The German Federal Supreme Court (*Bundesgerichtshof*) held that such liability may arise if, for example, the creditor acted with the intent to detrimentally influence the position of the other creditors of the debtor in violation of the legal principle of bonos mores (*Sittenwidrigkeit*). Such intention could be presumed if the beneficiary of the transaction was aware of any circumstances indicating that the debtor was close to insolvency (*Zusammenbruch*) or had reason to enquire further with respect thereto.

Hardening periods and fraudulent transfer

In the event of insolvency proceedings with respect to a German Guarantor based on and governed by the insolvency laws of Germany, the Notes Guarantee and security interests provided by that subsidiary or payments made by that subsidiary under the Notes Guarantees could be subject to potential challenges by an insolvency administrator (*Insolvenzverwalter*) or, in case debtor in possession status has been granted, the custodian (*Sachwalter*) under the rules of contest (*Insolvenzanfechtung*) as set out in the German Insolvency Code (*Insolvenzordnung*). If the validity or enforceability of a Notes Guarantee, a payment thereunder or security interests is contested successfully, beneficiaries of such Notes Guarantee a payment thereunder or such security interests may not be able to recover any amounts under the respective Notes Guarantee or security interests. If payments have already been made under the respective Notes Guarantee or Collateral has been enforced, the insolvency administrator may require that the recipients return the payment or enforcement proceeds to the insolvency estate, and the recipients would then have only general unsecured claims without preference in the insolvency proceedings.

Acts (*Rechtshandlungen*) or transactions (*Rechtsgeschäfte*) (which term includes the provision of guarantees or collateral or the repayment of debt) that have been detrimental to the insolvency creditors (as a whole) may be challenged by an insolvency administrator. This may under certain circumstances even affect actions taken by the debtor which have occurred up to ten years prior or at any time after the respective insolvency petition has been filed. When successful, such challenge results in an obligation of the relevant creditor to return the benefit obtained through or in connection with such action to the insolvency estate, while a claim for the return of a consideration originally granted to the debtor for the debtor's performance (if any) would constitute a regular, unsecured insolvency claim, only. Such unsecured insolvency claim would only be satisfied to the extent a general insolvency dividend is paid upon the distribution of the insolvency estate to the creditors.

Such transactions can include granting the holders of the Notes a Notes Guarantee or security interest or the payment of any amounts to the holders of the Notes (especially under Notes Guarantees or Collateral granted) or providing credit support for the benefit of the holders of the Notes.

In particular, an act (*Rechtshandlung*) or a legal transaction (*Rechtsgeschäft*), which includes the granting of a guarantee, the provision of any other security and the repayment of debt, detrimental to the creditors of a debtor may be contested according to the German Insolvency Code in the following cases:

- any act granting a creditor, or enabling a creditor to obtain, security (including a guarantee) or satisfaction for a debt (*Befriedigung*) can be contested if the transaction was effected (i) in the last three months prior to the filing of a petition for the opening of insolvency proceedings against the debtor if at the time of the transaction the debtor was illiquid (*zahlungsunfähig*), which means such debtor was unable to pay its debts when due, and the creditor had knowledge thereof or knowledge of circumstances imperatively suggesting such illiquidity or (ii) after a petition for the opening of insolvency proceedings had been filed against the debtor if the creditor had knowledge thereof or of the debtor being illiquid or knowledge of circumstances imperatively suggesting such filing or illiquidity;
- any act granting a creditor, or enabling a creditor to obtain, security (including a guarantee) or satisfaction for a debt to which such creditor had no right, no right at the respective time or no right as to the respective manner, can be contested if the transaction was effected in the month prior to the filing of a petition for the opening of insolvency proceedings against the debtor or at any time after such filing; if the transaction was effected in the second and third month prior to the filing, it can be contested if at the time of the transaction (i) the debtor was illiquid or (ii) the creditor knew that the transaction would be detrimental to the creditors of the debtor (or had knowledge of circumstances imperatively suggesting such detrimental effect);
- any legal transaction effected by the debtor which is directly detrimental to the creditors of the debtor or by which the debtor loses a right or the ability to enforce a right or by which a proprietary claim against a debtor is obtained or becomes enforceable can be contested if the transaction was effected (i) in the last three months prior to the filing of a petition for the opening of insolvency proceedings against the debtor if, at the time of the legal transaction, the debtor was insolvent and the other party to the legal transaction had knowledge thereof or (ii) after a petition for the opening of insolvency proceedings had been filed against the debtor if the other party to the legal transaction had knowledge thereof or of the debtor being illiquid;
- any act whereby a debtor grants security (including a guarantee) for a third-party debt and such security is regarded as having been granted gratuitously (*unentgeltlich*) can be contested unless it was effected earlier than four years prior to the filing of a petition for the opening of insolvency proceedings against the debtor;
- any act performed by the debtor during a period of ten years prior to the filing of a petition for the opening of insolvency proceedings against the debtor or at any time after such filing

can be contested if the debtor acted with the intent to disadvantage its creditors, and the beneficiary of the transaction had knowledge of such intent at the time of the transaction, with such knowledge presumed if the beneficiary knew that the debtor's illiquidity was imminent and that the transaction disadvantaged the debtor's other creditors;

- any non-gratuitous contract between the debtor and an affiliated party that directly operates to the detriment of the debtor's other creditors can be contested unless such contract was concluded earlier than two years prior to the filing of a petition for the opening of insolvency proceedings against the debtor or the affiliated party had no knowledge of the debtor's intention to disadvantage its creditors as of the time the contract was concluded; in relation to corporate entities, the term "affiliated party" includes, subject to certain limitations, members of the management or supervisory board, general partners and shareholders owning more than 25% of the debtor's share capital, persons or companies holding comparable positions that give them access to information about the economic situation of the debtor and other persons that are spouses, relatives or members of the household of any of the foregoing persons;
- any act that provides security or satisfaction for a claim of a shareholder for repayment of a shareholder loan (*Gesellschafterdarlehen*) or an economically equivalent claim can be contested (i) in the event the debtor provided security, if the transaction was effected within the last ten years prior to the filing of a petition for the opening of insolvency proceedings against the debtor or thereafter or (ii) in the event the debtor provided satisfaction, if the transaction was effected in the last year prior to the filing of a petition for the opening of insolvency proceedings against the debtor or thereafter; or
- any act whereby the debtor grants satisfaction for a loan claim or an economically equivalent claim to a third party can be contested if the transaction was effected in the last year prior to the filing of a petition for the opening of insolvency proceedings against the debtor or thereafter and a shareholder of the debtor had granted security or was liable as a guarantor (*Bürge*), in which case the shareholder has to compensate the debtor for the amounts paid, subject to further conditions.

For purposes of the above, the knowledge of circumstances from which an imperative conclusion regarding the debtor's insolvency or the filing of a petition for the opening of insolvency proceedings against the debtor can be drawn will be considered tantamount to actual knowledge of the debtor's insolvency or the filing of a petition for the opening of insolvency proceedings against the debtor. A person is deemed to have knowledge of the debtor's intention to prejudice the insolvency creditors if it knew of the debtor's impending illiquidity and that the transaction prejudiced the debtor's creditors.

If the Notes Guarantee given by a German domiciled subsidiary of the Issuer were avoided or held unenforceable for any reason, e.g. because of subordination of the secured debt, any claims in respect thereof could not be asserted. Any amounts received from a transaction that has been successfully avoided would have to be repaid to the insolvency estate. The holders of the Note would only have a general unsecured claim under the Notes, without reference in insolvency proceedings.

Apart from the examples of an insolvency administrator contesting transactions according to the German Insolvency Code described above, a creditor who has obtained an enforcement order (*Vollstreckungstitel*) could also contest any security right or payment performed under the relevant security right according to the German Act of Avoidance (*Anfechtungsgesetz*) outside formal insolvency proceedings. The prerequisites are similar but vary to a certain extent from the rules described above and the contest periods are calculated from the date when a creditor exercises its rights of contest in the courts.

The German restructuring laws may be subject to further amendments in the near future due to the current EU Commission's proposal as of 22 November 2016 for a directive of the European Parliament and of the Council on preventive restructuring frameworks, second chance and

measures to increase the efficiency of restructuring, insolvency and discharge procedures and amending Directive 2012/30/EU which may, *inter alia*, stipulate that claims of the relevant creditors may be modified by majority vote and against the voting of a single creditor even outside formal insolvency proceedings. German insolvency rules are subject to evolving case law. Future court rulings may further expand the scope of avoidance actions based on an extensive interpretation of the German Insolvency Code (*Insolvenzordnung*) or the German Act of Voidness (*Anfechtungsgesetz*) outside formal insolvency proceedings and result in changes that may negatively affect creditors.

Parallel Debt; Security Interests

Under German law, certain “accessory” security interests such as pledges (*Pfandrechte*) require that the pledgee and the creditor of the secured claim be the same person. Such security interests cannot be held for the benefit of a third party by a pledgee which does not itself hold the secured claim. The holders of the Notes from time to time will not be parties to the security documents. In order to permit the holders of the Notes from time to time to benefit from pledges granted to the Security Agent under German law, the Intercreditor Agreement provides for the creation of a “parallel debt.” Pursuant to such parallel debt, the Security Agent becomes the holder of a claim equal to the sum of any amounts payable by any obligors under, in particular, the Notes and the Indenture (the “Parallel Debt Obligation”). The pledges governed by German law will directly and exclusively (to the extent the Notes are concerned) secure the Parallel Debt Obligation, rather than secure the obligations under the Notes or the holders of the Notes directly. The Parallel Debt Obligation is in the same amount and payable at the same time as the obligations of the Issuer and the security providers under the Notes and the Guarantees (the “Principal Obligations”), and any payment in respect of the Principal Obligations will discharge the corresponding Parallel Debt Obligation and any payment in respect of the Parallel Debt Obligation will discharge the corresponding Principal Obligations. Although the Security Agent will have, pursuant to the parallel debt, a claim against the Issuer and the security providers for the full principal amount of the Notes, there are no published court decisions confirming the validity of the parallel debt structure and of the pledges granted under German law to secure such parallel debt, and hence there is no certainty that German courts will uphold such pledges. Therefore, the ability of the Security Agent to enforce the Collateral may be restricted. In addition, holders of the Notes bear some risk associated with a possible insolvency or bankruptcy of the Security Agents.

Limitations on validity and enforceability of Notes Guarantees and security interests granted by (or over shares in) any Dutch subsidiaries

Limitations on the Validity of the Notes Guarantees and security interests

The granting of Notes Guarantees by the Dutch Guarantor and the granting of security by (or over shares in) it is subject to rules of Dutch law relating to or affecting the enforcement of creditors’ rights and remedies, including rules on ultra vires and fraudulent transfers. See “— *General Limitations on Enforcement of the Notes Guarantees and security interests*” and “— *Fraudulent transfer provisions of general applicability including during bankruptcy—The Netherlands*”.

General Limitations on Enforcement of the Notes Guarantees and Security Interests

You may not be able to enforce, or recover any amounts under, the Notes Guarantees or the Collateral provided by (or over shares in) the Guarantor incorporated in the Netherlands, whether or not the Dutch Guarantor is insolvent in the Netherlands, due to restrictions on the validity and enforceability of guarantees and security interests under Dutch law, e.g. restrictions following from the doctrine of reasonableness and fairness (*redelijkheid en billijkheid*), force majeure (*overmacht*) or unforeseen circumstances (*onvoorziene omstandigheden*). The courts of the Netherlands may change the effects of a contractual obligation on the basis of abuse of authority (*misbruik van bevoegdheid*). Moreover, enforcement of the Notes Guarantees or the Collateral may be capable of being rescinded (*vernietigd*) as a result of lack of consensus ad idem (*wilsgebreken*) and the legal consequences thereof.

Under Dutch law, it is uncertain as to whether security interests can be granted to a party other than the creditor of the claim purported to be secured by such security interests. For that reason, the security documents pursuant to which a security interest will be granted in the assets of or over shares in the capital of the Dutch subsidiaries use a parallel debt structure, whereby the relevant persons undertake to pay to the Security Agents, as separate and independent obligations, amounts equal to the amounts due by them to the holders of the Notes offered hereby. Such parallel debt structure therefore creates a separate and independent claim of the Security Agents on behalf of the holders of the Notes offered hereby which can be secured by a security interest.

Consequently, the security interests are granted to the Security Agents, on behalf of the holders of the Notes offered hereby, in its own capacity as creditor acting in its own name, pursuant to the parallel debt and not as a representative (*vertegenwoordiger*) of the holders of the Notes. It is expressly agreed in such a parallel debt provision that the obligations of the debtor to the Security Agents on behalf of the holders of the Notes offered hereby shall be decreased to the extent that the corresponding principal obligations to the holders of the Notes are reduced and vice versa. However, such a parallel debt structure has never been tested before a Dutch court, and it cannot be assured that this parallel debt structure will mitigate or eliminate the risk of unenforceability posed by Dutch law.

Under Dutch law, receipt of any payment made by any Dutch subsidiary or other person under a Notes Guarantee or security interest may be adversely affected by specific or general defenses available to debtors under Dutch law in respect of the validity, binding effect and enforceability of such Notes Guarantee or security interest. The validity and enforceability of the obligations of any of our Dutch subsidiaries or any pledgor of shares in the capital of any Dutch subsidiary under a Notes Guarantee or security interest may also be successfully contested by any creditor, or by a Dutch subsidiary's trustee in bankruptcy when the Dutch subsidiary is in bankruptcy proceedings, if such obligation is prejudicial to the interests of any other creditor and the other requirements for fraudulent transfer under the Dutch Civil Code or, as applicable, the Dutch Bankruptcy Act (*Faillissementswet*) are met. As a result, the value of the Notes Guarantees and security interests provided by (or over shares in) the Dutch subsidiary may be limited.

Furthermore, under Dutch law, if a company enters into a transaction (such as the granting of a guarantee or security interest), the validity and enforceability of the relevant transaction may be contested by the Dutch company or its administrator in suspension of payments or its trustee in bankruptcy, if (i) that transaction is not in the Dutch company's corporate interest (*vennootschappelijk belang*) and (ii) the other party to the transaction knew or should have known this without independent investigation (*wist of zonder eigen onderzoek moest weten*). In determining whether the granting of a guarantee or security interest is in the interest of a Dutch company, a Dutch court would not only consider the text of the objects clause in the articles of association of the Dutch company but also all relevant circumstances, including whether the Dutch company derives certain commercial benefits from the transaction in respect of which the guarantee or security interest was granted and any indirect benefit derived by the Dutch company as a consequence of the interdependence of it with the group of companies to which it belongs and whether or not the subsistence of the Dutch company is jeopardized by conducting such transaction. The mere fact that a certain legal act (*rechtshandeling*) is explicitly mentioned in the objects clause in the articles of association of the Dutch company may not be conclusive evidence to state that such legal act is in its corporate interest.

Validity and Enforcement of rights of pledge under Dutch law

The current shareholder of the Dutch Guarantor has granted a Dutch law governed right of pledge in favour of the pledgee over its shares in the capital of the Dutch Guarantor.

The Dutch Guarantor will grant, as a post-closing obligation, a Dutch law governed right of pledge in favour of the pledgee over certain bank accounts held in its name with the relevant account bank(s) in the Netherlands (the "**Dutch Account Bank(s)**") (the "**Dutch Bank Account Pledge**").

The Dutch Guarantor will furthermore grant, as a post-closing obligation, a Dutch law governed right of pledge in favour of the pledgee over its intra-group receivables (the “**Dutch Receivables Pledge**”).

The Dutch Guarantor will furthermore grant, as a post-closing obligation, a Dutch law governed right of pledge in favour of the pledgee over (its receivables arising out of) certain of its material contracts (the “**Dutch Material Contracts Pledge**”).

A pledge of receivables is only effective if the pledgor has the power to dispose of the receivables at the time they are pledged. This limits the ability of a pledgor to pledge in advance receivables arising in the future. If the pledgor is insolvent once the receivables actually arise, the pledgor will not have the right to dispose of the receivables and the receivables will therefore not be subject to the pledge. In addition, receivables do not necessarily exist prior to insolvency solely as the result of their being based on an agreement that was already in existence prior to such insolvency.

As a result, any amounts paid into, or otherwise credited to, the bank accounts following the relevant pledgor having become insolvent will not become subject to the Dutch Bank Account Pledge but will form part of that relevant pledgor’s insolvent estate, which is available to all creditors. This means that if the pledgee under the Dutch Bank Account Pledge has any remaining claims after the proceeds of its other secured assets have been fully applied, such claims will rank *pari passu* with all unsecured claims but behind the costs of bankruptcy and certain preferred claims, e.g. tax claims.

In addition, the receivables purported to be pledged pursuant to the Dutch Receivables Pledge and the Dutch Material Contracts Pledge could qualify as future receivables (*toekomstige vorderingen*) which means that if such receivables do not yet exist or have not yet been acquired by the relevant pledgor at the time that such pledgor would become insolvent, such receivables will not be subject to the Dutch Receivables Pledge or the Dutch Material Contracts Pledge but will form part of the insolvent estate of the relevant pledgor. The position of the pledgee under the Dutch Receivables Pledge and the Dutch Material Contracts Pledge would therefore be similar to the position of the pledgee described above in respect of any amounts paid into, or otherwise credited to, the bank accounts pledged pursuant to the Dutch Bank Account Pledge following the relevant pledgor having become insolvent.

Moreover, a pledge of receivables is only effective if the receivables are capable of being pledged. The pledgor and its debtor (e.g. the Dutch Account Bank, an intra-group debtor or a debtor under a material contract) could agree that receivables are not capable of being pledged, which agreement may have proprietary effect, as a result of which no right of pledge comes into existence. Furthermore, without prejudice to the paragraphs above, undisclosed rights of pledge can only be granted over existing receivables and future receivables that are acquired by the pledgor directly pursuant to a legal relationship that exists on the date that the relevant pledge agreement is entered into.

Foreclosure of Dutch security rights

Pursuant to the Dutch security documents, the relevant Security Agent may enforce the Dutch law security rights in case of certain acceleration events.

Dutch law security rights can only secure monetary obligations (*vorderingen tot voldoening van een geldsom*); enforcement (*uitwinning*) requires a default (*verzuim*) in the performance of such obligations which is continuing. Enforcement of security rights in a Dutch court is subject to Dutch rules of civil procedure. In addition, foreclosure on Dutch law security rights (including allocation of the proceeds) is subject to Dutch law.

Under Dutch law, the enforcement of a pledge over shares in the capital of a Dutch private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*; a “**DutchCo**”) is, as a general rule, effected by way of a public auction. Unless otherwise agreed, the pledgee is obliged to notify the pledgor and any other persons who may be involved, of the fact that it

wishes to enforce the pledge by way of a public auction. The sale may only take the form of a private sale with the prior approval of a preliminary relief judge. When asking the preliminary relief judge's approval the pledgee will have to make clear that a private sale would result in higher foreclosure proceeds than a public sale and that there are no other parties who are likely to offer a better price under similar conditions. The court approval is discretionary but is likely to be granted if the proceeds of the private sale are likely to be higher than the proceeds that would have been received if the assets were sold at a public auction.

From a timing perspective, there are certain relevant limitations to take into account under Dutch law in respect of the foreclosure procedure of a right of pledge over shares in a DutchCo. In addition to the possible mandatory "cool-off" period (during which a secured creditor may not, without the court's consent, (i) claim the asset subject to the security right if it is under the control of (*in de macht van*) the debtor subject to suspension of payments or, as applicable, the trustee in bankruptcy (*curator*) or (ii) seek recourse against the asset), it is noted that the articles of association of a DutchCo could contain a blocking clause in respect of a sale (including but not limited to a foreclosure sale) of the shares in its capital to third parties. Such blocking clause would generally require the consent of the general meeting and/or provide for a right of first refusal for any co-shareholders of a DutchCo. Compliance with such blocking clause may cause delays in enforcing the pledged shares in case there are other holders of shares in the capital of such DutchCo which shares have not also been pledged to the same pledgee. According to the relevant Dutch share pledge all issued shares in the capital of the Dutch Guarantor have been pledged to the same pledgee. This means that such blocking clause could in principle not cause any such delays.

In addition, if there is a dispute in respect of the application of the foreclosure proceeds, further delays could occur due to the fact that in that case a statutory allocation procedure will have to be followed. Furthermore, in respect of a foreclosure sale of shares in a DutchCo, Dutch securities laws and regulations may also apply. A pledge of receivables (*vorderingen*) can be foreclosed upon under Dutch law by way of collection (*inning*) of the related payment either through: (i) in respect of undisclosed rights of pledge, a notification of the account debtor of these receivables of such rights of pledge; or (ii) in respect of disclosed rights of pledge (e.g. the Dutch Bank Account Pledge and the Dutch Receivables Pledge), termination of the authorisation that may have been given by the relevant pledgee thereunder to the relevant pledgor to collect payment of these receivables, after which the account debtor of such receivables can only discharge its obligations by paying to or to the order of the relevant pledgee.

An alternative way to enforce these security rights would be to sell these receivables in a foreclosure sale. This sale must take the form of a public auction unless the approval of the Dutch preliminary relief judge is obtained for a private sale to occur, each of which could cause a delay. When asking the preliminary relief judge's approval the pledgee will have to make clear that the private sale would result in higher foreclosure proceeds than a public sale and that there are no other parties who are likely to offer a better price under similar conditions. The court approval is discretionary but is likely to be granted if the proceeds of the private sale are likely to be higher than the proceeds that would have been received if the assets were sold at a public auction. A foreclosure of rights of pledge by way of a foreclosure sale may for example particularly be relevant in circumstances where the receivables pledged have long maturities.

In addition, if there is a dispute in respect of the application of the foreclosure proceeds, further delays could occur due to the fact that in that case a statutory allocation procedure will have to be followed.

From a timing perspective there are no relevant limitations under Dutch law in respect of the foreclosure procedure of a right of pledge of receivables whether by way of collection or by way of a foreclosure sale of the receivables over which such right of pledge is established other than the possible mandatory "cool-off" period and as referred to above.

Limitations on the Validity and Enforceability of the Notes, Guarantees and security interests granted by any Danish subsidiaries

Limitations on Enforcement

The Danish Companies Act contains restrictions on financial assistance by Danish limited companies. Danish companies are generally prohibited from granting loans, guarantees or security in connection with the financing or refinancing of the acquisition of, or subscription for, their own shares or shares in their direct or indirect parent companies and any such loan, guarantee or security will be invalid and unenforceable. To the extent that any such acquisition debt cannot be separated from other debt, such other debt may be deemed acquisition debt and any loans, guarantees or security granted by Danish companies for such other debt may then also be invalid or unenforceable. The prohibition on financial assistance also extends to non-Danish subsidiaries of Danish companies even if, under the local financial assistance and other laws otherwise applicable to such non-Danish subsidiaries, the relevant guarantee or security could validly be granted.

If loans, guarantees or security are granted in violation of the prohibitions above, such loans, guarantees or security will be invalid and unenforceable and must be repaid with interests.

Danish law may limit the ability of a Danish Guarantor to guarantee or provide security for the Notes to the extent that the risk of issuing the guarantee or providing the security is not balanced against the corporate benefit (financial, commercial, strategic or otherwise) obtained by a Danish Guarantor from the issuance of the Notes. If such benefit is not obtained, the guarantee or security interest may be null and void.

Claims may become barred under Danish statutes of limitation or principles of passivity or may become subject to set-off or counterclaim and a guarantee in favor of a Danish credit institution may not be enforceable unless a claim has been made under the guarantee within six months after the due date of the guaranteed obligation.

Any Guarantees and security interests provided by Danish Guarantors will be subject to restrictions and limitations under the Intercreditor Agreement, which may limit the value of the Guarantees and security interest to avoid a breach of the corporate benefit requirement and to ensure compliance with applicable restrictions on financial assistance.

Foreign Currency

Under the Danish Bankruptcy Act, claims must be converted into DKK at the exchange rate at the day the bankruptcy court issued a bankruptcy order over the company.

Enforcement of Security Interests outside bankruptcy

The parties to a security agreement can include contractually agreed enforcement procedures and, if there are no bankruptcy proceedings, the agreed procedures will be binding on the parties. However, sales of assets may be voidable in a later bankruptcy proceeding if the assets were transferred below market value.

The agreed enforcement procedures are not binding on third parties such as creditors that have registered an attachment or valid security against the encumbered assets.

Such third party attachments and rights can only be cleared through a court administered public auction.

In the absence of specifically agreed enforcement procedures, Danish law requires conduct of a public auction in accordance with the Danish Administration of Justice Act (in Danish: *Retsplejeloven*).

Pledges of shares and accounts as well as security assignments of receivables may be enforced without an execution order. However, at least eight days prior notice requesting the debtor to pay the secured debt must be given to the pledgor by registered mail unless a sale is necessary to avoid or reduce a loss.

Perfection of Security Interests

The collateral governed by Danish law will be granted and perfected, *inter alia*, in favor of the Noteholders represented by the Security Agents. Rules have been enacted in the Danish Capital Markets Act (in Danish: *Kapitalmarkedsloven*) allowing representatives to hold security on behalf of Noteholders and the Security Agents may be appointed as representative pursuant to the Danish Capital Markets Act. There is not yet any case law relating to this legislation confirming the right of the representative to enforce on behalf of the holders of the Notes so there is a risk that enforcement may be delayed.

The Collateral governed by Danish law will be perfected in favor of the Security Agents and some of the Collateral may only be perfected after the occurrence of certain events having occurred.

Absent perfection or registration of the Security Agents and the Trustee with the Danish Financial Supervisory Authority, the holder of the security interest may not be able to enforce its rights in the Collateral against third parties, including a bankruptcy administrator and other creditors who claim a security interest in the same Collateral. Moreover, if perfection occurs only after the occurrence of certain events of default it will entail a hardening period.

Under Danish law, the ranking of security rights is determined by the date on which the relevant act of perfection has been taken, and if a security interest created later in time over that same collateral, but in respect of which the act of perfection is completed prior to perfection of the pre-existing security interest then the security interest created later will have priority.

Parallel debt

There is no established concept of "trust", "trustee" or "parallel debt" under Danish and as such these concepts may not be recognised or enforced by Danish courts. Danish law does not make any distinction between registered and beneficial ownership and if such distinction is made under foreign law the beneficial owner will be deemed the owner under Danish law.

Limitations on Enforcement of the Notes Guarantees and Security Interests granted by any Norwegian subsidiaries

Section 8-7 of the Norwegian Private Limited Companies Act of June 13, 1997 No. 44 and the Norwegian Public Limited Companies Act of June 13, 1997 No. 45 (together the "**Norwegian Companies Act**") restricts a Norwegian private and public limited liability company from granting credit to, guaranteeing or providing security for the obligations of, its shareholders (or any related party) beyond its distributable reserves (free equity) and then, further provided that satisfactory security for repayment/recovery has been established in favor of the relevant Norwegian limited liability company.

The above restriction does not, however, apply to credit or security/guarantee for the obligations of a parent company or another company within the same "group." This exemption must be read in conjunction with the group definition in Section 1-3 of the Norwegian Companies Act which, broadly speaking, includes Norwegian limited liability companies. A Norwegian limited liability company may also grant credit or provide security and guarantees for the obligations of a foreign parent or sister company, *provided* that such credit, security or guarantee financially benefits the group, is in the interest of the grantor and the purpose of the transaction is not to benefit the beneficial owners of the group, for example by financing distributions to the owners.

In addition to the restrictions with regard to, among others, upstream and cross-stream guarantees and security as outlined above, Section 8-10 of the Norwegian Companies Act restricts the ability of a Norwegian private or public limited liability company to provide financial assistance (including to put funds at disposal, grant loans or provide security or guarantees) in connection with the acquisition of its shares or the shares in the parent company (and any intermediate parent company). The restrictions against financial assistance apply irrespective of whether the company whose shares are acquired is a Norwegian or a foreign company. In order for a guarantee, loan or security provided by a Norwegian Guarantor in favor of a purchaser of shares in the Norwegian Guarantor or its parent company to be valid and binding, the financial

exposure of the Norwegian Guarantor must not exceed the amounts that the Norwegian Guarantor has available for distribution of dividends to its shareholders, and adequate security must be deposited for the repayment or recovery claim. In addition, Section 8-10 of the Norwegian Companies Act requires that the credit worthiness of the purchaser is evaluated by the board of directors and that the assistance is approved by both the board of directors and the general meeting of the Norwegian Guarantor according to a special procedure. The restrictions applies not only to the granting of loans, guarantees and securities, but also to asset distributions and other transfers which are not deemed lawful distributions under the Norwegian Companies Act. The assistance is restricted if made "in connection with" the acquisition of the shares, which may also cover financial assistance after completion of the acquisition, for instance by way of a refinancing of acquisition debt.

A loan, guarantee or security interest infringing the limitations set out in Section 8-7 and Section 8-10 of the Norwegian Companies Act is void and any funds paid out pursuant to such guarantee or security interest will have to be repaid. In addition, loans, securities and guarantees of Guarantors incorporated in Norway may be deemed void for failing to comply with the provisions in Chapter 3 of the Norwegian Companies Act regulating transactions between the company and its shareholders and transactions within the "group."

The principle of corporate benefit also exists in Norway and may in some situations impose a restriction on a Norwegian company's ability to offer credits or a guarantee and provide security to shareholders (or close associates of the shareholders) in addition to the restrictions on financial assistance and upstream/cross-stream guarantees, loans and security described above.

Accordingly, any guarantees and security for the Notes provided by Guarantors incorporated in Norway may be void under Norwegian law as infringing one or more of the above limitations.

The limitations set forth in these sections will apply *mutatis mutandis* to any guarantee, indemnity and similar obligations resulting in a payment obligation and payment pursuant to the Note Guarantees and/or the Security Documents and made by a Guarantor incorporated in Norway.

Enforcement of the Norwegian law share pledges will be subject to the mandatory provisions of the Norwegian Financial Securities Act of March 26, 2004 No. 17, which stipulates that enforcement must be implemented on commercially reasonable terms. Enforcement of the other Norwegian law security in Norway may become subject to defence by way of set-off or counterclaim and will be subject to the mandatory provisions of the Norwegian Enforcement Act of June 26, 1992 No. 86.

Any security interests created under any of the Norwegian law security over monetary claims will only constitute preferred security interests in favour of the assignee/pledgee (i) to the extent that the security provider is not restricted from assigning, pledging or otherwise transferring or encumbering the relevant monetary claims and (ii) upon receipt by the relevant debtor of a notification of the security interest created thereby, and the priority afforded any such security interest vis à vis competing security interests over the same monetary claims will be determined in accordance with the time and order of delivery and receipt of notification of the security interest and/or any such other security interests to that debtor.

Under the Norwegian Companies Act, Section 5-2, a shareholder may at any time revoke a power of attorney to exercise voting rights. Accordingly, provisions in the Share Pledges giving the holder of the security power of attorney to vote for the relevant shares may therefore be rendered ineffective against the relevant company whose shares are pledged in the event the pledgor of the relevant shares were to revoke the power of attorney while he remains the registered owner of the shares.

A pledge in future shares is only to be read as an obligation to pledge future shares and not a pledge in itself, consequently a share declaration by the pledgor must be issued and notified to the issuer of the shares, upon issuance of the shares, in order to receive a perfected security interest.

Only creditors of a claim may have active judicial standing in a Norwegian court; therefore, a security agent may seek enforcement of a claim but such claim may have to be supported by the actual creditors of such claim. A security agent has standing to be sued in Norway and it is believed that a security agent may enforce any security being subject to the Norwegian Financial Securities Act of March 26, 2004 No. 17 implementing the EU Financial Collateral Directive.

Applicable insolvency laws

English insolvency law

Certain of the Guarantors are incorporated under the laws of England and Wales. Accordingly, insolvency proceedings with respect to each English Guarantor would be likely to proceed under, and be governed by, English insolvency law (unless that company's center of main interests for the purposes of the EU Insolvency Regulation is held to be in an EC member state other than the United Kingdom in which case the laws of that jurisdiction will, subject to certain exceptions, govern the relevant insolvency proceedings). Similarly, the Cross-Border Insolvency Regulations 2006, which implement the UNCITRAL Model Law on Cross-Border Insolvency in the United Kingdom, provide that a foreign (i.e., non-European) court may have jurisdiction where any English-incorporated company has a center of its main interests in such foreign jurisdiction, or where it has an "establishment" (being a place of operations in such foreign jurisdiction, where it carries out non-transitory economic activities with human means and assets or services). The point at which this issue falls to be determined is at the time that the relevant insolvency proceedings are opened.

English insolvency law is different to the laws of jurisdictions with which investors may be familiar. In the event that the English Guarantors experience financial difficulty, it is not possible to predict with certainty the outcome of insolvency or similar proceedings.

Formal insolvency proceedings under the laws of England and Wales may be initiated in a number of ways, including by the company or a creditor making an application for administration in or out of court, or by a creditor filing a petition to wind up the company or the company resolving to do so (in the case of liquidation). A company may be wound up if it is unable to pay its debts, and may be placed into administration if it is, or is likely to become, unable to pay its debts, and the administration is reasonably likely to achieve one of three statutory purposes (see below).

Under the Insolvency Act 1986 (the "Insolvency Act"), a company is insolvent if it is unable to pay its debts. A company is deemed unable to pay its debts if it is insolvent on a "cash flow" basis (unable to pay its debts as they fall due), if it is insolvent on a "balance sheet" basis (the value of the company's assets is less than the amount of its liabilities, taking into account its contingent and prospective liabilities), or, among other matters, if it fails either to satisfy a creditor's statutory demand for a debt exceeding £750 within three weeks or to satisfy in full a judgment debt (or similar court order) in favour of a creditor.

English insolvency laws may not be as favorable to investors as other insolvency laws. Insolvency laws and limitations on the Notes and the guarantees of the Notes may adversely affect the validity and enforceability of the Notes and the guarantees and may limit the amount that can be recovered under the Notes or the guarantees.

The following is a brief description of certain aspects of English insolvency law relating to certain limitations on the Notes and on the guarantees, fixed charges and debentures ("**Security**"). The application of these laws could adversely affect investors, their ability to enforce their rights under the guarantees and therefore may limit the amounts that investors may receive in an insolvency of the Guarantors.

The Insolvency Act empowers English courts to make an administration order in respect of an English company or a company with its "center of main interest" in England in certain circumstances. An administrator can also be appointed out of court by the company, its directors or the holder of a qualifying floating charge, and different procedures apply according to the

identity of the appointor. The purpose of an administration is comprised of three objectives that must be looked at successively: rescuing the company as a going concern or, if that is not reasonably practicable, achieving a better result for the company's creditors as a whole than if the company went into an immediate liquidation or, if neither of those objectives is reasonably practicable, and the interests of the creditors as a whole are not unnecessarily harmed thereby, realizing property to make a distribution to secured or preferential creditors.

During the administration, there is a statutory moratorium and in general, no proceedings or other legal process may be commenced or continued against the debtor, or security enforced over the company's property, except with leave of the court or the consent of the administrator. However, certain creditors of a company in administration may be able to realize their security over certain of that company's property notwithstanding the statutory moratorium. This is by virtue of the disapplication of the moratorium in relation to a "security financial collateral agreement" (generally, security taken over cash at a bank or financial instruments, such as shares, bonds or tradeable capital market debt instruments) under the Financial Collateral Arrangements (No. 2) Regulations 2003. If an English company were to enter administration, it is possible that the security granted by it or the guarantee granted by it may not be enforced while it is in administration. In addition, other than in limited circumstances, a secured creditor will not be entitled to appoint an administrative receiver (although it may be entitled to appoint an administrator).

In order to empower a secured creditor (or its agent) to appoint an administrative receiver or an administrator to the company out of court, the floating charge granted by the relevant English obligor must constitute a "qualifying floating charge" for purposes of English insolvency law and, in the case of the ability to appoint an administrative receiver, the qualifying floating charge must, unless the security document pre dates 15 September 2003, fall within one of the exceptions in the Enterprise Act 2002 to the prohibition on the appointment of administrative receivers. In order to constitute a qualifying floating charge, the floating charge must be created by an instrument which (a) states that the relevant statutory provision applies to it; (b) purports to empower the holder to appoint an administrator of the company or (c) purports to empower the holder to appoint an administrative receiver. The secured creditor will be the holder of a qualifying floating charge if such floating charge security, together (if necessary) with other forms of security, relates to the whole or substantially the whole of the property of the relevant English company and at least one such security interest is a qualifying floating charge. Whether the assets that are subject to the floating charges and other security will constitute substantially the whole of the relevant English company's assets at the time that the floating charges are enforced will be a question of fact at that time.

The most relevant exception to the prohibition on the appointment of an administrative receiver is the exception relating to "capital market arrangements" (as defined in the Insolvency Act), which may apply if the issue of the Notes creates a debt of at least £50.0 million for the relevant company under the arrangement and the arrangement involves the issue of a "capital market investment" (which is defined in the Insolvency Act, and includes rated, listed or traded debt instruments, and debt instruments designed to be rated, listed or traded).

If an administrative receiver has been appointed, an administrator can only be appointed by the court (and not by the company, its directors or the holder of a qualifying charge using the out of court procedure), and then only if the person who appointed the administrative receiver consents or the court considers that the security pursuant to which the administrative receiver was appointed is invalid. If an administrator is appointed, any administrative receiver will vacate office, and any receiver of part of the company's property must resign if required to do so by the administrator.

An administrator, receiver (including administrative receiver) or liquidator of the company will generally be required to set aside ring fence a certain percentage of the proceeds of enforcement of floating charge security for the benefit of unsecured creditors (after making full provision for preferential creditors and expenses of the insolvent estate. Under current law, this

applies to 50 percent of the first £10,000 of floating charge realizations and 20 percent of the remainder over £10,000, with a maximum aggregate cap of £600,000.

One of the primary functions of liquidation (and, where the company cannot be rescued as a going concern, one of the possible functions of administration) under English law is to realize the assets of the insolvent company and to distribute realizations made from those assets to its creditors. Under the Insolvency Act and the Insolvency Rules 2016, creditors are placed into different classes, with the proceeds from the realization of the insolvent company's property applied in descending order of priority, as set out below. With the exception of the "Prescribed Part" (please see "*—Prescribed Part*" above), distributions cannot be made to a class of creditors until the claims of the creditors in a prior ranking class have been paid in full. Unless creditors have agreed otherwise, distributions are made on a *pari passu* basis, that is, the assets are distributed in proportion to the debts due to each creditor within a class.

The general priority of claims on insolvency is as follows (in descending order of priority):

- *First ranking claims*: holders of fixed charge security and creditors with a proprietary interest in assets of the debtor but only to the extent of the realizations from those secured assets or with respect to the asset in which they have a proprietary interest;
- *Second ranking claims*: expenses of the insolvent estate incurred during the relevant insolvency proceedings (there are statutory provisions setting out the order of priority in which expenses are paid);
- *Third ranking claims*: preferential creditors. Preferential debts include (but are not limited to) debts owed by the insolvent company in relation to: (i) contributions to occupational and state pension schemes; (ii) wages and salaries of employees for work done in the four months before the insolvency date, up to a maximum of £800 per person; and (iii) holiday pay due to any employee whose contract has been terminated, whether the termination takes place before or after the insolvency date. As between one another, preferential debts rank equally;
- *Fourth ranking claims*: holders of floating charge security to the extent of the realizations from those secured assets, according to the priority of their security. This would include any floating charge that was stated to be a fixed charge in the document that created it but which, on a proper interpretation, was rendered a floating charge. However, before distributing asset realizations to the holders of floating charges, the Prescribed Part (as defined above) must be set aside for distribution to unsecured creditors (please see "*—Prescribed Part*");
- *Fifth ranking claims*: unsecured creditors. However, any secured creditor not repaid in full from the realization of assets subject to its security can also claim the remaining debt due to it (a shortfall) from the insolvent estate as an unsecured claim. To pay a shortfall, the officeholder can only use realization from unsecured assets, as secured creditors are not entitled to any distribution from the Prescribed Part in respect of a shortfall unless the Prescribed Part is sufficient to pay out all unsecured creditors in full;
- *Sixth ranking claims*: shareholders. If after the repayment of all unsecured creditors in full, any remaining funds exist, these will be distributed to the shareholders of the insolvent company.

Belgian Insolvency Law

The Notes will be guaranteed by Radisson Hospitality Belgium BVBA/SPRL, a private limited liability company (besloten vennootschap met beperkte aansprakelijkheid/société privée à responsabilité limitée) organized under the laws of Belgium (the "**Belgian Guarantor**"). Consequently, in the event of an insolvency of the Belgian Guarantor, main insolvency proceedings may be initiated in Belgium. Such main proceedings would then be governed by Belgian law. Under certain circumstances, Belgian law also allows secondary bankruptcy proceedings to be opened in Belgium over the assets of companies that are not established under Belgian law. The following is a brief description of certain aspects of Belgian insolvency law. Belgian insolvency laws provide for two primary insolvency procedures: a judicial restructuring

procedure (*gerechtelijke reorganisatiereorganisation judiciaire*) and a bankruptcy procedure (*faillissement/faillite*).

The judicial restructuring proceedings and the bankruptcy proceedings are regulated by Book XX (Insolvency of Companies) of the Belgian Code of Economic Law ("**Book XX**"), which entered into force on May 1, 2018.

Judicial Restructuring

A debtor may file a petition for judicial restructuring if the continuity of the enterprise is at risk, whether immediately or in the future. If the net assets of the debtor have fallen below 50% of the debtor's registered capital, the continuity of the enterprise is always presumed to be at risk.

As long as the court overseeing a judicial restructuring has not issued a ruling on the restructuring petition, the debtor cannot be declared bankrupt or wound up by court order. In addition, during the period between the filing of the petition and the court's decision, with few exceptions, none of the debtor's assets may be disposed of by any of its creditors as a result of the enforcement of any security interests that such creditors may hold with respect to such assets.

In principle, within a period of ten days from the filing of the petition and subject to the satisfaction of the filing conditions, the court will declare the judicial restructuring procedure open, allowing a temporary moratorium for a maximum period of six months. At the request of the debtor and pursuant to the report issued by the delegated judge, the moratorium period can be extended by six months. In exceptional circumstances (such as due to the size of the business, the complexity of the case or the impact of the procedure on employment), and in the interest of the creditors, the court may order an additional extension of the moratorium period for six months.

The granting of the moratorium operates as a stay. No enforcement measures with respect to pre-existing claims in the moratorium can be continued or initiated against any of the debtor's assets from the time that the moratorium is granted until the end of the period, with a few exceptions. During the duration of the moratorium, no attachments can be made with regard to pre-existing claims.

Conservatory attachments that existed prior to the opening of the judicial restructuring retain their conservatory character, but the court may order their release, provided that such release does not have a material adverse effect on the situation of the creditor concerned.

Receivables other than credit claims (*bankvorderingen/creances bancaires* in the meaning of the Financial Collateral Law of December 15, 2004), pledged by the debtor in favor of a creditor prior to the opening of the judicial restructuring procedure are not affected by the moratorium. The holder of such pledged receivables is permitted to take enforcement measures against the estate of the initial counterparty of the debtor (e.g. the debtor's customers) during the moratorium. A pledge, to the extent a payment breach has been established, on financial instruments in the meaning of the Financial Collateral Law of December 15, 2004 can be enforced notwithstanding the enforcement prohibition imposed by the moratorium (unless considered an abuse of right). Personal guarantees granted by third parties in favor of the debtor's creditors are not covered by the enforcement prohibition imposed by the moratorium, nor are the debts payable by co-debtors. An exception exists for natural persons who have granted a personal guarantee free of charge in case the amount is manifestly disproportionate in relation to their capacity to pay. The moratorium also does not prevent the voluntary payment by the debtor of claims covered by the moratorium provided such payment is necessary for the continuity of the enterprise. However, in respect of an enforcement of a pledge over cash, the enforcement prohibition applies, with a few exceptions, if the judicial reorganization procedure affects (i) a corporate debtor which is not a public or financial legal entity in the meaning of the Financial Collateral Law of December 15, 2004 or (ii) a public or financial legal entity but the creditor is not such an entity.

During the judicial restructuring procedure, the board of directors and management of the debtor continue to exercise their management functions. However, upon request of the debtor

or any other interested party and to the extent it is deemed useful for reaching the aims of the restructuring, the court may appoint, in its decision to open the judicial restructuring procedure or at any other point in time during the course of the procedure, a judicial administrator (*gerechtsmandataris/mandataire de justice*) to assist the debtor during the restructuring. In addition, a provisional administrator can be appointed to take over management of the debtor in the event it can be shown that the existing management acted in a grossly negligent manner or in apparent bad faith.

The restructuring procedure aims to preserve the continuity of a company as a going concern. Consequently, the initiation of the procedure does not terminate any contracts, and contractual provisions which provide for the early termination or acceleration of the contract upon the initiation or approval of a restructuring procedure, and certain contractual terms may not be enforceable during such a procedure. The Belgian law on judicial restructuring provides that a creditor may not terminate a contract on the basis of a debtor's default by performing its obligations under the agreement that occurred prior to the restructuring procedure if the debtor remedies such default within a 15-day period following the notification of such default.

As an exception to the general rule of continuity of contracts, the debtor may cease performing a contract during the restructuring procedure, provided that the debtor notifies the creditor, and the decision is necessary for the debtor to be able to propose a reorganization plan to its creditors or to transfer all or part of the company or its assets. In such case, the creditor is allowed to suspend its performance of the agreement as well.

Judicial Restructuring by Amicable Settlement by Collective Agreement, or by Court-ordered Transfer of Enterprise

Book XX provides for three types of restructurings: (i) the amicable settlement, (ii) the collective agreement and (iii) the transfer of (part of) the activities.

The type of restructuring may change during the proceedings and may also depend on the position of the court and/or third parties.

In the case of a judicial restructuring by collective agreement, the creditors agree to a restructuring plan during the restructuring procedure. The plan may include measures such as the reduction or rescheduling of liabilities and interest obligations and the swap of debt into equity. The plan cannot provide for the reduction or release of debts related to employment, alimony, physical damage and criminal fines.

The maximum duration of the plan is five years. It must be filed with the Clerk's Office of the Commercial Court at least 20 days in advance of the date on which the creditors will vote on the approval of the restructuring plan. The court needs to ratify the restructuring plan prior to its taking effect. A restructuring plan approved by a double majority of the creditors (both in headcount and in value of the claims) and by the court will bind all creditors, including those who voted against it or did not vote. Within a period of 14 days following the ruling declaring the judicial restructuring procedure open, the debtor must inform each of its creditors individually of the amount of its claims against the debtor as recorded in the books of the debtor, as well as of details regarding security interests, if applicable. Creditors with pre-existing claims, as well as any other interested party that claims to be a creditor, can challenge the amounts and the ranking of the secured claims declared by the debtor. A creditor needs to bring such a dispute before the court at least 14 days before the reorganization plan is submitted to vote. The court can determine the disputed amounts and the ranking of such claims on a preliminary basis for the purpose of the restructuring procedure, or definitively, on the condition that it has jurisdiction in that respect, but that the decision relating to the dispute cannot be taken in a sufficiently short time frame.

The debtor must use the moratorium period to complete and finalize a restructuring plan, with the assistance of the court-appointed administrator, as the case may be. The court-ordered transfer of all or part of the debtor's enterprise can be requested by the debtor in his petition or

at a later stage in the procedure. It can be requested by the public prosecutor, by a creditor or by any party who has an interest in acquiring, in whole or in part, the debtor's enterprise, and the court can order such transfer in specific circumstances. The price of the transferred assets should at least be equal to the liquidation value. In case of comparable offers, priority will be given to the offer guaranteeing employment by way of a social agreement.

Bankruptcy

A bankruptcy procedure may be initiated by the debtor, by unpaid creditors or upon the initiative of the Public Prosecutor's office, or the provisional administrator of the merchant's assets or the liquidator of "main insolvency proceedings" opened in another EU member state (except Denmark) according to the EU Insolvency Regulation. Once the court ascertains that the requirements for bankruptcy are met, the court will establish a date by which all creditors' claims must be submitted to the court for verification.

Conditions for a bankruptcy order (*declaration de faillite/aangifte van faillissement*) are that the debtor must be in a situation of cessation of payments (*cessation de paiements/staking van betaling*) and be unable to obtain further credit (*ebranlement de credit/wiens krediet geschokt is*). Cessation of payments is generally accepted to mean that the debtor is not able to pay its debts as they fall due. Such situation must be persistent and not merely temporary. In bankruptcy, the debtor loses all authority and decision rights concerning the management of the bankrupt business. The bankruptcy receiver (*curateur/curator*), appointed by the court, becomes responsible for the operation of the business and implements the sale of the debtor's assets, the distribution of the sale proceeds to creditors and the liquidation of the debtor. The rights of creditors in the process are limited to being informed of the course of the bankruptcy proceedings on a regular basis by the receiver. Creditors may oppose the sale of assets by bringing an action before the court, or may request the temporary continued operation of the business.

The receiver must decide whether or not to continue performance under ongoing contracts (i.e. contracts existing before the bankruptcy order). The receiver may elect to continue the business of the debtor, provided the receiver obtains the authorization of the court and such continuation does not cause any prejudice to the creditors. However, two exceptions apply: (i) the parties to an agreement may contractually agree that the occurrence of a bankruptcy constitutes an automatic early termination or acceleration event; (ii) and *intuitu personae* contracts (i.e., contracts whereby the identity of the other party constitutes an essential element upon the signing of the contract) are automatically terminated as of the bankruptcy judgment, since the debtor is no longer responsible for the management of the company. Parties can agree to continue to perform under such contracts.

The receiver may elect not to perform the obligations of the bankrupt party which are still to be performed after the bankruptcy under any agreement validly entered into by the bankrupt party prior to the bankruptcy if such decision is necessary for the management and liquidation of the bankrupt estate. The counterparty to that agreement may make a claim for damages in the bankruptcy (and such claim will rank *pari passu* with claims of all other unsecured creditors) and/or seek a court order to have the relevant contract dissolved. The counterparty may not seek injunctive relief or require specific performance of the contract.

As a general rule, the enforcement rights of individual creditors are suspended upon the rendering of the court order opening bankruptcy proceedings, and after such order is made, only the bankruptcy trustee may proceed against the debtor and liquidate its assets. Exceptions exist with regard to certain required credits.

For creditors with claims secured by movable assets, such suspension would normally be limited to the period required for the first report of verification of the claims. At the request of the receiver, the suspension period may be extended for up to one year from the bankruptcy judgment. Such extension requires a specific order of the court, which can only be made if the further suspension will allow for a realization of the assets in the interest of all creditors but

without prejudicing the secured creditors, and provided that those secured creditors have been given the opportunity to be heard by the court.

For creditors with claims secured by immovable assets, the intervention of the receiver is necessary to pursue the sale of the assets. The receiver will do so upon an order of the court, given either at its request or at the request of a mortgagee. A first-ranking mortgagee will generally be entitled to pursue the enforcement of its mortgage as soon as the first report of claims has been finalized; the court may suspend such enforcement for a period of not more than one year from the date of the bankruptcy if the suspension will allow for a realization of the assets without prejudicing the mortgagee, provided that the mortgagee has been given the opportunity to be heard by the court. However, a pledge on financial instruments or cash held on accounts can be enforced during the suspension period.

As from the date of the bankruptcy judgment, no further interest accrues against the bankrupt debtor on its unsecured debt, or debts secured by a general privilege, like tax administration or social security.

The debts of the bankrupt estate generally will be ranked as to priority on the basis of complex rules. The following is a general overview only of the main principles: (i) estate debt: costs and indebtedness incurred by the receiver during the bankruptcy proceedings, the so-called “estate debts”, have a senior priority. In addition, if the receiver has contributed to the realization and enforcement of secured assets, such costs will be paid to the receiver in priority out of the proceeds of the realized assets before distributing the remainder to the secured creditors; (ii) security interests: creditors that hold a security interest have a priority right over the secured asset (whether by means of appropriation of the asset or on the proceeds upon realization); (iii) privileges: creditors may have a particular privilege on certain or all assets (e.g., tax claims, claims for social security premiums, etc.). Privileges on specific assets rank before privileges on all assets of the debtor; and (iv) unsecured creditors: once all estate debts and creditors having the benefit of security interests and privileges have been satisfied, the proceeds of the remaining assets will be distributed by the receiver among the unsecured creditors who rank *pari passu* (unless a creditor agreed to be subordinated).

German insolvency law

Certain Guarantors, namely Radisson Hotel Hannover GmbH, Radisson Hotel Köln GmbH, Radisson Hotel Hamburg Airport GmbH and Radisson Hotel Deutschland GmbH, are incorporated under the laws of Germany in the legal form of either a limited liability company (*Gesellschaft mit beschränkter Haftung*) (“**GmbH**”) or a limited partnership (*Kommanditgesellschaft*) (“**KG**”) and have their registered seats and registered offices in Germany. In the event of insolvency of a German domiciled subsidiary of the Issuer, insolvency proceedings may, therefore, be initiated in Germany if such entity (e.g. any of the German Guarantors) was held to have its center of main interests within the territory of Germany at the time the petition for the opening of insolvency proceedings (*Insolvenzeröffnungsantrag*) was filed. German law would then govern those proceedings.

German insolvency laws and, in particular, the provisions of the German Insolvency Code (*Insolvenzordnung*) may not be as favorable to creditors as the insolvency laws of other jurisdictions, including in respect of priority of claims, the ability to obtain post-petition interest and the duration of the insolvency proceedings. Hence, German insolvency laws may limit the ability of holders of the Notes to receive payments due on the Notes Guarantees to an extent exceeding any limitations arising under other insolvency laws. However, pursuant to the EU Insolvency Regulation, where a German company conducts business in more than one member state of the European Union, the jurisdiction of the German courts may be limited if the company’s “centre of main interests” is found to be in a member state other than Germany (see—“*European Union*”). This issue is to be determined at the time when the competent court decides on the commencement of the relevant insolvency proceedings.

The following is a brief description of certain aspects of the insolvency laws of Germany.

Under German insolvency law, there is no group insolvency concept, which generally means that, despite the economic ties between various entities within one group of companies, there will be a separate insolvency proceeding for each group entity if and to the extent there exists an insolvency situation on the part of the relevant entity. Each of these insolvency proceedings will be legally independent from all other insolvency proceedings, if any, within the group. In particular, there is no consolidation of assets and liabilities of a group of companies in the event of insolvency and also no pooling of claims amongst the respective entities of a group.

Under German insolvency law, insolvency proceedings are not initiated by the competent insolvency court *ex officio* but require that the debtor or a creditor files a petition for the opening of insolvency proceedings. Insolvency proceedings can be initiated either by the debtor or by a creditor in the event of over-indebtedness (*Überschuldung*) of the debtor or in the event that the debtor is unable to pay its debts as and when they fall due (*Zahlungsunfähigkeit*). According to the German Insolvency Code, a debtor is over-indebted when its liabilities exceed the value of its assets based on liquidation value, unless a continuation of the debtor's business is predominantly likely (*positive Fortführungsprognose*). If a GmbH becomes illiquid or over-indebted, the managing director(s) of such company and, in certain circumstances its shareholders, are obliged to file for the opening of insolvency proceedings without delay but no later than three weeks after the mandatory insolvency situation, illiquidity or over-indebtedness, arose. Non-compliance with this obligation exposes management to both severe damage claims and sanctions under criminal law.

In addition, imminent illiquidity (*drohende Zahlungsunfähigkeit*) is a valid insolvency situation under German law, which exists if a company currently is able to service its payment obligations but will presumably not be able to continue to do so at some point in the future. However, in case of imminent illiquidity, only the debtor, and not the creditors, is entitled but not obliged to file for the opening of insolvency proceedings.

The insolvency proceedings are administered by the competent insolvency court, which monitors the due performance of the proceedings. Upon receipt of the insolvency petition, the insolvency court may take preliminary protective measures to secure the property of the debtor during the preliminary proceedings (*Insolvenzeröffnungsverfahren*).

The insolvency court may prohibit or suspend any measures taken to enforce individual claims against the debtor's assets during these preliminary proceedings. As part of such protective measures, the court may appoint a preliminary insolvency administrator (*vorläufiger Insolvenzverwalter*). The rights and duties of the preliminary insolvency administrator depend on the decision of the court. In particular, the duties may be to safeguard and preserve the debtor's property and the ability of the debtor to continue its business, to verify the existence of an insolvency situation and to assess whether the debtor's net assets will be sufficient to cover the costs of the insolvency proceedings. The court may also decide to pass the right to manage and dispose of the business and assets of the debtor to the preliminary insolvency administrator.

The court may order the preliminary proceedings to be run by the relevant debtor himself if the debtor has applied for debtor-in-possession proceedings (*Eigenverwaltung*), under which the debtor's management generally remains in charge of administering the debtor's operations under the supervision of a preliminary custodian (*Sachwalter*); provided that the application for debtor-in-possession proceedings is not obviously without merit. A debtor is only entitled to apply for debtor-in-possession proceedings if it faces over-indebtedness (*Überschuldung*) or imminent illiquidity (*drohende Zahlungsunfähigkeit*), not if it faces illiquidity (*Zahlungsunfähigkeit*). Such debtor-in-possession proceedings remain subject to review and may be repealed, in which case a preliminary insolvency administrator would be appointed.

Depending on the size of the debtor's business operations, the insolvency court may be obliged to appoint a preliminary creditors' committee (*vorläufiger Gläubigerausschuss*). The preliminary creditor's committee will be able to participate in certain important insolvency court decisions. It will have, for example, the power to influence the following decisions: the selection of a preliminary insolvency administrator or an insolvency administrator (*vorläufiger*

Insolvenzverwalter oder Insolvenzverwalter), orders for “debtor in possession” proceedings (*Anordnung der Eigenverwaltung*), and appointments of a preliminary custodian (*Sachwalter*). If the members of the preliminary creditors’ committee unanimously agree on a person to serve as preliminary insolvency administrator, insolvency administrator or custodian, the suggestion is binding on the court unless the suggested individual is not eligible (i.e., incompetent or not interested). To ensure that the preliminary creditors’ committee reflects the interests of all creditor constituencies, the committee shall consist of representatives of the secured creditors, one for the large creditors and one for the small creditors, and a representative for the employees of the debtor.

The court orders the opening (*Eröffnungsbeschluss*) of main insolvency proceedings (*eröffnetes Insolvenzverfahren*) if certain requirements are met, in particular if (i) the debtor is facing imminent illiquidity, illiquidity or over-indebtedness and (ii) there are sufficient assets to cover at least the cost of the insolvency proceedings. If the assets of the debtor are not expected to be sufficient, the insolvency court will only order the opening of main insolvency proceedings if third parties, such as creditors, advance the costs themselves. In the absence of such advancement, the petition for the opening of insolvency proceedings will be dismissed for insufficiency of assets (*Abweisung mangels Masse*).

Upon the opening of main insolvency proceedings, the court usually appoints an insolvency administrator, usually the same person who acted as preliminary insolvency administrator, unless debtor-in-possession proceedings (*Eigenverwaltung*) have been ordered, as described above. In the absence of debtor-in-possession proceedings, the right to administer the debtor’s business affairs and to dispose of the assets of the debtor passes to the insolvency administrator, and the debtor is no longer entitled to dispose of its assets. The insolvency creditors (*Insolvenzgläubiger*) are entitled to change the individual appointed as insolvency administrator at the first creditors’ assembly (*erste Gläubigerversammlung*) if (i) a simple majority of votes cast, by persons and amount of insolvency claims, has voted in favor of the proposed individual to become insolvency administrator and (ii) the proposed individual is eligible to be insolvency administrator (i.e., sufficiently qualified, business-experienced and impartial). The insolvency administrator may raise new financial indebtedness and incur other liabilities to continue the debtor’s operations. These new liabilities incurred by the insolvency administrator qualify as preferential claims against the insolvency estate (*Masseverbindlichkeiten*), preferred over any insolvency claim of an unsecured creditor, including any residual claims of a secured insolvency creditor remaining after realization of the available collateral.

All creditors, whether secured or unsecured, wishing to assert claims against the insolvent debtor must participate in the insolvency proceedings unless they have a right to separate an asset from the insolvency estate (*Aussonderungsrecht*). Any judicial enforcement action (*Zwangsvollstreckung*) brought against the debtor by any of its creditors is subject to an automatic stay once insolvency proceedings have been opened and, if so ordered by the court, with respect to assets other than real estate, also between the time when an insolvency petition is filed and the time when insolvency proceedings commence. If, during the final month preceding the date of filing for insolvency proceedings, a creditor acquires through execution (*Zwangsvollstreckung*) (i.e., attachment) a security interest in part of the debtor’s property that would normally form part of the insolvency estate, such security becomes null and void by operation of law upon opening of the insolvency proceedings. German insolvency proceedings are collective proceedings and creditors may generally no longer pursue their individual claims in the insolvency proceedings separately, but can enforce them only in compliance with the restrictions of the German Insolvency Code. Accordingly, creditors only having a claim or guarantee but no asset security may file their claims in the insolvency proceedings and will be paid on a pro rata basis from the insolvency estate (to the extent sufficient assets are available). Creditors holding asset security are not entitled to enforce their security interest outside the insolvency proceedings to the extent the German Insolvency Code authorizes the insolvency administrator to dispose of the relevant collateral, but have only certain preferential rights (*Absonderungsrechte*) in the insolvency proceedings.

Whether or not, after the initiation of insolvency proceedings, a secured creditor remains entitled to enforce security granted to such creditor by the relevant debtor depends on the type of security. However, even if the law vests the right of disposal regarding the relevant collateral in the insolvency administrator, the relevant secured creditor retains a right of preferred satisfaction with regard to the disposal proceeds. As a consequence, the enforcement proceeds, less certain contributory charges for (i) assessing the value of the secured assets (*Feststellungskosten*) and (ii) realizing the secured assets (*Verwertungskosten*), which, in the aggregate, usually add up to 9% of the gross enforcement proceeds, plus VAT (if any), are disbursed to the creditor holding a security interest in the relevant collateral up to an amount equal to its secured claims.

With the remaining unencumbered assets of the debtor, the insolvency administrator satisfies the creditors of the insolvency estate (*Massegläubiger*) first, including the costs of the insolvency proceedings as well as any preferred liabilities incurred by the insolvency estate after the opening of formal insolvency proceedings. Thereafter, all other insolvency claims (*Insolvenzforderungen*), including the claims of creditors not secured by asset security, will be satisfied on a pro rata basis if and to the extent there is cash remaining in the insolvency estate (*Insolvenzmasse*). Hence, the proceeds resulting from the realization of the insolvency estate of the debtor may not be sufficient to satisfy in full unsecured creditors of the debtor. In addition, it may take several years until insolvency proceeds, if any, are distributed to unsecured creditors.

Claims of subordinated creditors in the insolvency proceedings (*nachrangige Insolvenzgläubiger*) are satisfied only after the claims of other non-subordinated creditors, including the unsecured insolvency claims, have been fully satisfied. The following subordinated claims shall be satisfied after non-subordinated claims in the following order and according to the proportion of their amounts if ranking with equal status: (i) interest and penalty payments accrued on the claims of the insolvency creditors from the opening of the insolvency proceedings; (ii) costs incurred by individual insolvency creditors due to their participation in the proceedings; (iii) fines, regulatory fines, coercive fines and administrative fines, as well as incidental legal consequences of a criminal or administrative offense binding the debtor to pay money; (iv) claims for a performance to be made gratuitously (*unentgeltliche Leistung*) by the debtor and (v) claims for repayment of a shareholder loan or claims resulting from legal transactions corresponding in economic terms to such a loan.

While in ordinary insolvency proceedings, the value of the debtor's assets is realized by a piecemeal sale or, as the case may be, by a bulk sale of the debtor's business as a going concern, a different approach aiming at the rehabilitation of the debtor can be taken based on an insolvency plan (*Insolvenzplan*). Such plan can be submitted by the debtor or the insolvency administrator and requires, among other things and subject to certain exceptions, the consent of the debtor and the consent of each class of creditors in accordance with specific majority rules. In general, an insolvency plan is adopted only if all groups of creditors vote in favor of it. However, a group voting against the insolvency plan may nevertheless be disregarded if (i) the members of the dissenting group of creditors are not in a worse position under the insolvency plan than the position they would be in if there were no plan, (ii) they participate in an appropriate manner in the assets made available to the participants under the insolvency plan and (iii) the majority of all voting groups of creditors voted in favor of the plan. Under German insolvency law, it is also possible to implement a debt to equity swap through an insolvency plan. However, it is not possible to force a creditor into a debt to equity conversion if it does not consent to such conversion.

Moreover, if the debtor has applied for debtor-in-possession proceedings and can prove that a restructuring of its business is not obviously without merit, the court may grant a period of up to three months to prepare an insolvency plan under self-administration. During this period, creditors' rights to enforce security may, upon application of the filing debtor, be suspended (*Schutzschirm*). In these circumstances, the insolvency court has to appoint a preliminary custodian (*vorläufiger Sachwalter*) to supervise the process. The debtor is entitled to suggest an individual to be appointed as preliminary custodian with such suggestion being binding on the

insolvency court unless the suggested person is obviously not eligible to become a custodian (i.e., not competent or impartial). The three-month period for preparing an insolvency plan will be terminated if, for example, it becomes obvious that the proposed restructuring is without merit or if the preliminary creditors' committee applies to the court to bring it to an end.

Under German insolvency law, contractual termination rights, automatic termination events or "escape clauses" entitling one party to terminate an agreement, or resulting in an automatic termination of an agreement, upon the opening of insolvency proceedings in respect of the other party, the filing for insolvency or the occurrence of reasons justifying the opening of insolvency proceedings (*insolvenzbezogene Kündigungsrechte oder Lösungsklauseln*) may be invalid if they frustrate the election right of the insolvency administrator whether or not to perform the contract unless they reflect termination rights applicable under statutory law. This may also relate to agreements that are not governed by German law. While powers of attorney granted by the relevant debtor and certain other legal relationships cease to be effective upon the opening of insolvency proceedings. Certain executory contracts become unenforceable at such time unless and until the insolvency administrator opts for performance.

Dutch insolvency law

Insolvency proceedings relating to any of the Guarantors and providers of Collateral that have their "center of main interest" in the Netherlands will be based on Dutch insolvency law. Under certain circumstances, insolvency proceedings may also be opened in the Netherlands in accordance with Dutch law against companies that have an "establishment" (*vestiging*) in the Netherlands.

The following is a brief description of certain aspects of Dutch insolvency law.

There are two primary insolvency regimes under Dutch law applicable to persons generally. The first, suspension of payments (*surseance van betaling*), is intended to facilitate the reorganization of a debtor's indebtedness and enables the debtor to continue as a going concern. The second, bankruptcy (*faillissement*), is primarily designed to liquidate and distribute the proceeds of the assets of a debtor to its creditors. In practice, however, suspension of payments often serves as a gateway to bankruptcy, and in bankruptcy, the trustee in bankruptcy (*curator*) may continue the activities of the enterprise (if any) of the person subject to the bankruptcy before selling the enterprise or parts of it. Both insolvency regimes are set forth in the Dutch Bankruptcy Act (*Faillissementswet*). A general description of the principles of both insolvency regimes is set out below.

An application for suspension of payments can be made when a debtor foresees that it will not be able to continue to pay its debts. The application can only be made by the debtor itself. Once the request for suspension of payments is filed, the court will immediately (*dadelijk*) grant a provisional suspension of payments and appoint an administrator (*bewindvoerder*) and it may (and in practice will) also appoint a delegated judge (*rechter-commissaris*). A meeting of creditors is required to decide on the definitive suspension of payments. If a draft composition (*ontwerp akkoord*) is filed simultaneously with the application for suspension of payments, the court can order that the composition be processed before a decision regarding a definitive suspension of payments is made. If the composition is accepted and subsequently confirmed (*gehomologeerd*) by the court, the provisional suspension of payments ends as soon as the court's decision becomes final. The definitive suspension of payments will generally be granted unless a qualified minority (more than one-quarter in amount of claims held by creditors represented at the creditors' meeting or more than one-third in number of creditors represented at such creditors' meeting) of the unsecured non-preferential creditors withholds its consent. The suspension of payments can, at any time, be withdrawn by the court, on its own volition, the request of a creditor or the administrator or submission of the delegated judge on certain ground concerning the behavior of the debtor and the state and prospects of the estate. The suspension of payments is only effective with regard to unsecured non-preferential creditors. Unlike Chapter 11 proceedings under U.S. bankruptcy law, during which both secured and unsecured creditors are generally barred from seeking to recover on their claims during a suspension of payments, under Dutch

law, secured and preferential creditors (including tax and social security authorities) may enforce their rights against assets of the company in suspension of payments to satisfy their claims as if there were no suspension of payments. The court may order a “cool-off” period (*afkoelingsperiode*) for a maximum period of four months during which enforcement actions by secured or preferential creditors are barred. If a definitive suspension of payments has been granted, a composition (*akkoord*) may be offered to creditors still. A composition will be generally binding on all unsecured and non-preferential creditors if it is (i) approved by a majority in number of creditors recognized and admitted at the creditors’ meeting, representing at least 50% of the amount of claims that are admitted for voting purposes and (ii) subsequently confirmed (*gehomologeerd*) by the court. Under certain conditions, the court or the delegated judge (as the case may be), may derogate from this procedure. As a result of the rules described above, the ability of the holders of the Notes to effect a restructuring may be precluded or inhibited. Also, a restructuring could involve a sale of assets that does not reflect the going concern value of the debtor. Interest payments that fall due after the date on which a suspension of payments is granted cannot be claimed in a composition. However, a suspension of payments is only effective with regard to unsecured non-preferential creditors. Secured creditors having the benefit of a Dutch law pledge (*pandrecht*) or mortgage (*hypotheek*) and preferential creditors (including tax and social security authorities) may enforce their rights against assets of a person subject to suspension of payments to satisfy their claims as if there were no suspension of payments, except that the competent court as a general rule set a period of up to four months during which a secured creditor may not, without the court’s consent, (i) claim the asset subject to the security right if it is under the control of (*in de macht van*) the debtor subject to suspension of payments or (ii) seek recourse against the asset.

Under Dutch law, a debtor can be declared bankrupt when it is no longer able to pay its debts when due. The bankruptcy can be requested by the debtor itself or by a creditor; provided there is at least one claim that is due and payable but left unpaid and there is at least one other creditor. Bankruptcy can also be declared in certain circumstances when a debtor is subject to a suspension of payments. Simultaneously with the opening of the bankruptcy, the court will appoint a trustee in bankruptcy. If a bankruptcy is declared, the assets of the debtor subject to the bankruptcy are generally liquidated and the proceeds distributed to the debtor’s creditors in accordance with the respective ranking of their claims. In principle, all creditors have an equal right to payment and the proceeds of the bankruptcy are distributed in proportion to the size of each creditor’s claims. However, certain creditors, such as secured creditors and tax and social security authorities, have special rights that take priority over the rights of other creditors. The proceeds resulting from the liquidation of the bankrupt estate may not be sufficient to satisfy unsecured creditors, including secured creditors to the extent that their claims exceed the proceeds of enforcement of their security rights. Foreign creditors are, in general, not treated different from creditors that are incorporated or residing in the Netherlands.

The claim of a creditor, other than a claim to the extent that it is secured by Dutch law security, may be limited depending on the date the claim becomes due and payable in accordance with its terms. Claims (a) subject to a suspensive condition (*opschortende voorwaarde*), (b) with an uncertain due date or which entitles the claimant to periodic payments, and (c) which fall due more than one year after the date of the bankruptcy, will be valued for distribution purposes as per the date the bankruptcy was declared. Claims which become payable within one year after the bankruptcy was declared will be considered payable from the day that bankruptcy was declared. Interest payments that fall due after the date of the bankruptcy will not be taken into account. The existence, value and ranking of any claims may be challenged. Generally, in a creditors’ meeting (*verificatievergadering*), the trustee in bankruptcy, the debtor subject to the bankruptcy and all creditors who have submitted claims may dispute the claims of other creditors. Creditors of claims disputed with regard to existence, value or ranking in the creditors’ meeting may be referred to separate court proceedings (*renvooiprocedure*). Depending on the outcome of the proceedings, the creditor may recover less than the principal amount of his claim or less than he could recover in foreign, including U.S., proceedings. Moreover, such procedures could also cause payments to the creditors to be delayed compared with creditors of undisputed

claims, during which delay no interest can be claimed as compensation. As in suspension of payments proceedings, a composition may be offered to creditors in bankruptcy proceedings, which shall be binding on unsecured non-preferential creditors if it is (i) approved by a majority in number of creditors recognized and admitted at the creditors' meeting, representing at least 50% of the amount of the claims admitted for voting purposes and (ii) subsequently ratified (*gehomologeerd*) by the court. Under certain conditions, the delegated judge may derogate from this procedure. Contractual subordination may to a certain extent be given effect in Dutch insolvency proceedings. The actual effect depends largely on the way such subordination is construed.

In bankruptcy, secured creditors having the benefit of a Dutch law pledge (*pandrecht*) or mortgage (*hypotheek*) may enforce their rights as if there was no bankruptcy. This also applies to claims for interest payments that become due after the date of the bankruptcy to the extent that these claims can be satisfied out of the proceeds of enforcement of the security rights. The competent court may as a general rule set a period of up to four months (which may be a period of eight months if the bankruptcy follows suspension of payments) during which a secured creditor may not, without the court's consent, (i) claim the asset subject to the security right if it is under the control of (*in de macht van*) the trustee in bankruptcy (*curator*) or (ii) seek recourse against the asset. In addition, the trustee in bankruptcy may (x) give the secured creditor a reasonable period to exercise his rights and (y) if the creditor fails to sell the asset within that period, claim the asset and sell it, without prejudice to the creditor's entitlement to the proceeds after deduction of a contribution to the bankruptcy costs and taking into account his rank. Excess proceeds of enforcement must be returned to the bankrupt estate. They may not be set-off against an unsecured claim which the secured creditor may have. Such set-off is allowed prior to the bankruptcy although a set-off prior to bankruptcy may be subject to claw back in the case of fraudulent transfer or bad faith when obtaining the claim or the debt subject to the set-off.

Any pending executions of judgments against a Dutch debtor will be suspended by operation of law when suspension of payments is granted and terminate by operation of law when bankruptcy is declared. In addition, all attachments on the debtor's assets will cease to have effect upon the suspension of payments having become definitive, a composition having been ratified by the court or the declaration of bankruptcy (as the case may be) and payment of all outstanding debts subject to the ability of the court to set an earlier date for such termination. Litigation pending on the date of the bankruptcy order will be automatically stayed.

To the extent that Dutch law applies, a legal act performed by a debtor can be challenged in an insolvency proceeding or otherwise on the basis of fraudulent transfer. See "*—Fraudulent transfer provisions of general applicability including during bankruptcy—The Netherlands*".

The Dutch legislator is in the process of proposing draft legislation for the implementation of a composition outside bankruptcy or suspension of payments proceedings. It is still uncertain what the final legislation will be and what the timeline is for implementation. The consultation period for the current proposal of 1 September 2017 has ended and it is expected that a revised draft bill will be distributed for further consultation in 2018. It is expected that this legislation will come into effect in the foreseeable future. As a result hereof, it may well be that claims against the Guarantors can be compromised as a result of a composition if the relevant majority of creditors within a class vote in favour of such a composition.

Danish Insolvency Law

Certain of the Guarantors are organised under the laws of Denmark. Accordingly, any insolvency proceedings with respect to a Danish Guarantor may proceed under, and be governed by, the insolvency laws of Denmark. Please note that EU Insolvency Regulation (Council Regulation (EC) no. 1346/2000 on insolvency proceedings) does not apply to Denmark.

Danish insolvency laws may not be as favorable to their interests as a creditor as the laws of other jurisdictions. In the event that a Danish Guarantor experiences financial difficulty, it is not possible to predict with certainty the outcome of insolvency or similar proceedings.

Insolvency Proceedings

In a Danish bankruptcy, the debtor's assets are liquidated and the proceeds are distributed to the creditors based on a priority of claims. Such liquidation may not yield the same value to the creditors as a reorganisation and sale of a going concern.

Bankruptcy proceedings may be commenced either at the petition of a debtor or a creditor, however provided that the debtor is insolvent, which pursuant to the Danish Bankruptcy Act is defined as the debtor's inability to pay his debts as they fall due, unless such inability is considered to be temporary.

The petition for bankruptcy must be filed with the bankruptcy court in the district in which the debtor operates his business. The bankruptcy court does not publish information on the receipt of the petition for bankruptcy, but any person having a legal interest is entitled to receive information as to whether and when a debtor has filed a petition for bankruptcy (debtor's own petition). The bankruptcy court does not provide information on a creditor's petition for bankruptcy.

A creditor cannot demand that the debtor be declared bankrupt if the creditor's claim is secured by adequate security. In this context, adequate security means a security right expected to provide full coverage for the creditor. If the security is avoidable in bankruptcy or the act of perfection has not been performed, the creditor does not have adequate security.

The creditor is not required to have a basis of execution for his claim, e.g. a judgment in a civil case, a settlement in court or a signed debt instrument or mortgage. Further, the creditor's claim does not have to be due for payment to form basis of a petition for bankruptcy. However, the creditor must have a legal interest in the debtor's estate being administered in bankruptcy. As a result, not all claims that have not become due for payment may form basis of a petition for bankruptcy. Depending on the circumstances, an overdraft facility still being in force or a repayment arrangement being observed by the debtor may result in the creditor's petition being rejected. The requirement for legal interest also means that in general the bankruptcy court will reject a creditor's petition for bankruptcy if it is clear in advance that he will not receive any dividend in case of bankruptcy. It should be noted, however, that if there is probable cause to believe that the debtor has made avoidable transactions, the creditor may have the required legal interest in the bankruptcy even if the debtor does not have substantial assets. In that case, the creditor must be able to substantiate the avoidable transactions with some degree of certainty.

A creditor having filed a petition for bankruptcy against a debtor will be liable to pay damages if the debtor suffers a loss or to pay compensation for injury to the debtor's reputation if the bankruptcy conditions, e.g. the insolvency requirement, are not fulfilled or if the claim does not exist.

The petitioner must provide security for the expenses relating to the administration of the estate. In practice, the bankruptcy court demands security in the amount of DKK 30,000. If the debtor has filed the petition for bankruptcy, the security must be provided by the funds of the bankruptcy estate.

If bankruptcy proceedings are commenced against a Danish Guarantor, payments by the Danish Guarantor under the Notes Guarantees may be delayed and may not be made in full. Provisions on avoidance and set off may adversely affect the enforcement of rights under the Notes. Enforcement of security interests under the Security Documents is restricted under Danish bankruptcy laws. Certain assets may only be enforced by the bankruptcy trustee, however, mortgagees and execution creditors may demand enforcement of such security interests six months after the declaration of bankruptcy and pledged assets (in Danish: *håndpansatte aktiver*) may be enforced by the secured party directly (subject to the Danish Administration of Justice Act (in Danish: *Retsplejeloven*)).

Bankruptcy Trustee

One or more trustees are appointed at the discretion of the bankruptcy court; however, in practice the request of the major unsecured and unsubordinated creditors have the decisive influence as another liquidator can be appointed at a creditor's meeting.

The trustee is not required to be an attorney, but in practice that is normally the case.

The trustee must comply with the disqualification rules of the Danish Bankruptcy Act. Consequently, the trustee must not be the debtor's related party or depending on the debtor, and there must not be any doubt as to whether the trustee is impartial. As a general rule, the debtor's own attorney is prevented from being appointed as trustee due to the disqualification rules. The bankruptcy court may also find that a person being a member of the board of directors of the debtor's business or a person being the debtor's advisor cannot be appointed as trustee.

The trustee will make all decisions concerning the administration of the bankruptcy estate, and he represents the estate in every respect.

Reconstruction

Reconstruction proceedings may be commenced either at the petition of the debtor or a creditor. The petition for reconstruction must be filed with the bankruptcy court in the district in which the debtor operates his business.

Reconstruction proceedings may only be commenced if the debtor is insolvent (same as described above with respect to bankruptcy). If this criterion is fulfilled, the bankruptcy court will immediately appoint a reconstructor and a restructuring accountant to administrate the company. The management continues to operate the company, but any material transactions may not be carried out without the prior approval of the reconstructor. Payment of creditors may only be done in accordance with the priority of claims as described below. During the reconstruction proceedings, creditors are restricted in their ability to enforce their claims, but valid and binding security may be enforced under certain conditions.

The reconstruction of a company must achieve the following statutory objectives: (1) the rescue of the company as a going concern by means of a compulsory composition; (2) the termination of the business of the company by transferring the business; or (3) a combination of a compulsory composition and a transfer of business.

The reconstructor must try to achieve these objectives in no particular order. If the reconstructor does not realize these objectives, the company will automatically enter bankruptcy proceedings as described above, unless it turns out that the company is not (or no longer is) insolvent.

Liquidation

Liquidation is a company dissolution procedure under which the assets of the company are realized and distributed by the liquidator to creditors and, providing all creditors have been paid in full, the shareholders. In Denmark, liquidation is not an insolvency proceeding, and only companies that are solvent can be liquidated. If a company is insolvent, or if it turns out during the liquidation process that the company cannot pay all its creditors in full, the company must enter bankruptcy proceedings instead. The decision to liquidate a company is made by the shareholders of the company at a general meeting who also appoint a liquidator. At the end of the liquidation process the company will be dissolved.

Legal Position of Unsecured Claims and Priority of Claims

Creditors who believe they have a claim against the debtor or the bankruptcy estate must prove their claims and accompany their proofs of claim by adequate documentation. The trustee registers all claims and examines whether they are legitimate and entitle the creditor to receive dividend.

The ranking of creditors is described in the Danish Bankruptcy Act and it indicates the order in which claims against the estate or the debtor are settled. All higher ranking claims must be

satisfied in full before the next level will be entitled to dividend. The ranking of creditors is as follows:

- Firstly: claims in connection with the bankruptcy proceedings (including the fee for the bankruptcy trustee) or claims according to affirmed agreements;
- Secondly: claims incurred during any preceding restructuring proceedings and other costs incurred with the approval of the reconstructor;
- Thirdly: “privileged claims”, i.e. mainly claims for wages or salaries payable, including salary income taxes (relating to salary claims being filed) but excluding salary claims from the registered management (in Danish: *direktører*), who are not salaried employees (in Danish: *funktionærer*);
- Fourthly: claims of suppliers to the debtor who have, within 12 months of the onset of insolvency, delivered goods to the debtor with the applicable duties prepaid by the relevant supplier, but only (i) as regards certain specifically listed duties, and (ii) to the extent of the supplier's claim for reimbursement of the duties prepaid;
- Fifthly: unsecured claims (all other claims except for deferred claims); and
- Sixthly: deferred claims (interest, fines, promises of gifts and subordinate loan capital).

Interest accrued on ordinary, unsecured claims will rank as ordinary claims up to the date of the bankruptcy order, after which date the accrued interest will rank as a deferred claim. Deferred claims include, among others, subordinated loans and penalties.

In the event of bankruptcy, claims in foreign currencies will be converted into Danish kroner using the relevant currency rate as of the date of the bankruptcy order.

The status of a claim is dependent upon express statutory authority (except for subordinated loans).

Norwegian Insolvency Law

Two of the Guarantors are incorporated under the laws of Norway. Insolvency proceedings may therefore be initiated in Norway. Norwegian law would govern those proceedings.

Norwegian insolvency legislation is regulated by the Norwegian Bankruptcy Act of June 8, 1984 No. 58 (the “**Bankruptcy Act**”), which sets out the various procedures to be followed both in case of court administered debt negotiations (voluntary and compulsory compositions) and bankruptcy proceedings, and the Norwegian Creditors Recovery Act of June 8, 1984 No. 59 (the “**Recovery Act**”) containing provisions on, among other things, the priority of claims.

The key features of the Norwegian bankruptcy proceedings are (i) the seizure and subsequent disposal of the debtor's assets, (ii) the assessment and ranking of claims, (iii) the testing and revocation of transactions (including security over existing claims) made prior to the bankruptcy proceedings being initiated, (iv) the handling of the debtor's contractual relationships and (v) the distribution of funds (if any) in accordance with the priority rules. If the business operations of the bankrupt company are continued, they are in practice continued at the risk of, and only to the extent guaranteed by, the creditors.

Bankruptcy proceedings may be opened provided that the debtor is insolvent. Both the debtor and the creditors (holding or pretending to hold a claim) can petition for bankruptcy.

There are two requirements for a debtor to be deemed to be insolvent. The debtor must (i) be unable to service its debt as it becomes due (the “cash flow test”), and (ii) be in “deficit” (the company's debts must exceed the sum of its assets and revenues) (the “balance sheet test”).

During bankruptcy proceedings the debtor's assets are controlled by the court appointed administrator (generally a lawyer), on behalf of the bankruptcy estate. The main task of the administrator is to turn all the debtor's assets into cash in the manner assumed to be most profitable for the bankruptcy estate (the creditors), and then to distribute the available cash to the rightful creditors.

All the debtor's assets will in practice be seized by the bankruptcy estate, and the debtor may not dispose of the seized assets in any way while the bankruptcy proceedings are ongoing. The bankruptcy estate may also seize assets held by third parties, if these assets are acquired from the debtor in an unlawful manner, if the acquisition lacks legal protection, or if the transaction can be reversed according to the Recovery Act. The bankruptcy estate is a separate legal entity, which is authorized to exercise all ownership interests/rights with respect to the seized assets, including but not limited to the realization of assets.

Secured creditors are, in principle, not deemed to be part of the bankruptcy proceedings to the extent the value of the security is sufficient to cover the underlying obligations of the debtor. The secured creditors may, in principle, realize the security and cover their claims, however, keeping in mind that the realization of a number of categories of security the first six months after the opening of a bankruptcy will be subject to the approval of the bankruptcy estate (the same principles apply to official debt negotiations). The bankruptcy estate may, subject to certain conditions being fulfilled, also decide to realize the security and divide the proceeds between the secured creditors and others holding legal rights in the assets.

It should also be noted that the bankruptcy estate has a statutory first priority lien of up to five percent of the gross value over assets mortgaged/pledged by the debtor or mortgaged/pledged by a third party for the debtor's indebtedness (limited however, to the Norwegian Court Fee (presently being in the amount of 1130 Norwegian kroner) multiplied by 700 for assets registered in an asset register ("*realregister*")), cf. the Norwegian Liens Act of February 8, 1980 No. 2 section 6-4 (1). Such statutory lien is not applicable to financial security pursuant to the Norwegian Financial Security Act of March 26, 2004 No. 17 (cash deposits and financial instruments), cf., the Norwegian Liens Act of February 8, 1980 No. 2 section 6-4 (9).

Any undersecured amount (any amount exceeding the value of the secured assets) will be deemed as an ordinary (unsecured) trade claim.

In a Norwegian bankruptcy, the creditors will be paid according to the following priority:

- Secured claims (valid and perfected security covered up to the value of the secured asset—either after the realization by the secured creditor itself or after realization undertaken by the bankruptcy estate).
- Super priority claims (claims which arise during the bankruptcy proceedings, administrator's costs, obligations of the bankruptcy estate).
- Salary claims (within certain limitations).
- Tax claims (such as withholding tax and value-added tax within certain limitations).
- Ordinary unsecured claims (all other claims unless subordinated, including unsecured debt, trade creditors and indemnity claims).
- Subordinated claims (including interest incurred after the opening of bankruptcy proceedings, claims subordinated by agreement, liquidated damages and penalty claims).

Swedish insolvency law

Applicable insolvency law

Any insolvency proceedings applicable to a Swedish guarantor, including any and all of its assets (in Sweden and abroad), will, as a matter of Swedish law, be governed by Swedish insolvency law (*lex fori concursus*).

In addition, a Swedish party will in principle be subject to insolvency proceedings covered by the EU Insolvency Regulation on insolvency proceedings (recast) (which covers all collective insolvency proceedings available under Swedish law in respect of bodies corporate) if it has its center of main interest ("*COMI*") in Sweden. The COMI is presumed, in the case of a company or body corporate, to be the place of its registration as a legal person. Accordingly, if the Swedish party is

registered in Sweden, Swedish courts will be entitled to open main insolvency proceedings against it and apply the laws of the relevant insolvency proceedings. If the COMI of a debtor is in a Member State (other than Denmark), under Article 3(2) and Article 3(3) of the Recast Insolvency Regulation, the courts of another Member State (other than Denmark) may open “territorial insolvency proceedings” or, after the commencement of a main proceeding, “secondary insolvency proceedings,” in the event that such debtor possesses an “establishment” in the territory of such other Member State.

Insolvency Proceedings

In the event of bankruptcy the court will appoint a receiver in bankruptcy who will work in the interest of all creditors with the objective of selling the debtor’s assets and distribute the proceeds among the creditors. The purpose of bankruptcy proceedings is to wind up the company in such a way that the company’s creditors receive as high a proportion of their claims as possible. The receiver in bankruptcy is required to safeguard the assets and can decide to continue the business or to close it down, depending on what is best for all creditors. In general, the receiver in bankruptcy is required to sell the assets of the debtor as soon as possible and to distribute the proceeds. In the interim, the receiver will take over the management and control of the company and the company’s directors or managing director will no longer be entitled to represent the company or dispose of the company’s assets.

When distributing the proceeds, the receiver must follow the mandatory provisions of the Swedish Rights of Priority Act (*Sw. förmånsrättslagen*), as amended from time to time, that states the order in which creditors have a right to be paid. As a general principle, in bankruptcy proceedings, competing claims have equal right to payment in relation to the size of the amount claimed from the debtor’s assets. However, preferential or secured creditors have the benefit of payment before other creditors. In case of enforcement outside bankruptcy, an enforcement process is initiated by the creditor obtaining an enforcement order from the Swedish Enforcement Authority or the court. Upon obtaining an enforcement order against a debtor, a creditor may apply to the Swedish Enforcement Authority for enforcement of its claim. See “— Limitations on Enforceability Due to the Swedish Reorganization Act.” If agreed upon between a pledgor and a secured creditor and the secured creditor or the agent is in physical possession of the security assets, the agent may under certain circumstances enforce the pledge without the involvement of the Swedish Enforcement Authority or a court. A provision granting the secured party or its agent such right of enforcement is typically included in any pledge agreement between the pledgor and the secured party or its agent.

Priority of Certain Creditors

As a general principle, under Swedish insolvency law, competing claims have equal right to payment in relation to the size of the amount claimed from the debtor’s assets. However, some preferential and secured creditors, where such preference or security may arise as a consequence of law, have the benefit of payment before other creditors. There are two types of preferential rights: specific and general preferential rights. Specific preferential rights apply to certain specific property and give the creditor a right to payment from such property. General preferential rights cover all property belonging to the insolvent company’s estate in bankruptcy which is not covered by specific preferential rights and give the creditor a right to payment from such property. Claims that do not carry any of the above mentioned preferential rights or exceed the value of the security provided for such claim (to the extent of such excess), are non-preferential and are of equal standing as against each other.

Fraudulent transfer provisions of general applicability including during bankruptcy

Belgium

Regardless of any declaration by the commercial court of a suspect period, transactions of which it can be demonstrated that they have been entered into with the fraudulent intention to cause prejudice to a third creditor, may be declared ineffective against third parties irrespective of their date.

Germany

Under the German Insolvency Code, during applicable contest periods, the insolvency administrator or, if debtor in possession status is granted, the custodian may contest (*anfechten*) transactions, performances or other acts that are deemed detrimental to insolvency creditors and which were effected prior to the commencement of formal insolvency proceedings. Generally, if transactions, performances or other acts are successfully contested by the insolvency administrator, any amounts or other benefits derived from such challenged transaction, performance or act will have to be returned to the insolvency estate. The administrator's right to contest transactions can, depending on the circumstances, extend to transactions having occurred up to ten years prior to the filing for the commencement of insolvency proceedings. Moreover, apart from the examples of an insolvency administrator contesting transactions according to the German Insolvency Code described above, under the German Act of Avoidance (*Anfechtungsgesetz*), a creditor who has obtained an enforcement order (*Vollstreckungstitel*) could possibly also contest any security right or payment performed under the relevant security right outside formal insolvency proceedings.

In addition, under German law, a creditor who is the beneficiary of a transaction effecting the repayment of the stated share capital of a debtor in the form of a GmbH or a GmbH & Co. KG or obtained security from a debtor may be liable in tort if such creditor was aware of the debtor's impending insolvency or of circumstances indicating such debtor's impending insolvency at the time such funding was provided or extended and/or such security was granted. The German Federal Supreme Court (*Bundesgerichtshof*) held that such liability may arise if, for example, the creditor acted with the intent to detrimentally influence the position of the other creditors of the debtor in violation of the legal principle of bonos mores (*Sittenwidrigkeit*). Such intention could be presumed if the beneficiary of the transaction was aware of any circumstances indicating that the debtor was close to insolvency (*Zusammenbruch*) or had reason to enquire further with respect thereto.

England

There are circumstances under English insolvency law in which the granting by an English company of security and guarantees including the Security can be challenged. In most cases, this will only arise if the company is placed into administration or liquidation within a specified period of the granting of the guarantee or security. Therefore, if during the specified period an administrator or liquidator is appointed to an English company, the administrator or liquidator may challenge the validity of the security or guarantee given by such company. We are unable to say with certainty that, in the event that the onset of an English Guarantors' insolvency (as described further below) occurs within any of the requisite time periods set out below, the grant of a security interest or guarantee in respect of the relevant Notes would not be challenged or that a court would uphold the transaction, security interest or guarantee as valid.

A connected person for the purposes of transactions at an undervalue, preferences and invalid floating charges (as described below), is a party who is a director, shadow director, an associate of such director, or an associate, of the relevant company. A party is associated with an individual if they are a relative of the individual or the individual's husband, wife or civil partner, or the husband, wife or civil partner of a relative of the individual or the individual's husband, wife or civil partner. A party is associated with a company if employed by that company. A company is associated with another company if the same person has control of both companies, or a person has control of one and persons who are his associates, or he and persons who are his associates, together have control of the other, or if a group of two or more persons has control of each company, and the groups either consist of the same persons or could be regarded as consisting of the same persons by treating (in one or more cases) a member of either group as replaced by a person of whom he is an associate.

The following potential grounds for challenge may apply to any security interest or guarantee granted by an English company (including the Security):

- Under English insolvency law, a liquidator or administrator of an English company could apply to the court for an order to set aside the creation of a security interest or a guarantee (including the Security) if such liquidator or administrator believed that the creation of such security interest or guarantee constituted a transaction at an undervalue. A transaction will only be a transaction at an undervalue if, at the time of the transaction or as a result of the transaction, the English company was unable to pay its debts (as that term is defined in Section 123 of the Insolvency Act). The transaction can be challenged if the English company enters into liquidation or administration proceedings within a period of two years from the date the English company grants the security interest or the guarantee. A transaction might be subject to being set aside as a transaction at an undervalue if the company makes a gift to a person, if the company receives no consideration or if the company receives consideration of significantly less value, in money or money's worth, than the consideration given by such company. A court, however, will not intervene if it is satisfied that the company entered into the transaction in good faith and for the purpose of carrying on its business and that, at the time it did so, there were reasonable grounds for believing the transaction would benefit the company. If the court determines that the transaction was a transaction at an undervalue, the court can make such order as it thinks fit to restore the position to what it would have been in if the transaction had not been entered into. In any proceedings, it is for the administrator or liquidator to demonstrate that the English company was unable to pay its debts unless a beneficiary of the transaction was a connected person (as set out above), in which case there is a presumption of insolvency and the connected person must demonstrate the solvency of the English company in such proceedings.
- Under English insolvency law, a liquidator or administrator of an English company could apply to the court for an order to set aside the creation of a security interest or a guarantee (including the Security) if such liquidator or administrator believed that the creation of such security interest or such guarantee constituted a preference. A transaction will only be a preference if, at the time of the transaction or as a result of the transaction, the English company was unable to pay its debts. The transaction can be challenged if the English company enters into liquidation or administration proceedings within a period of six months (if the beneficiary of the security or the guarantee is not a connected person) or two years (if the beneficiary is a connected person) from the date the English company grants the security interest or the guarantee. A transaction may constitute a preference if it has the effect of putting a creditor of the English company (or a surety or guarantor for any of the company's debts or liabilities) in a better position (in the event of the company going into insolvent liquidation) than such creditor, guarantor or surety would otherwise have been in had that transaction not been entered into. If the court determines that the transaction was a preference, the court can make such order as it thinks fit to restore the position to what it would have been in if the preference had not been entered into. For the court to determine a preference, however, it must be shown that the English company was influenced by a desire to produce the preferential effect. In any proceeding, it is for the administrator or liquidator to demonstrate that the English company was unable to pay its debts and that the company was influenced by a desire to produce the preferential effect, unless the beneficiary of the transaction was a connected person, in which case there is a presumption that the company was influenced by a desire to produce the preferential effect and the connected person must demonstrate in such proceeding that there was no such influence.
- Under English insolvency law, where it can be shown that a transaction was at an undervalue and was made for the purposes of putting assets beyond the reach of a person who is making, or may make against the company, a claim against a company, or of otherwise prejudicing the interests of a person in relation to the claim that that person is making or may make, the transaction may be set aside by the court as a transaction defrauding creditors. This provision may be used by any person who claims to be a "victim" of the transaction and is not therefore limited to liquidators or administrators. There is no specified time limit for challenges in the

insolvency legislation within which the challenge must be made (unlike in the case of transactions at an undervalue or preferences) and the relevant company does not need to be unable to pay its debts at the time of or as a result of the transaction. If the court determines that the transaction was a transaction defrauding creditors, the court can make such orders as it thinks fit to restore the position to what it would have been if the transaction had not been entered into and to protect the interests of the victims of the transaction.

- Under English insolvency law, if an English company is insolvent at the time of (or as a result of) granting a floating charge then such floating charge is invalid except to the extent of the value of the money paid to, or goods or services supplied to, or any discharge or reduction of any debt of, the relevant English company at the same time as or after the creation of the floating charge and the amount of any interest due under contract of either the money or good supplied, or the reduction of debt. The requirement for the English company to be insolvent at the time of (or as a result of) granting the floating charge does not apply where the floating charge is granted to a connected person. If the floating charge is granted to a connected person then the floating charge is invalid except to the extent of the value of the money paid to, or goods or services supplied to, or any discharge or reduction of any debt of, the relevant English company at the same time as or after the creation of the floating charge, whether the relevant English company is solvent or insolvent. The transaction can be challenged if the relevant English company enters into liquidation or administration proceedings within a period of one year (if the beneficiary is not a connected person) or two years (if the beneficiary is a connected person) from the date the relevant English company grants the floating charge.
- If the floating charge qualifies as a “security financial collateral agreement” under the Financial Collateral Arrangements (No. 2) Regulations 2003 (as amended) then the floating charge will not be subject to challenge as described in the paragraph above.
- Under Insolvency Rules 2016 where creditors are asked to submit formal proofs of claim for their debts, any debt of a company payable in a currency other than pounds sterling must be converted into pounds sterling at the exchange rates prevailing at the date when the company went into liquidation or administration (if the administration was immediately preceded by a winding up, on the date the company went into liquidation). This provision overrides any agreement between the parties. The Insolvency Rules 2016 give more discretion than the Insolvency Rules 1986 (the precursor to the current rules) to the administrator or liquidator as to which exchange rate to use. The Insolvency Rules 1986 required the “official exchange rate” to be used.
- Pursuant to Part 26 of the Companies Act 2006, the Issuer may also be able to propose a scheme of arrangement with its creditors, which if approved by the requisite majority and sanctioned by the court would become binding upon the company and its creditors, including dissenting creditors. Under a scheme of arrangement creditors are divided into classes of those persons whose rights are not so dissimilar as to make it impossible for them to consult together with a view to their common interest (i.e. creditors who will be substantially affected in the same way by the scheme of arrangement). If 75% by value and 50% by number of those creditors present and voting at the creditor meeting(s) in each class vote in favor of the proposed compromise, irrespective of the terms and approval thresholds contained in the finance documents, that compromise will be binding on all affected creditors, including those affected creditors who did not participate in the vote on the scheme of arrangement and those who voted against the scheme of arrangement.

The Netherlands

Dutch law contains specific provisions dealing with fraudulent transfer both in and outside of bankruptcy. Under these provisions, a legal act performed by a person, including, without limitation, an agreement pursuant to which it guarantees the performance of the obligations of a third party or agrees to provide or provides security for any of its or a third party's obligations, additional agreements benefiting from existing security and any other legal act having similar

effect, can be challenged in or outside bankruptcy of the relevant person and may be nullified. In case of bankruptcy a legal act performed by a debtor prior to the onset of its insolvency may be nullified by its trustee in bankruptcy if (i) the person performed such acts without an obligation to do so (*onverplicht*), (ii) any creditor was prejudiced as a consequence of the act and (iii) at the time the act was or the acts were performed both the person (unless the act was for no consideration (*om niet*)) and the counterparty to the transaction knew or should have known that the person's creditors, existing or future, would be prejudiced. Such knowledge is presumed by law in the event that the legal act by which the creditors have been prejudiced has been performed within a period of one year before the bankruptcy date in respect of, amongst others, legal acts for the payment or safeguarding of a debt that is not due and payable. In addition, in the case of a bankruptcy, the trustee in bankruptcy may nullify the debtor's performance of any due and payable obligation, including, without limitation, an obligation to provide security for any of its or a third party's obligations, if (i) the payee knew that a request for bankruptcy had been filed at the moment of payment or (ii) the performance of the obligation was the result of a consultation between the debtor and the payee with a view to give preference to the latter over the debtor's other creditors.

Outside bankruptcy, the creditors may invoke the nullification of a non-obligatory (*onverplichte*) legal act performed by a debtor provided that the debtor knew or should have known that such act would be detrimental to the creditors. Any reciprocal legal act (*anders dan om niet*) entered into by and between parties can only be nullified if, in addition to the debtor, also the other party, knew or should have known that this legal act would be detrimental to the creditors. Under certain circumstances, such knowledge is statutory presumed in the event that the legal act by which the creditors have been prejudiced has been performed within a period of one year before invoking the ground of annulment of the legal act.

If a Dutch court found that the granting of the Notes Guarantees or the Collateral or any other transaction entered into by the Dutch Guarantor or any pledgor of shares in the capital of the Dutch Guarantor at any time in connection with the Notes, including the transactions contemplated by the Intercreditor Agreement, involved a fraudulent transfer as set out, then the granting of the Notes Guarantees or the Collateral or any other transaction entered into by the Dutch Guarantor or such pledgor could be nullified. In the case of successful challenge, holders of the Notes would not enjoy the benefit of the Notes Guarantees, the Collateral or other transaction. The value of any consideration that holders of the Notes received with respect to the Notes, whether upon enforcement of the Collateral or otherwise, also could be subject to recovery from such holders of the Notes and possibly from subsequent transferees, by prejudiced creditors of the Dutch Guarantor or any pledgor of shares in the capital of the Dutch Guarantor as a result of any fraudulent transfer. In addition holders of the Notes may be held liable for any damages incurred by such prejudiced creditors.

Sweden

In bankruptcy and company reorganization proceedings, transactions can (in certain circumstances and subject to a time limit) be reversed and the goods or monies can then be returned to the bankruptcy estate or the company subject to company reorganization. Broadly, these transactions include, among others, situations in which the debtor has conveyed property fraudulently or preferentially to one creditor to the detriment of its other creditors before the initiation of the relevant insolvency proceedings, created a new security interest, granted a guarantee or security that was either not stipulated at the time when the secured obligation arose or not perfected without delay after such time and the delay is not considered to be ordinary, or paid a debt that is not due or that is considerable compared to the value of the debtor's assets or if the payment is made by using unusual means of payment.

In the majority of situations, a claim for recovery can be made concerning actions that were made during the three months preceding the commencement of the relevant insolvency proceedings. In certain situations, longer time limits apply and in others there are no time limits. These include, among others, situations where the other party to an agreement or other

arrangement is deemed to be a closely related party to the debtor such as a subsidiary or parent company.

Denmark

Danish bankruptcy law contains several provisions enabling the bankruptcy trustee to initiate proceedings to have certain transactions prior to the bankruptcy avoided if such transactions have reduced the assets of the estate or otherwise damaged the estate, or if the transactions have favored certain creditors without observing the ranking of the creditors.

Transactions damaging the estate are for example gifts, renunciations of inheritance or the payment of excessive salary or pension to related parties. Transactions favoring creditors without observing the ranking of creditors are for example payment by unusual means of payment, payments before due date, payments having deteriorated the debtor's ability to pay decisively or the provision of security for prior debts. Set out herein is the avoidance rule on payments, security for prior debts and the general avoidance rule applicable to various transactions.

Some avoidance provisions require the payment or security to be granted within three months before the date of the bankruptcy petition being filed. In some cases, however, avoidance can be claimed for payments or security granted within two years or more before the date of the bankruptcy petition being filed and the general avoidance rule (as described below) provides for an unlimited avoidance period with respect to improper transactions.

Payments made by a debtor can be voidable under Danish bankruptcy law if, among other things (i) payments are made before they are due or with an amount that has a distinctly impairing effect on such debtor's ability to pay its debts, provided the payment does not appear to be ordinary; (ii) payments are made after the date when a petition for bankruptcy was filed, or (iii) payments are made in an improper way that favors a creditor to the detriment of the other creditors, provided that such debtor was or became insolvent by the payment and the beneficiary knew or ought to have known about the insolvency and the circumstances that made the payment improper.

Granting of security can be voidable under Danish bankruptcy law if, among other things, (i) the security was granted to the creditor after the time the debt was incurred or (ii) security was not perfected without undue delay after the time the debt was incurred. The timing requirements in respect of granting of security and perfection are interpreted very strictly under Danish law. If in relation to a pledge over bank accounts or an assignment of receivables, the bank accounts are not blocked or the creditor of receivables are not deprived of the right to receive payments under receivables, such security will not be considered fully perfected under Danish law.

Danish law operates with a general avoidance rule, which stipulates that a disposition which unduly favors a creditor to the detriment of the other creditors, or whereby the debtor's property is prevented from serving the purpose of satisfying the creditors, or whereby the debtor's debt is increased to the detriment of the creditors, may be declared void if the debtor was or because of the disposition became insolvent, and the favored party knew or ought to have known about the debtor's insolvency and the circumstances that made the disposition improper. Generally, only transactions which are contrary to common norms of correct and decent business behavior will be deemed improper. Improper behavior is normally related to a breach of the purpose of insolvency proceedings, which typically is the situation where a creditor should have realized that a given transaction would deprive the other creditors of their right to fulfilment of their claims.

Under Danish bankruptcy law the issuance of guarantees may be subject to avoidance if, among other things (i) the issuance was made at a time when the issuer was insolvent, (ii) the issuance is without due consideration and/or (iii) between closely related parties.

A claim for avoidance can be made against the main debtor or against the beneficiary. Any proceeds relating to a voidable claim are considered an asset of the bankruptcy estate and are to be distributed to the creditors in accordance with the rules governing priority of debts in bankruptcy.

Norway

Pursuant to the Recovery Act, the bankruptcy estate may be entitled to set aside or reverse transactions carried out in the three- up to twelve-month period (and in respect of transactions in favor of related parties up to two years) before the opening of the bankruptcy proceedings, such as extraordinary payments of certain creditors, security established for old debt and transaction at under-value. The bankruptcy estate may also, under certain circumstances, be entitled to set aside or reverse transactions made in bad faith or negligently which in an improper manner increase the debtor's debt, favor one creditor at the expense of others or deprive the debtor of assets which may otherwise have served to cover the creditors' claims, in which case the time limit for challenges by the estate is increased to ten years.

Service of process and enforcement of judgments

The Issuer is a Swedish company. The Guarantors are entities organized or incorporated, as applicable, under the laws of Sweden, England and Wales, Belgium, Germany, the Netherlands, Denmark and Norway. All the directors and executive officers of the Issuer and the Guarantors are resident outside of the United States. All the assets of the Issuer and the Guarantors and their respective directors and officers are located outside the United States. Although the Issuer and the Guarantors have agreed, in accordance with the terms of the Indenture, to accept agent for service of process in the United States by agents designated for such purpose, it may not be possible for holders of the Notes to (a) effect service of process upon the Issuer, the Guarantors or their respective directors or officers, or (b) enforce judgments of courts of the United States predicated upon the civil liability of such entities or persons under the U.S. securities laws and state securities laws or other laws against any such entities or persons in the courts of a foreign jurisdiction.

Sweden

Court Judgments

Pursuant to the provisions of the EU Regulation (EC) No. 1215/2012 of December 12, 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (recast) (the “**Brussels Regulation**”) a judgement given by a court or tribunal of a member state (as defined therein, i.e., all Member States of the European Union) and which is enforceable in that Member State, will be directly enforceable in Sweden without any declaration of enforceability being required. The applicant will need to provide the competent enforcement authority (in Sweden, the Swedish Enforcement Agency) with a copy of the judgment and a certificate certifying that the judgment is enforceable, as further described in the Brussels Regulation. However, on the application of the person against whom enforcement is sought, the enforcement of a judgment shall be refused where one of the grounds in Article 45 of the Brussels Regulation is found to exist.

With regards to a judgment given by a court in Iceland, Norway or Switzerland the provisions of the 2007 Lugano Convention on the Recognition of Judgments in Civil and Commercial Matters (the “**Lugano Convention**”) are applicable and a judgment given by a court or tribunal of such state and which is enforceable in that state will be directly enforceable in Sweden, provided that the concerned party has submitted an application for declaration of enforceability to the competent Swedish district court (Sw, *tingsträtt*). The judgment shall be declared enforceable after the completion of the formalities in Article 53 of the Lugano Convention. If the judgment is declared enforceable, the declaration of enforceability shall be submitted to the Swedish Enforcement Agency for enforcement in accordance with the Swedish Enforcement Code and comply with the relevant proceedings.

The United States and Sweden are not party to any bilateral treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards rendered in civil and commercial matters. According to Swedish case law, a judgment given by a New York Court would only be regarded by a Swedish court as evidence of the outcome of the dispute to which such judgment relates, and the court would still have the possibility to rehear the dispute ab initio or may consider such judgment to be a matter of legal fact upon which a Swedish court may render its own judgment inquiring only as to whether all procedural aspects in the applicable New York Court have been observed. Based on the existing case law it is generally believed that Swedish courts will not recognize a final and conclusive judgment obtained for specific performance or the recovery of amounts due and unpaid under any contractual obligation.

Arbitral awards rendered by an arbitral tribunal seated in the U.S. will be recognized and enforced by Swedish courts according to sections 53 through 60 of the Swedish Arbitration Act (*lag (1999:116) om skiljeförfarande*) unless:

- the parties to the arbitration agreement, pursuant to the law applicable to them, lacked capacity to enter into the arbitration agreement, the parties were not duly represented in the arbitration proceedings or according to the law governing the submission to arbitration or the arbitration agreement was invalid;
- the party against whom the arbitration award is invoked was not given proper notice of the appointment of the arbitrator or of the arbitration proceedings or was otherwise unable to present its case;
- the arbitration award deals with a dispute not contemplated by, or not falling within the terms of the submission to arbitration, or it contains decisions on matters beyond the scope of the submission to arbitration, provided that, if the decision on a matter which falls within the mandate can be separated from those which fall outside the mandate, the part of the award which contains decisions on matters falling within the mandate may be recognized and enforced;
- the composition of the arbitral tribunal, or the arbitral procedure, was not in accordance with the agreement of the parties or, failing such agreement, was not in accordance with the law of the country where the arbitration took place;
- the arbitration award has not yet become binding on the parties, or has been set aside or suspended by a competent authority of the country in which the award was made;
- the arbitration award includes determination of an issue which, in accordance with Swedish law, may not be decided by arbitrators; or
- it would be clearly incompatible with the fundamental principles of the Swedish legal system (*ordre public*) to recognize and enforce the arbitration award.

England and Wales

There is no convention or treaty providing for the reciprocal enforcement of judgments between the United States and the United Kingdom (of which the jurisdiction of England and Wales forms part). Accordingly, a judgment obtained in a federal or state court in the United States cannot be automatically recognized and enforced in England and Wales under any statutory scheme. However, a U.S. judgment enforcing the Guarantees or any security against the English Guarantors can be enforced provided that certain criteria are satisfied, and this process is governed by English common law principles.

A U.S. judgment cannot be enforced directly in England and Wales (by execution or a similar process). Instead, the judgment will be treated as a simple contract debt between the parties to it. This "debt" can then be enforced through the English courts by issuing new proceedings. The English court will generally not re-examine the merits of the underlying dispute but the judgment must still satisfy the criteria set out below. The general principle applied by the English courts is that a judgment of a U.S. court of competent jurisdiction which is final and conclusive will be conclusive in England between the parties. Therefore, the burden of proof is on the judgment debtor who seeks to oppose the enforcement of a U.S. court judgment on the basis of one of the criteria listed.

The English court must be satisfied that according to English conflict of laws rules the U.S. court had jurisdiction over the debtor when it made the judgment. Broadly this means that the judgment debtor was either present in the United States when the U.S. proceedings were commenced or entered an appearance in the U.S. proceedings or that the debtor otherwise expressly submitted to the jurisdiction of the U.S. court.

In order to be enforceable in England, the U.S. judgment must be for a definite sum. Therefore, a U.S. declaratory judgment or an order for damages to be assessed would not be enforceable. Any

costs orders relating to the U.S. proceedings would also be enforceable, but only once the final figure is determined. The English courts will not entertain actions to enforce, either directly or indirectly, foreign penal or tax laws.

In order to begin enforcement proceedings in England, the existence of the debt must have been pronounced upon finally and conclusively by the U.S. court which heard the case. This means that the court that made the judgment must not have the power to vary or rescind it subsequently. The fact that the judgment may be subject to an appeal to a higher court does not prevent it from being final and conclusive although in certain circumstances the English court may stay enforcement proceedings pending the outcome of the appeal. Enforcement proceedings cannot be commenced in England if the U.S. court has granted a stay of execution pending the hearing of the appeal.

A U.S. judgment will not be recognised if:

- this would be contrary to English public policy. For example, the English courts will not enforce an award of punitive damages, including awards of multiple damages (although the basic award, before the punitive element was added, would be enforceable);
- the English court considers that the proceedings in the United States were conducted in a manner contrary to natural or substantial justice. One of the most common arguments raised under this heading is that the judgment debtor was not given proper notice of the U.S. proceedings and therefore did not have a sufficient opportunity to defend the claim. The English court will consider each case on its merits, but the English court will be reluctant to interfere in circumstances where the proceedings have been conducted in accordance with the laws of the relevant U.S. court and provisions as to notice have been complied with. If a judgment debtor argues that it did not have sufficient notice of the U.S. proceedings, it must be able to demonstrate that it had a reasonable prospect of successfully defending the action in the United States; or
- a U.S. judgment which has been obtained by defrauding the U.S. court will not be recognized or enforced in England. If it is alleged that the judgment was obtained as a result of fraud the English court will consider re-examining the underlying claim in relation to the issues surrounding the alleged fraud, even if those issues have been considered by the U.S. court.

General issues to consider in English court proceedings are as follows:

- The power of an English court to grant equitable remedies is discretionary and there can be no guarantee that they would be available. Specific performance is not usually ordered and an injunction not usually granted where damages would be an adequate remedy;
- Where any obligation is to be performed in a jurisdiction outside England and Wales or by a person subject to the laws of that other jurisdiction, the obligation may not be enforceable under English law to the extent that its performance would be illegal or contrary to public policy under the laws of that other jurisdiction. In addition, English courts may refuse to apply a rule of law of another jurisdiction if this would be manifestly incompatible with English public policy; and
- Where a person is vested with a discretion, or may determine any matter in his opinion, English law may require that the discretion be exercised reasonably and in a manner which does not frustrate the reasonable expectations of the parties. In addition, a provision that any certificate or determination will be conclusive will not be effective if it is fraudulent or made on an unreasonable basis.

Belgium

The recognition and enforceability in Belgium of foreign judgments depend first on the existence of bilateral or multilateral treaties with the state where the foreign judgment has been rendered, except for certain European countries (as described below).

If a foreign judgment has been rendered in a state that is a member of the European Union, recognition and enforcement of the judgment in Belgium is governed by Regulation (EU) No 1215/2012 of the European Parliament and of the Council of December 12, 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (recast) ("**Brussels I Regulation (recast)**").

At present no treaty providing for the reciprocal recognition and enforcement of court judgments in civil and commercial matters exists between Belgium and the United States. Therefore, the enforcement in Belgium of a judgment obtained in any U.S. Federal or State court will be subject to Belgian rules of civil procedure and will only be granted following formal 'exequatur' proceedings before a Belgian court in accordance with Articles 23 and 24 of the Belgian Code of Private International Law (*Wetboek van Internationaal Privaatrecht/Code de droit international privé*).

Pursuant to Article 24 of the Belgian Code of Private International Law, the following documents must be produced in court by the claimant seeking enforcement:

- an official copy of the judgment (uitgifte van de beslissing/expédition de la décision) fulfilling all conditions required for its authentication under the applicable foreign law;
- if obtained by default, an original or legalized copy of the document demonstrating that the originating process has been served on the defendant in accordance with the applicable foreign law; and
- any document demonstrating that, under the applicable foreign law, the judgment is enforceable and has been notified to the defendant.

However, the court will refuse enforcement in the circumstances described in Article 25 of the Belgian Code of International Private Law and notably, if, among other things:

- the consequences of the enforcement of the judgment would be manifestly contrary to Belgian public policy;
- the rights of defense were not respected;
- the jurisdiction of the foreign judge was based solely on the presence of the defendant or assets in such state without any further connection with the litigation in such state;
- without prejudice to Article 23.4 of the Belgian Code of Private International Law, the judgment is not final or does not meet the requirements of authenticity pursuant to the laws of the State where the judgment was rendered or the applicable federal rules;
- if in relation to matters for which parties cannot freely dispose of their rights, the decision has been sought with the sole purpose of escaping from the application of the laws applicable in accordance with Belgian conflict of law rules;
- without prejudice to Article 23.4 of the decision is in conflict with either a decision rendered the judgment is irreconcilable with a Belgian judgment in Belgium or a decision previously rendered in another state that can be recognized in Belgium;
- the foreign procedure had been startedthe claim was introduced before the courts of such state after a claim, which is still pending and relating to the same matter and between the same parties, was introduced in a Belgian court;
- the Belgian courts have exclusive jurisdiction in relation to the claim; or
- the decision is in conflict with the rules on the recognition and enforcement of court decisions in relation to insolvency proceedings.

if the judgment had been rendered by default, the original or a certified true copy of the document With regard to the enforcement by legal proceedings of any claim (including the exequatur of foreign court decisions in Belgium), a registration tax of 3% (to be calculated on

the total amount, which a debtor is ordered to pay) is due, if the sum of money which the debtor is ordered to pay by a Belgian court judgement, or by a foreign court judgement that is either (i) automatically enforceable and registered in Belgium or (ii) rendered enforceable by a Belgian court, exceeds EUR 12,500. The debtors are liable for the payment of the registration tax, in the proportion determined by the decision ordering payment or liquidation or determining priority for creditors made or established against them. The debtors are jointly and severally liable in the event that they are ordered to pay jointly and severally.

Germany

Certain Guarantors, namely Radisson Hotel Hannover GmbH, Radisson Hotel Köln GmbH, Radisson Hotel Hamburg Airport GmbH and Radisson Hotel Deutschland GmbH, are incorporated under the laws of Germany and have their registered offices in Germany. Any judgment obtained against any of these Guarantors in an ordinary court outside Germany (and, in particular, in the United States) would not automatically be enforceable in Germany. However, a final judgment for payment rendered by a U.S. federal or state court based on civil liability may be recognized and enforced in Germany under the following circumstances:

- according to the provisions of any applicable treaty; please note, however, that the United States and Germany currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters other than arbitration awards; or
- in an action before a court of competent jurisdiction in accordance with the proceedings set forth by the German Code of Civil Procedure (*Zivilprozessordnung*); in this kind of action, a German court generally would not reinvestigate or re-litigate the original matter decided by the foreign court, except as noted below; the recognition and enforcement of the foreign judgment by a German court, however, depends upon a number of prerequisites:
 - (i) the judgment is final under U.S. law;
 - (ii) the U.S. court had jurisdiction over the original proceeding pursuant to the principles of jurisdictional competence under German law;
 - (iii) the document serving the proceedings was duly made known to the defendant in a timely fashion that allowed for adequate defense unless the defendant did appear in the proceedings and did not recourse to not being notified of the proceedings in a timely fashion that allowed for adequate defense;
 - (iv) the judgment of the U.S. court is not in contradiction to a judgment issued by a German court or any prior judgment of a foreign court which is to be recognized in Germany and the proceeding having led to the respective U.S. judgment is not in contradiction to any prior proceeding pending in Germany;
 - (v) the recognition of the judgment by the U.S. court is not in evident contradiction to German public policy, including the fundamental principles of German law, and in particular, the recognition is not in contradiction to the fundamental constitutional rights (*Grundrechte*) guaranteed by the German Constitutional Act (*Grundgesetz*); and
 - (vi) the reciprocity of recognition and enforcement of judgments is guaranteed.

Subject to the foregoing, judgments in civil and commercial matters awarding payment claims against Guarantors obtained from U.S. courts may be enforced in Germany. However, there is no guarantee that attempts to enforce judgments in Germany will be successful.

German courts usually refuse to recognize and enforce punitive damages awarded by a foreign court, including a state or federal court of the United States. Furthermore, a German court may reduce the amount of damages granted by a foreign court and recognize damages only to the extent that they are necessary to compensate actual losses or damages.

German civil procedure may differ substantially from civil procedure of other jurisdictions in a number of respects. In particular, as far as the production of evidence is concerned, the laws of

certain other jurisdictions, including the laws of the United States, provide for pre-trial discovery, a process by which parties to the proceedings may request the production of documents by adverse or third parties and the deposition of witnesses prior to trial. Evidence obtained in this manner may be decisive in the outcome of any proceeding. No equivalent pre-trial discovery process exists under German law.

“Enforceable”, or “Enforce(d)” or other grammatical forms of these, as used above, mean that each obligation or document is of a type enforced (*vollstreckt*) by the German courts. It is not certain, however, that each obligation or document will be enforced in accordance with its terms in every circumstance, enforcement being subject to, inter alia, the nature of remedies available in the German courts, the acceptance by such court of jurisdiction, the discretion of the courts (within the limits of German law), the power of such courts to stay proceedings, the provisions of the German rules on civil procedure regarding remedies and enforcement measures available under German law. Also, if circumstances have arisen after the date on which such foreign judgment became *res judicata*, a defense against execution may arise. Enforcement may further be limited by general principles of equity and good faith. The success of enforcement is also affected by possible bankruptcy, insolvency, reorganization, liquidation or a moratorium as well as other similar legal circumstances affecting creditor’s rights generally.

The Netherlands

Service of process in U.S. proceedings on persons in the Netherlands is regulated by a multilateral treaty guaranteeing service of writs and other legal documents in civil cases if the current address of the defendant is known. A competent Dutch court will apply Dutch private international law to determine which law applies to any private law claim brought before it and apply that law to such claim. It is uncertain whether a Dutch court would apply or enforce the civil liability provisions of U.S. federal securities laws and U.S. civil law in general.

The U.S. and the Netherlands currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. Consequently, any judgment obtained in a civil or commercial matter against the Issuer or any of the Guarantors by a U.S. court cannot be directly recognized and enforced in the Netherlands. In order to obtain a judgment which is enforceable in the Netherlands, the party in whose favour a final, conclusive and enforceable judgment as to monetary obligations of the U.S. court has been rendered will be required to file its claim with a court of competent jurisdiction in the Netherlands. Such party may submit to the Dutch court the final judgment rendered by the U.S. court. The Dutch court will have discretion to attach such weight to this final judgment as it deems appropriate. The Dutch court can be expected to adjudicate substantial importance to such judgment without full re-examination or full re-litigation of the substantive matters adjudicated thereby (*marginale toetsing*), to the extent (i) the U.S. court had jurisdiction in the matter in accordance with standards which are generally accepted internationally, (ii) the proceedings before such court have complied with the principles of proper procedure and fair trial, (iii) such judgment is not incompatible with a judgment given between the same parties by a Netherlands court or with a prior judgment given between the same parties by a foreign court in a dispute concerning the same subject matter and based on the same cause of action, provided such prior judgment is recognisable in the Netherlands, and (iv) such judgment does not conflict with the public policy (*openbare orde*) of the Netherlands. The enforcement in a Dutch court of agreements and notes governed by the laws of the State of New York and of judgments rendered by a court in the United States is subject to Dutch rules of civil procedure. Judgments may be rendered in a foreign currency but enforcement is executed in EUR at the applicable rate of exchange. Enforcement of obligations in the Netherlands will be subject to the nature of remedies available in the Dutch courts. The taking of concurrent proceedings in more than one jurisdiction may be disallowed by the Dutch courts, but such courts have the power to stay proceedings if concurrent proceedings are being brought elsewhere. Subject to the foregoing and service of process in accordance with applicable treaties and rules, investors may be able to enforce in the Netherlands judgments in civil and commercial matters obtained from U.S. federal or state courts. However, no assurance can be given that those

judgments will be enforceable and, in particular, awards of punitive damages in actions brought in the U.S. or elsewhere may be unenforceable in the Netherlands. In addition, there can be no assurance that a Dutch court would accept jurisdiction and impose civil liability in an original action commenced in the Netherlands and predicated solely upon U.S. federal securities laws.

Any judgment obtained against the Issuer or any of the Guarantors in any country bound by the provisions of Regulation (EU) No. 1215/2012 of the European Parliament and Council on Jurisdiction and the Recognition and Enforcement of Judgments in Civil and Commercial Matters of 12 December 2012 will be recognized and enforced in the Netherlands in accordance with and subject to that regulation. A foreign judgment which is enforceable in the Netherlands and expressed in a currency other than euro may, at the option of the person enforcing the judgment, be enforced in euro.

Denmark

The United States and Denmark currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments (as opposed to arbitration awards) in civil and commercial matters. Consequently, a final judgment for payment rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal securities laws, would not be recognized or enforceable in Denmark without a review of the merits of the case.

In the predominant situations, it would be necessary to initiate legal proceedings before a Danish court for the purpose of reinvestigating the merits of the original matter decided by the U.S. federal or state courts.

A final judgment obtained against the Issuer or any of the Guarantors in a country bound by the provisions of Regulation (EU) No. 1215/2012 of the European Parliament and Council on Jurisdiction and the Recognition and Enforcement of Judgments in Civil and Commercial Matters of 12 December 2012 (the “**Brussels I Regulation**”) will be recognised and enforced by the courts of Denmark, subject to and in accordance with Brussel I Regulation and the bilateral agreement in relation thereto between Denmark and the European Community of 19 October 2005 (and any protocol and accession convention in respect thereof) and Danish Act No. 1563 of 20 December 2006 as amended by Danish Act No. 518 of 28 May 2013, implementing the Brussels I Regulation and such bilateral agreement in Denmark.

Norway

Legal documents regarding foreign court proceedings can be served in Norway pursuant to the Hague Convention of 15 November 1965 on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters (the “Hague Convention”), provided that the state of which the court is situated is contracting state to the convention (there are 73 Contracting states, including Most of the states in Europe and the United States of America). There are also provisions on service of process in Protocol 1 of the Lugano Convention, as well as a treaty on service between the Nordic countries (Norway, Denmark, Finland and Sweden).

Pursuant to the Hague Convention, the document shall as the main rule be sent to the Norwegian Justice department for service in Norway, but it may also be sent directly to the first instance court in the municipality of the recipient. A translation of the document subject to service shall as a main rule follow the original document (Cf. FOR-1969-09-12-5), but the Justice Department have the authority to grant service of a document written in a foreign language on a case-by-case basis.

A civil judgment (a “judgment”) against the Issuer or any Guarantor in the courts of a foreign state will only be recognized or enforceable in Norway as a matter of right if (i) such state, under the terms of the Lugano Convention on the Recognition of Judgments in Civil and Commercial Matters, is a Contracting State (as defined in the Lugano Convention) or (ii) such state is a state with which Norway has entered into a convention on the mutual recognition and enforcement of judgments, or (iii) the jurisdiction of the foreign court has been specifically agreed between the

parties in a particular civil matter in accordance with the Norwegian Civil Procedure Act of June 17, 2005 No. 90 section 19-16 cf. section 4-6. However, the Lugano Convention does not apply to (i) the status or legal capacity of natural persons, rights in property arising out of a matrimonial relationship, wills and succession; (b) bankruptcy, proceedings relating to the winding-up of insolvent companies or other legal persons, judicial arrangements, compositions and analogous proceedings; (c) social security; (d) arbitration.

Furthermore, a judgment will only be recognized or enforceable as a matter of right if it is (i) final, non-appealable, conclusive and enforceable in and pursuant to the laws of the country in which it has been passed, and (ii) the recognition and enforcement of the judgment is not considered to be in conflict with decency or Norwegian mandatory law or public policy ("ordre public"), cf. the Norwegian Civil Procedure Act of June 17, 2005 No. 90 section 19-16.

The foregoing could imply, *inter alia*, that judgments by U.S. courts would not be recognized or enforceable in Norway as a matter of right. However, such judgments may be admissible as evidence in the courts of law, executive or other public authorities of Norway and may, assuming the same applicable law applies (*lex causae*), in such capacity carry persuasive authority depending on the merits of the judgment limiting the need for a full retrial on its merits.

Arbitral awards falls outside the scope of provisions in the Norwegian Civil Procedure Act and the Lugano Convention, and the above mentioned provisions do thus not apply for recognition and enforcement of such judgments. However, arbitral awards can be recognized and enforced in Norway pursuant to the UNCITRAL Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York, 1958), provided that the arbitral award is made in the territory of another contracting state. Many states has ratified the Convention, including all of the states in Europe and North America.

Only creditors of a claim may have active judicial standing in a Norwegian court; therefore, a security agent or other representative of the creditors may seek enforcement of a claim but such claim may have to be supported by the actual creditors of such claim.

Legal matters

Certain legal matters in connection with this Offering were passed upon for us by Hogan Lovells International LLP with respect to U.S. federal, New York state and English law, and by Advokatfirman Lindahl KB with respect to Swedish law, each as counsel to the Issuer and the Guarantors. Certain legal matters in connection with this Offering were passed upon for the Initial Purchaser by Shearman & Sterling (London) LLP with respect to U.S. federal, New York state and English law, and by Roschier Advokatbyrå AB with respect to Swedish law, each as counsel to the Initial Purchaser.

Independent auditors

The independent auditors of the Parent Company as of and for the Fiscal Year 2015 and Fiscal Year 2016 were Deloitte. The consolidated financial statements of the Group as of and for the Fiscal Year 2015 and Fiscal Year 2016, included in this offering memorandum, have been audited by Deloitte, as stated in their audit reports appearing herein.

The independent auditors of the Group as of and for Q1 2018 and as of and for the Fiscal Year 2017 were PwC. The consolidated financial statements of the Group as of and for the Fiscal Year 2017, included in this offering memorandum, have been audited by PwC, as stated in their audit reports appearing herein. The Interim Consolidated Financial Statements have been reviewed by PwC, as stated in their audit report appearing herein.

At the proposal of the Board of Directors and the Audit Committee, the Annual General Meeting held on April 28, 2017 approved the appointment of PwC as the independent auditor for the Group for the Fiscal Year 2018. At the Annual General Meeting held on April 27, 2018, PwC was re-elected as the independent auditor for the Group for 2019.

Where you can find additional information

Each purchaser of the Notes from the Initial Purchaser will be furnished a copy of this offering memorandum and any related amendments or supplements to this offering memorandum. Each person receiving this offering memorandum and any related amendments or supplements to the offering memorandum acknowledges that:

- (1) such person has been afforded an opportunity to request from us, and to review and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;
- (2) such person has not relied on the Initial Purchaser or any person affiliated with the Initial Purchaser in connection with its investigation of the accuracy of such information or its investment decision; and
- (3) except as provided pursuant to paragraph (1) above, no person has been authorized to give any information or to make any representation concerning the Notes offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by us or the Initial Purchaser.

For so long as any of the Notes remain outstanding and are “restricted securities” within the meaning of Rule 144A(a)(3) under the U.S. Securities Act, we will, during any period in which we are not subject to Section 13 or 15(d) under the U.S. Exchange Act, make available to any holder or beneficial holder of a Note, or to any prospective purchaser of a Note designated by such holder or beneficial holder, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the U.S. Securities Act, upon the written request of any such holder or beneficial owner. We are currently not subject to the periodic reporting or other information requirements of the U.S. Exchange Act. However, pursuant to the Indenture that will govern the Notes, we will agree to furnish periodic information to the holders of the Notes. See “*Description of the Notes—Certain Covenants—Reports.*”

The additional documents and information specified in “*Listing and general information*” herein and not included in this offering memorandum will be available to be inspected and obtained by holders at the offices of the Issuer during normal business hours on any weekday.

Listing and general information

Admission to trading and listing

Application will be made for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market in accordance with the rules and regulations of Luxembourg Stock Exchange. There are no assurances that such listing will be maintained.

So long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and are admitted to trading on the Euro MTF and the rules and regulations of the Luxembourg Stock Exchange so require, the Issuer will publish or make available any notices (including financial notices) to the public in written form at the places indicated by announcements to be published in a leading newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the website of the Luxembourg Stock Exchange (www.bourse.lu) or by any other means considered equivalent by the Luxembourg Stock Exchange.

For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and are admitted to trading on the Euro MTF and the rules and regulations of the Luxembourg Stock Exchange so require, copies of the following documents may be obtained free of charge from the Issuer and will be available during normal business hours at the offices of the Issuer:

- the organizational documents and bylaws of the Issuer and each of the Guarantors;
- the consolidated financial statements included in this offering memorandum;
- any annual and interim consolidated financial statements or accounts of the Group dated subsequent to the date of this offering memorandum, to the extent available;
- the Indenture (which includes the form of the Notes and the Notes Guarantees granted thereunder);
- the Intercreditor Agreement; and
- the Security Documents.

It is expected that the approval in connection with the listing of the Notes on the Official List of the Luxembourg Stock Exchange and the admission of the Notes to trading on the Euro MTF Market will be granted by the Luxembourg Stock Exchange promptly after the issuance of the Notes.

The Trustee for the Notes is BNY Mellon Corporate Trustee Services Limited and its address is One Canada Square, London, E14 5AL, UK. The Trustee will be acting in its capacity as trustee for the holders of the Notes and will provide such services to the holders of the Notes as described in the Indenture

We have appointed The Bank of New York Mellon, SA/NV, Luxembourg Branch as Transfer Agent and The Bank of New York Mellon, London Branch as Registrar and Paying Agent to make payments on, when applicable, and transfers of, the Notes. We reserve the right to vary such appointments in accordance with the terms of the Indenture.

Litigation

Except as disclosed in this offering memorandum, neither the Issuer nor any of the Guarantors is involved, or has been involved during the twelve months preceding the date of this offering memorandum, in any litigation, arbitration or administrative proceedings which would, individually or in the aggregate, have a material adverse effect on their results of operations, condition (financial or other) or general affairs and, so far as each is aware, having made all reasonable inquiries, there are no such litigation, arbitration or administrative proceedings pending or threatened.

No material changes

Except as disclosed in this offering memorandum, there has been no material adverse change in the financial and trading position and the prospects of the Issuer or any of the Guarantors and no material change in the capitalization of the Issuer and its subsidiaries since December 31, 2017 (being the last day of the period in respect of which the Issuer published its latest annual audited consolidated financial statements).

Clearing information

The Notes have been accepted for clearance through Euroclear and Clearstream under common code _____ for the Notes sold pursuant to Regulation S and under common code _____ for the Notes sold pursuant to Rule 144A. The international securities identification number (the "ISIN") for the Notes sold pursuant to Regulation S is _____ and the ISIN for the Notes sold pursuant to Rule 144A is _____.

Legal information

The Issuer

Radisson Hotel Holdings AB (publ) is a registered Swedish public limited liability company (*Sw. publikt aktiebolag*) registered with the Swedish Companies Registration Office (*Sw. Bolagsverket*) under registration number 556674-0972. The issued share capital of Radisson Hotel Holdings AB (publ) is EUR 106,667, divided into 106,667 fully paid up registered shares (*Sw. stamaktier*).

Radisson Hotel Holdings AB (publ) is a wholly owned subsidiary of Radisson Hospitality AB (publ). The registered office of Radisson Hotel Holdings AB (publ) is located in the municipality of Stockholm with registered address at P.O. Box 248, 101 24 Stockholm, Sweden. The accounts of Radisson Hotel Holdings AB (publ) are prepared in Swedish.

Radisson Hotel Holdings AB (publ)'s objects are to own shares in hotel companies, own real estate, directly or indirectly, to operate or by contract grant to a third party the operation of hotel and accommodation business and other activity compatible therewith.

The Parent Company

Radisson Hospitality AB (publ) is a public limited liability company incorporated under the laws of Sweden (*Sw. publikt aktiebolag*) with registration number 556674-0964. The issued share capital of Radisson Hospitality AB (publ) is EUR 11,625,765.69, divided into 174,388,857 fully paid up registered shares (*Sw. stamaktier*). Its shares are listed on NASDAQ OMX Stockholm under the ticker REZT. The registered office of Radisson Hospitality AB (publ) is located in the municipality of Stockholm with registered address at P.O. Box 248, 101 24 Stockholm, Sweden. Radisson Hospitality AB (publ) changed its name from Rezidor Hotel Group AB (publ) to its current name, Radisson Hospitality AB (publ), on May 4, 2018. The Parent Company will guarantee the Notes.

The Guarantors

The subsidiaries of the Issuer that guarantee the Notes have the following corporate information:

Radisson Hospitality Belgium BVBA/ SPRL. Radisson Hospitality Belgium BVBA/ SPRL is a private company with limited liability established under the laws of Belgium and incorporated on December 21, 1990 with registered company number 0442.832.318. The registered office of Radisson Hospitality Belgium BVBA/ SPRL is Avenue du Bourget 44, 1130 Brussels, Belgium.

Radisson Hotel Management & Development A/S. Radisson Hotel Management & Development A/S is a limited company (*Aktieselskab*) registered in Denmark and incorporated on February 24, 2004 with registered company number 27 60 79 26. The registered address of Radisson Hotel Management & Development A/S is c/o Radisson Hotels Accounting Office, Amager Strandvej 60-64, 3., 2300 København S, Denmark.

Radisson Hotels ApS Denmark. Radisson Hotels ApS Denmark is a private limited liability company (*Anpartselskab*) registered in Denmark and incorporated on September 8, 2000 with

registered company number 73 33 77 12. The registered address of Radisson Hotels ApS Danmark is c/o Radisson Hotels Accounting Office, Amager Strandvej 60- 64, 3., 2300 København S, Denmark.

Radisson Hospitality Denmark ApS. Radisson Hospitality Denmark ApS is a private limited liability company (*Anpartsselskab*) registered in Denmark and incorporated on September 8, 2000 with registered company number 25 57 80 82. The registered address of Radisson Hospitality Denmark ApS is c/o Radisson Hotels Accounting Office, Amager Strandvej 60-64, 3., 2300 København S, Denmark.

Radisson Scandinavia Hotel Copenhagen ApS. Radisson Scandinavia Hotel Copenhagen ApS is a private limited liability company (*Anpartsselskab*) registered in Denmark and incorporated on June 7, 2013 with registered company number 35 25 51 09. The registered address of Radisson Scandinavia Hotel Copenhagen ApS is c/o Radisson Hotels Accounting Office, Amager Strandvej 60-64, 3., 2300 København S, Denmark.

Radisson Hotel Hannover GmbH. Radisson Hotel Hannover GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung*) established under German law and incorporated on January 12, 1998 having its registered seat in Am Silberpalais 1, 47057 Duisburg, Germany and registered with the commercial register (*Handelsregister*) of the Local Court (*Amtsgericht*) of Duisburg under registration number HRB 25116.

Radisson Hotel Köln GmbH. Radisson Hotel Köln GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung*) established under German law and incorporated on May 4, 2000 having its registered seat in Am Silberpalais 1, 47057 Duisburg, Germany and registered with the commercial register (*Handelsregister*) of the Local Court (*Amtsgericht*) of Duisburg under registration number HRB 25109.

Radisson Hotel Hamburg Airport GmbH. Radisson Hotel Hamburg Airport GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung*) established under German law and incorporated on March 26, 1996 having its registered seat in Am Silberpalais 1, 47057 Duisburg, Germany and registered with the commercial register (*Handelsregister*) of the Local Court (*Amtsgericht*) of Duisburg under registration number HRB 25104.

Radisson Hotels Deutschland GmbH. Radisson Hotels Deutschland GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung*) established under German law and incorporated on August 16, 1998 having its registered seat in Am Silberpalais 1, 47057 Duisburg, Germany and registered with the commercial register (*Handelsregister*) of the Local Court (*Amtsgericht*) of Duisburg under registration number HRB 25136

Radisson Hotels Norway AS. Radisson Hotels Norway AS is a limited company (*Aksjeselskap*) registered in Norway and incorporated on February 16, 1970 with registered company number 931 531 018. The registered address of Radisson Hotels Norway AS is Hoffsvæien 1C, 0275 Oslo, Norway.

Radisson Hospitality Norway AS. Radisson Hospitality Norway AS is a limited company (*Aksjeselskap*) registered in Norway and incorporated on November 22, 1989 with registered company number 956 281 792. The registered address of Radisson Hospitality Norway AS is Hoffsvæien 1C, 0275 Oslo, Norway.

Radisson Arlandia Hotel AB. Radisson Arlandia Hotel AB is a private company with limited liability (*privataktiebolag*) registered in Sweden and incorporated on 1 October 1984 with registered company number 556257-4771. The registered address of Radisson Arlandia Hotel AB is P.O. Box 103,190 46 Stockholm-Arlanda.

Radisson Hotel & Congress AB. Radisson Hotel & Congress AB is a private company with limited liability (*privat aktiebolag*) registered in Sweden and incorporated on August 11, 2009 with registered company number 556787-3061. The registered address of Radisson Hotel & Congress AB is P.O. Box 604, 101 32 Stockholm.

Radisson Hospitality Sweden AB. Radisson Hospitality Sweden AB is a private company with limited liability (*privat aktiebolag*) registered in Sweden and incorporated on September 25, 1972 with registered company number 556171-0665. The registered address of Radisson Hospitality Sweden AB is P.O. Box 248, 101 24 Stockholm.

Royal Viking Hotel Aktiebolag. Royal Viking Hotel Aktiebolag is a private company with limited liability (*privat aktiebolag*) registered in Sweden and incorporated on January, 15 1959 with registered company number 556068-387. The registered address of Royal Viking Hotel Aktiebolag is of P.O. Box 234, 101 24 Stockholm.

Radisson SkyCity Hotel AB. Radisson SkyCity Hotel AB is a private company with limited liability (*privat aktiebolag*) registered in Sweden and incorporated on January 12, 1993 and registered company number of 556461-9301. The registered address of Radisson SkyCity Hotel AB is P.O. Box 82, 190 45 Stockholm-Arlanda.

Radisson Hotel Amsterdam B.V. Radisson Hotel Amsterdam B.V. is a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) registered in the Netherlands and incorporated on August 14, 2002 with registration number 34177698. The registered address of Radisson Hotel Amsterdam B.V. is Rusland 17, 1012 CK Amsterdam, the Netherlands.

Park Inn by Radisson Hotel Heathrow Ltd. Park Inn by Radisson Hotel Heathrow Ltd is a private company with limited liability registered in the United Kingdom and incorporated on March 4, 2004 with registered company number 05064006. The registered address of Park Inn by Radisson Hotel Heathrow Ltd is Chicago Avenue, Manchester, Lancashire, M90 3RA.

Park Inn by Radisson Hotels Management Ltd. Park Inn by Radisson Hotels Management Ltd is a private company with limited liability registered in the United Kingdom and incorporated on April 22, 2005 with registered number 05433108. The registered address of Park Inn by Radisson Hotels Management Ltd is Chicago Avenue, Manchester, Lancashire, M90 3RA.

Radisson Hotel Edinburgh Ltd. Radisson Hotel Edinburgh Ltd is a private company with limited liability registered in the United Kingdom and incorporated on June 8, 2001 with registered company number 04231604. The registered address of Radisson Hotel Edinburgh Ltd is Chicago Avenue, Manchester, Lancashire, M90 3RA.

Radisson Hotel Manchester Ltd. Radisson Hotel Manchester Ltd is a private company with limited liability registered in the United Kingdom and incorporated on 27 September 1996 with registered company number 03255653. The registered address of Radisson Hotel Manchester Ltd is Chicago Avenue, Manchester, Lancashire, M90 3RA.

Radisson Hotels UK Ltd. Radisson Hotels UK Ltd is a private company with limited liability registered in the United Kingdom and incorporated on November 28, 1988 with registered company number 02321986. The registered address of Radisson Hotels UK Ltd is Chicago Avenue, Manchester, Lancashire, M90 3RA.

Park Inn by Radisson UK Ltd. Park Inn by Radisson UK Ltd is a private company with limited liability registered in the United Kingdom and incorporated on March 4, 2004 with registered company number 05064003. The registered address of Park Inn by Radisson UK Ltd is Chicago Avenue, Manchester, Lancashire, M90 3RA.

General

The Issuer has obtained, or will obtain before the Issue Date, all necessary consents, approvals and authorizations in the jurisdiction of its incorporation in connection with the issuance of and performance of its obligations under the Notes. The issuance of the Notes has been authorized by resolutions of the boards of directors of the Issuer passed on _____, 2018. The Notes Guarantees have been authorized by resolutions of the boards of directors of each of the Guarantors passed on or prior to the Issue Date.

We accept responsibility for the information contained in this offering memorandum. To the best of our knowledge, except as otherwise noted, the information contained in this offering memorandum is in accordance with the facts and does not omit anything likely to affect the import of this offering memorandum. This offering memorandum may only be used for the purposes for which it has been published.

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**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF
RADISSON HOSPITALITY AB (PUBL)
AS OF AND FOR Q1 2018**

Condensed Consolidated Statement of Operations

MEUR	Q1 2018	Q1 2017
Revenue	206.2	222.5
Costs of goods sold for Food & Drinks and other related expenses	–11.3	–12.4
Personnel cost and contract labour	–76.6	–83.7
Other operating expenses	–52.1	–61.0
Insurance of properties and property tax	–3.5	–3.7
Operating profit before rental expense, share of income in associates and joint ventures, depreciation and amortisation, costs due to termination of contracts, gain/loss on sale of fixed assets, net financial items and income tax (EBITDAR)	62.7	61.7
Rental expense	–56.0	–58.9
Share of income in associates and joint ventures	–0.6	–0.3
Operating profit before depreciation and amortisation, costs due to termination of contracts, gain/loss on sale of fixed assets, net financial items and income tax (EBITDA)	6.1	2.5
Depreciation and amortisation	–10.8	–10.5
Write-downs and reversals of write-downs	–0.1	–0.2
Operating profit/loss (EBIT)	–4.8	–8.2
Financial income	0.6	0.2
Financial expense	–0.7	–0.8
Profit/loss before tax	–4.9	–8.8
Income tax	–0.1	1.2
Profit/loss for the period	–5.0	–7.6
Attributable to:		
Owners of the parent company	–5.0	–7.6
Non-controlling interests	—	—
Profit/loss for the period	–5.0	–7.6
Basic average no. of shares outstanding	171,166,316	170,826,611
Diluted average no. of shares outstanding	172,418,463	173,442,760
Earnings per share, in EUR		
Basic	–0.03	–0.04
Diluted	–0.03	–0.04

Consolidated Statement of Comprehensive Income

MEUR	Q1 2018	Q1 2017
Profit/loss for the period	-5.0	-7.6
Other comprehensive income:		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Actuarial gains and losses	—	—
Tax on actuarial gains and losses	—	—
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	1.9	-1.5
Tax on exchange differences	0.1	-0.1
Fair value gains and losses on cash flow hedges	-0.0	0.1
Tax on fair value gains and losses on cash flow hedges	0.0	-0.0
Other comprehensive income for the period, net of tax	2.0	-1.5
Total comprehensive income for the period	-3.0	-9.1
Attributable to:		
Owners of the parent company	-3.0	-9.1
Non-controlling interests	—	—

Condensed Consolidated Balance Sheet Statements

MEUR	31 Mar 2018	31 Dec 2017
ASSETS		
Intangible assets	60.7	61.5
Tangible assets	194.0	193.0
Investments in associated companies and joint ventures	15.5	16.2
Other shares and participations	5.7	5.7
Other long-term receivables	13.8	14.2
Deferred tax assets	63.3	60.5
Total non-current assets	353.0	351.1
Inventories	4.4	4.3
Other current receivables	142.0	137.0
Derivative financial instruments	0.2	0.2
Cash and cash equivalents	10.2	7.4
Assets classified as held for sale	13.3	13.4
Total current assets	170.1	162.3
TOTAL ASSETS	523.1	513.4
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent	250.9	253.7
Non-controlling interests	0.0	0.0
Total equity	250.9	253.7
Deferred tax liabilities	14.7	15.6
Retirement benefit obligations	3.4	3.3
Other long-term liabilities	23.6	23.9
Total non-current liabilities	41.7	42.8
Liabilities to financial institutions	44.6	30.4
Derivative financial instruments	0.0	0.0
Other current liabilities	185.9	186.5
Total current liabilities	230.5	216.9
TOTAL EQUITY AND LIABILITIES	523.1	513.4
Number of ordinary shares outstanding at the end of the period	171,166,316	171,166,316
Number of ordinary shares held by the company	3,222,541	3,222,541
Number of registered ordinary shares at the end of the period	174,388,857	174,388,857

Consolidated Statement of Changes in Equity

MEUR	Share capital	Other paid in capital	Other reserves	Retained earnings incl. net profit/loss for the period	Attributable to equity holders of the parent	Non-controlling interests	Total equity
Opening balance as of January 1, 2017	11.6	177.1	4.2	72.8	265.7	0.0	265.7
Profit for the period	—	—	—	–7.6	–7.6	—	–7.6
<i>Other comprehensive income:</i>							
Actuarial gains and losses on defined benefit plans	—	—	—	—	—	—	—
Tax on actuarial gains and losses on defined benefit plans	—	—	—	—	—	—	—
Currency differences on translation of foreign operations	—	—	–1.5	—	–1.5	—	–1.5
Tax on exchange differences recognised in other comprehensive income	—	—	–0.1	—	–0.1	—	–0.1
Cash flow hedges	—	—	0.1	—	0.1	—	0.1
Tax on cash flow hedges	—	—	–0.0	—	–0.0	—	–0.0
Total comprehensive income for the period	—	—	–1.5	–7.6	–9.1	—	–9.1
<i>Transactions with owners:</i>							
Dividend	—	—	—	—	—	—	—
Long term incentive programmes	—	—	—	0.5	0.5	—	0.5
Ending balance as of March 31, 2017	11.6	177.1	2.7	65.7	257.1	0.0	257.1
Opening balance as of January 1, 2018	11.6	177.1	–5.0	70.0	253.7	0.0	253.7
Profit for the period	—	—	—	–5.0	–5.0	—	–5.0
<i>Other comprehensive income:</i>							
Actuarial gains and losses on defined benefit plans	—	—	—	—	—	—	—
Tax on actuarial gains and losses on defined benefit plans	—	—	—	—	—	—	—
Currency differences on translation of foreign operations	—	—	1.9	—	1.9	—	1.9
Tax on exchange differences recognised in other comprehensive income	—	—	0.1	—	0.1	—	0.1
Cash flow hedges	—	—	–0.0	—	–0.0	—	–0.0
Tax on cash flow hedges	—	—	0.0	—	0.0	—	0.0
Total comprehensive income for the period	—	—	2.0	–5.0	–3.0	—	–3.0
<i>Transactions with owners:</i>							
Dividend	—	—	—	—	—	—	—
Long term incentive programmes	—	—	—	0.2	0.2	—	0.2
Ending balance as of March 31, 2018	11.6	177.1	–3.0	65.2	250.9	0.0	250.9

Condensed Consolidated Statement of Cash Flow

MEUR	Q1 2018	Q1 2017
Operating profit (EBIT)	-4.8	-8.2
Non-cash items	11.8	11.6
Interest, taxes paid and other cash items	-5.1	-5.6
Change in working capital	-3.5	4.7
Cash flow from operating activities	-1.6	2.5
Purchase of intangible assets	-0.0	-0.8
Purchase of tangible assets	-9.2	-8.5
Other investments/divestments	-0.5	0.4
Cash flow from investing activities	-9.7	-8.9
External financing, net	14.1	7.6
Cash flow from financing activities	14.1	7.6
Cash flow for the period	2.8	1.2
Effects of exchange rate changes on cash and cash equivalents	0.0	0.1
Cash and cash equivalents at beginning of the period	7.4	8.0
Cash and cash equivalents at end of the period	10.2	9.3

Parent Company, Condensed Statement of Operations

MEUR	Q1 2018	Q1 2017
Revenue	3.4	3.5
Personnel cost and contract labour	−1.8	−1.8
Other operating expenses	−1.7	−6.2
Operating profit/loss before depreciation and amortization (EBITDA)	−0.1	−4.5
Depreciation and amortization	−0.0	−0.0
Operating profit/loss (EBIT)	−0.1	−4.5
Financial income	0.1	0.0
Financial expense	0.0	−0.1
Profit/loss before tax	0.0	−4.6
Income tax	−0.0	1.0
Profit/loss for the period	0.0	−3.6

Parent Company, Statement of Comprehensive Income

Profit/loss for the period	0.0	−3.6
Other comprehensive income	—	—
Total comprehensive income for the period	0.0	−3.6

Parent Company, Condensed Balance Sheet Statements

MEUR	31 Mar 2018	31 Dec 2017
ASSETS		
Intangible assets	0.0	0.0
Tangible assets	0.2	0.2
Shares in subsidiaries	237.1	236.9
Total non-current assets	237.3	237.1
Current receivables	32.9	36.5
Total current assets	32.9	36.5
TOTAL ASSETS	270.2	273.6
EQUITY AND LIABILITIES		
Equity	265.3	265.1
Current liabilities	4.9	8.5
Total current liabilities	4.9	8.5
TOTAL EQUITY AND LIABILITIES	270.2	273.6

Parent Company, Statement of Changes in Equity

MEUR	Share capital	Share premium reserve	Retained earnings incl. net profit/loss for the period	Total equity
Opening balance as of January 1, 2017	11.6	254.2	7.0	272.8
Total comprehensive income for the period	—	—	–3.6	–3.6
<i>Transactions with owners:</i>				
Long term incentive programmes	—	—	0.5	0.5
Ending balance as of March 31, 2017	11.6	254.2	3.9	269.7
Opening balance as of January 1, 2018	11.6	254.2	–0.7	265.1
Total comprehensive income for the period	—	—	0.0	0.0
<i>Transactions with owners:</i>				
Dividend	—	—	0.0	0.0
Long term incentive programmes	—	—	0.2	0.2
Ending balance as of March 31, 2018	11.6	254.2	–0.5	265.3

Comments on the Income Statement

The primary purpose of the Parent Company is to act as a holding company for the Group's investments in hotel operating subsidiaries in various countries. In addition to this main activity, the Parent Company also serves as a Shared Service Centre.

The main revenue of the company is internal fees charged to hotels for the services provided by the Shared Service Centre. In Q1 2018 the intercompany revenue of the Parent Company amounted to MEUR 3.0 (3.2). The intercompany costs in Q1 2018 amounted to MEUR 0.7 (2.8).

The increase in profit before tax of MEUR 4.6 is mainly due to decrease in intercompany costs by MEUR 2.1 and financial advisor fees of MEUR 2.2 last year.

Comments on the Balance Sheet

The decrease in current assets and liabilities since year end 2017 is mainly due to changes in intercompany balances. At the end of the period the intercompany receivables amounted to MEUR 32.3 (35.5) and the intercompany liabilities amounted to MEUR 1.0 (5.1).

Notes to Condensed Consolidated Financial Statements

Basis of preparation

The report has been prepared in accordance with the Swedish Annual Accounts Act and International Accounting Standard (IAS) 34 Interim Financial Reporting. The report has been prepared using accounting principles consistent with International Financial Reporting Standards (IFRS). Disclosures in accordance with IAS 34 Interim Financial Reporting are presented either in notes or elsewhere in the report.

The report for the Parent Company has been prepared in accordance with Swedish Annual Accounts Act and Recommendation RFR 2, Accounting for Legal Entities, issued by Swedish Financial Accounting Standards Council.

The same accounting policies, presentation and methods of computation have been followed in this report as were applied in the company's 2017 Annual Report, except for the application of two new standards as from January 1, 2018; IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*.

IFRS 9 Financial instruments

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The new guidance has not affected the classification and measurement of financial assets and there is no impact either on the group's accounting for financial liabilities.

The new hedge accounting rules aligns the accounting for hedging instruments more closely with the group's risk management practices. As a rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The hedge relationships have qualified as continuing hedges upon the adoption of IFRS 9.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortized cost such as long and short-term receivables. There is no material change in the loss allowance for these instruments.

IFRS 15 Revenue from Contracts with Customers

The IASB has issued a new standard for the recognition of revenue. This has replaced IAS 18 which covered contracts for goods and services and IAS 11 which covered construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The group primarily has the following revenues.

Leased properties – primarily received from hotel operations, including all revenue received from guests for accommodation, conferences, food and drinks or other services. Revenue is recognised when the sale has been rendered.

Management fees – received from hotels managed by the Group under long-term contracts with the hotel owner. Management fee is normally a percentage of hotel revenue and/or profit and recognised in the income statement when earned and realised or realisable under the terms of the contract.

Franchise fees – received in connection with the license of the Group's brand names, usually under long-term contracts with the hotel owner. Franchise fee is normally a percentage of hotel revenue and/or profit and recognized in the income statement based on the underlying contract agreements.

The group has had no change of revenue recognition as a consequence of the implementation of the new standard.

Incentive programmes

In 2015 and 2016 the AGM's have approved long-term equity settled performance-based incentive programmes to be offered to executives within Rezidor. The structure of the programmes is similar. The programmes are comprised of both matching shares and performance shares. The President and CEO and other members of the Executive Committee have been offered the opportunity to participate in the performance share part as well as the matching share part of the programmes. Other key executives have been offered to participate in the performance share part of the programmes.

To qualify for matching shares, each participant shall meet certain requirements, including a shareholding requirement of at least three years and continuing employment with the company during the vesting period. Exemptions may be prescribed in specific cases. To qualify for performance shares, each participant must, in addition to the requirement regarding continuing employment during the vesting period, meet a performance target based on cumulative earnings per share for three consecutive financial years, starting as from the year the programme has been approved by the AGM.

Four members of the Executive Committee participate in the 2015 programme entitling them to a total maximum of 292,586 shares. 20 other members of management participate in the programme, entitling them to a maximum of 307,935 shares.

The total value of the 2015 programme at grant date, based on 35 participants and including social security costs, amounted to MEUR 5.0.

Four members of the Executive Committee participate in the 2016 programme entitling them to a total maximum of 325,885 shares. 22 other members of management participate in the programme, entitling them to a maximum of 325,741 shares.

The total value of the 2016 programme at grant date, based on 40 participants and including social security costs, amounted to MEUR 5.4.

The net costs recognised in the income statement during Q1 2018 in accordance with IFRS 2 for the incentive programmes amounted to MEUR 0.2 (0.5).

Share buy-back

The number of treasury shares held by the company at the end of the quarter was 3,222,541, corresponding to 1.8% of all registered shares. The average number of its own shares held by the company during Q1 2018 was 3,222,541 (3,562,246). The shares have been bought back in 2007 and 2008 following authorisations at the AGMs in the same years. Most the shares bought back are held to secure delivery of shares in the incentive programmes and the related social security costs.

Financial instruments measured at fair value

On March 31, 2018, Rezidor had financial instruments measured at fair value amounting to MEUR 5.7 (5.7).

Related party transactions

HNA Group Co., Ltd. ("HNA") and its affiliates, including Radisson Hospitality, Inc. (former Carlson Hotels, Inc.), are significant related parties.

On March 31, 2018 Rezidor had no receivables (0.0) related to Radisson Hospitality, Inc. and current liabilities of MEUR 2.2 (1.0). The business relationship with Radisson Hospitality, Inc. mainly consisted of operating costs related to the use of the brands and the use of Radisson Hospitality, Inc.'s reservation system. During Q1 2018 Rezidor had operating costs towards Radisson Hospitality, Inc. of MEUR 4.9 (5.0).

Radisson Hospitality, Inc. also charged MEUR 1.1 (1.3) for points earned in the Radisson Rewards loyalty programme and reimbursed MEUR 0.4 (0.5) for points redeemed. Furthermore, Radisson Hospitality, Inc. recharged MEUR 0.5 (1.6) of costs incurred from third parties, mainly internet-based reservation channels.

Radisson Hospitality, Inc. and Rezidor are also cooperating in various other areas, such as global sales, brand websites, revenue optimisation tools and purchasing. During Q1 2018 Rezidor had revenue towards Radisson Hospitality, Inc. of MEUR 1.5 (0.3) and costs of MEUR 0.5 (0.7) related to these cost sharing arrangements.

Except for the above-mentioned transactions with Radisson Hospitality, Inc., there are no material transactions with HNA or its affiliates.

Pledged assets and contingent liabilities

	31 Mar 2018	31 Dec 2017
Pledged assets, MEUR		
Pledged assets	—	—
	31 Mar 2018	31 Dec 2017
Contingent liabilities, MEUR		
Tax claim interest deduction Sweden	6.4	6.3
Guarantees provided	2.7	2.6

RevPAR Development by Brand (Leased & Managed Hotels)

In EUR	Occupancy LFL&R		Av. Room Rates LFL&R		RevPAR LFL&R		Reported RevPAR	
	Q1 2018	vs. 2017	Q1 2018	vs. 2017	Q1 2018	vs. 2017	Q1 2018	vs. 2017
Radisson Blu	61.8%	0.5 pp	118.1	0.2%	73.0	1.0%	68.3	-4.5%
Park Inn by Radisson	60.1%	1.7 pp	75.7	0.6%	45.5	3.5%	40.7	-1.6%
Group	61.5%	0.8 pp	109.3	0.4%	67.2	1.7%	61.7	-3.6%

RevPAR Development by Region (Leased & Managed Hotels)

In EUR	Occupancy LFL&R		Av. Room Rates LFL&R		RevPAR LFL&R		Reported RevPAR	
	Q1 2018	vs. 2017	Q1 2018	vs. 2017	Q1 2018	vs. 2017	Q1 2018	vs. 2017
Nordics	65.6%	-1.7 pp	127.6	3.1%	83.8	0.5%	79.3	-4.8%
Rest of Western Europe	68.5%	-0.5 pp	116.9	2.0%	80.1	1.3%	77.1	-0.0%
Eastern Europe	53.1%	3.0 pp	84.8	6.2%	45.0	12.5%	41.3	6.3%
Middle East, Africa & Others	61.6%	1.0 pp	115.2	-6.7%	71.0	-5.2%	59.6	-14.4%
Group	61.5%	0.8 pp	109.3	0.4%	67.2	1.7%	61.7	-3.6%

RevPAR Development by Region (Leased Hotels)

In EUR	Occupancy LFL&R		Av. Room Rates LFL&R		RevPAR LFL&R		Reported RevPAR	
	Q1 2018	vs. 2017	Q1 2018	vs. 2017	Q1 2018	vs. 2017	Q1 2018	vs. 2017
Nordics	65.5%	-2.3 pp	125.2	3.0%	81.9	-0.5%	77.7	-5.6%
Rest of Western Europe	69.0%	-1.9 pp	122.4	1.1%	84.4	-1.7%	82.7	2.8%
Group	67.4%	-2.1 pp	123.6	2.0%	83.3	-1.2%	80.4	-1.0%

RevPAR Development – LFL&R to Reported (Leased & Managed Hotels)

RevPAR	Q1 2018
LFL&R growth	1.7%
FX impact	-4.8%
Units out	2.5%
New openings	-3.0%
Reported growth	-3.6%

Revenue per Area of Operation

MEUR	Q1 2018	Q1 2017	Change %
Rooms revenue	111.5	120.9	-7.8%
F&D revenue	54.9	60.2	-8.8%
Other hotel revenue	4.5	5.5	-18.2%
Total hotel revenue (leased)	170.9	186.6	-8.4%
Fee revenue (managed & franchised)	27.4	29.5	-7.1%
Other revenue	7.9	6.4	23.4%
Total revenue	206.2	222.5	-7.3%

Total Fee Revenue

MEUR	Q1 2018	Q1 2017	Change %
Management fees	7.6	8.0	5.0%
Incentive fees	5.5	5.8	-5.2%
Franchise fees	2.7	2.8	-3.6%
Other fees (incl. marketing, reservation fee etc.)	11.6	13.0	-10.8%
Total fee revenue	27.4	29.6	-7.4%

Revenue per Segment

	Nordics		Rest of Western Europe		Eastern Europe		Middle East, Africa & Others	
Q1	2018	2017	2018	2017	2018	2017	2018	2017
Leased	80.8	85.7	90.5	101.2	—	—	—	—
Managed	0.5	0.5	5.9	5.3	7.0	6.8	8.1	9.1
Franchised	2.3	2.3	2.8	2.6	0.7	2.8	0.1	0.1
Other	0.5	0.1	1.6	1.5	—	—	—	—
Total	84.1	88.6	100.8	110.6	7.7	9.6	8.2	9.2

	Central Management		Central Marketing		Other Central Activities		Intra Segment Eliminations		Total	
Q1	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Leased	—	—	—	—	—	—	−0.4	−0.3	170.9	186.6
Managed	—	—	—	—	—	—	—	—	21.5	21.7
Franchised	—	—	—	—	—	—	—	—	5.9	7.8
Other	—	—	—	—	—	—	−0.3	−0.2	1.8	1.4
Central Activities	1.2	1.5	13.0	11.8	2.8	2.1	−10.9	−10.4	6.1	5.0
Total	1.2	1.5	13.0	11.8	2.8	2.1	−11.6	−10.9	206.2	222.5

Please note that the segmentation has been further developed to better illustrate how the business is operated. The numbers for the comparative period have been restated.

Rental Expenses

MEUR	Q1 2018	Q1 2017	Change %
Fixed rent	45.5	46.2	−1.5%
Variable rent	8.0	9.8	−18.4%
Rent	53.5	56.0	−4.5%
Rent as % of leased hotel revenue	31.3%	30.0%	1.3 pp
Shortfall guarantees	2.5	2.9	−13.8%
Rental expense	56.0	58.9	−4.9%

EBITDA per Segment

	Nordics		Rest of Western Europe		Eastern Europe		Middle East, Africa & Others	
Q1	2018	2017	2018	2017	2018	2017	2018	2017
Leased	2.8	4.1	1.9	1.4	—	—	—	—
Managed	0.2	0.2	3.4	1.9	3.6	3.5	5.4	5.9
Franchised	1.1	1.2	1.4	1.5	1.4	2.2	0.0	0.0
Other	0.2	0.0	−0.5	0.0	—	—	—	—
Total	4.3	5.5	6.2	4.8	5.0	5.7	5.4	5.9

	Central Management		Central Marketing		Other Central Activities		Total	
Q1	2018	2017	2018	2017	2018	2017	2018	2017
Leased	—	—	—	—	—	—	4.7	5.5
Managed	—	—	—	—	—	—	12.6	11.5
Franchised	—	—	—	—	—	—	3.9	4.9
Other	—	—	—	—	—	—	−0.3	0.0
Central Activities	−16.4	−16.5	−0.4	−2.7	2.0	−0.2	−14.8	−19.4
Total	−16.4	−16.5	−0.4	−2.7	2.0	−0.2	6.1	2.5

EBIT per Segment

	Nordics		Rest of Western Europe		Eastern Europe		Middle East, Africa & Others	
Q1	2018	2017	2018	2017	2018	2017	2018	2017
Leased	-1.0	0.4	-4.2	-4.7	—	—	—	—
Managed	0.2	0.2	3.3	1.9	3.5	3.4	5.3	5.8
Franchised	1.0	1.2	1.4	1.5	1.4	2.2	0.0	0.0
Other	0.1	0.0	-0.5	-0.1	—	—	—	—
Total	0.3	1.8	0.0	-1.4	4.9	5.6	5.3	5.8

	Central Management		Central Marketing		Other Central Activities		Total	
Q1	2018	2017	2018	2017	2018	2017	2018	2017
Leased	—	—	—	—	—	—	-5.2	-4.3
Managed	—	—	—	—	—	—	12.3	11.3
Franchised	—	—	—	—	—	—	3.8	4.9
Other	—	—	—	—	—	—	-0.4	-0.1
Central Activities	-16.8	-17.0	-0.5	-2.8	2.0	-0.2	-15.3	-20.0
Total	-16.8	-17.0	-0.5	-2.8	2.0	-0.2	-4.8	-8.2

Please note that the segmentation has been further developed to better illustrate how the business is operated. The numbers for the comparative period have been restated.

Reconciliation of Profit/Loss for the Period

MEUR	Q1 2018	Q1 2017
Total operating profit/loss (EBIT) for reportable segments	-4.8	-8.2
Financial income	0.6	0.2
Financial expense	-0.7	-0.8
Group's total profit/loss before tax	-4.9	-8.8

Balance Sheet and Investments

MEUR	Nordics		Rest of Western Europe		Eastern Europe		Middle East, Africa & Others		Total	
	31 Mar 2018	31 Dec 2017	31 Mar 2018	31 Dec 2017	31 Mar 2018	31 Dec 2017	31 Mar 2018	31 Dec 2017	31 Mar 2018	31 Dec 2017
Assets	196.6	191.7	281.4	278.0	15.2	16.2	29.9	27.5	523.1	513.4
Investments (tangible & intangible assets)	5.0	48.6	4.2	24.3	0.0	0.2	0.0	0.7	9.2	73.8

Quarterly Key Figures

MEUR	Q1 2018	Q1 2017	Q1 2016	Q1 2015	Q1 2014
RevPAR	61.7	64.0	60.4	63.7	61.3
Revenue	206.2	222.5	207.0	216.4	211.4
EBITDAR	62.7	61.7	50.5	60.9	61.7
EBITDA	6.1	2.5	-9.2	-0.7	-0.8
EBIT	-4.8	-8.2	-25.0	-12.4	-8.5
Profit for the period	-5.0	-7.6	-21.6	-13.4	-10.3
EBITDAR margin, %	30.4	27.7	24.4	28.1	29.2
EBITDA margin, %	3.0	1.1	-4.4	-0.3	0.4
EBIT margin, %	-2.3	-3.7	-12.1	-5.7	-4.0

	2018	2017				2016			
MEUR	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
RevPAR	61.7	65.7	73.9	74.9	64.0	66.2	75.3	73.1	60.4
Revenue	206.2	241.6	249.1	254.1	222.5	243.1	251.3	259.8	207.0
EBITDAR	62.7	72.4	92.1	88.4	61.7	78.7	87.3	98.1	50.5
EBITDA	6.1	16.8	34.4	28.4	2.5	23.1	29.0	36.4	-9.2
EBIT	-4.8	-4.2	20.8	6.3	-8.2	-10.3	16.4	22.0	-25.0
Profit/loss for the period	-5.0	-6.0	14.4	3.6	-7.6	16.9	14.9	16.2	-21.6
EBITDAR Margin %	30.4	30.0	37.0	34.8	27.7	32.4	34.7	37.8	24.4
EBITDA Margin %	3.0	7.0	13.8	11.2	1.1	9.5	11.5	14.0	-4.4
EBIT Margin %	-2.3	-1.7	8.4	2.5	-3.7	-4.2	6.5	8.5	-12.1

Hotel and Room Openings and Signings

	Openings		Signings	
	Hotels	Rooms	Hotels	Rooms
	Q1 2018	Q1 2018	Q1 2018	Q1 2018
By region:				
Nordics	—	—	2	272
Rest of Western Europe	1	233	2	315
Eastern Europe	2	249	4	977
Middle East, Africa & Others	6	1,213	3	474
Total	9	1,695	11	2,038
By brand:				
Radisson Blu	5	1,052	4	1,060
Park Inn by Radisson	4	643	1	120
Other	—	—	6	858
Total	9	1,695	11	2,038
By contract type:				
Leased	—	—	—	—
Managed	8	1,462	7	1,186
Franchised	1	233	4	852
Total	9	1,695	11	2,038

In Q1 2018, four hotels and 473 rooms left the system, resulting in a net opening of 1,222 rooms.

Hotels and Rooms in Operation and under Development (in Pipeline)

	In operation				Under development			
	Hotels		Rooms		Hotels		Rooms	
31 March	2018	2017	2018	2017	2018	2017	2018	2017
By region:								
Nordics	58	59	14,307	14,293	2	—	272	—
Western Europe	129	137	26,257	27,381	13	13	2,164	2,361
Eastern Europe	105	99	24,722	23,807	28	33	5,497	6,215
Middle East, Africa & Others	82	69	17,178	14,988	61	74	15,785	16,890
Total	374	364	82,464	80,469	104	120	23,718	25,466
By brand:								
Radisson Blu	248	240	58,345	57,127	59	67	12,927	13,439
Park Inn by Radisson	117	117	22,836	22,464	27	43	7,063	10,017
Others	9	7	1,283	878	18	10	3,728	2,010
Total	374	364	82,464	80,469	104	120	23,718	25,466
By contract type:								
Leased	57	66	15,404	16,535	1	1	250	250
Managed	206	189	45,139	42,601	89	102	21,289	22,528
Franchised	111	109	21,921	21,333	14	17	2,179	2,688
Total	374	364	82,464	80,469	104	120	23,718	25,466

Definitions

The company presents certain financial measures in this interim report that are not defined under IFRS. The company believes that these measures provide useful supplemental information to investors and the company's management as they allow evaluation of the company's performance. Because not all companies calculate these financial measures similarly, these are not always comparable to measures used by other companies. These financial measures should not be considered a substitute for measures defined under IFRS.

IFRS Measures

Revenue

All related business revenue (including rooms revenue, food & drinks revenue, other hotel revenue, fee revenue and other non-hotel revenue from administration units).

Earnings per Share

Profit for the period, before allocation to non-controlling interests, divided by the weighted average number of shares outstanding.

Basic Average Number of Shares

Weighted average number of ordinary shares outstanding during the period.

Non-IFRS Measures – Alternative Performance Measures

EBIT

Profit before net financial items and tax.

EBIT Margin

EBIT as a percentage of Revenue.

EBITDA

Operating profit before depreciation and amortisation, costs due to termination of contracts, gain/loss on sale of fixed assets, net financial items and income tax.

EBITDA Margin

EBITDA as a percentage of Revenue.

EBITDAR

Operating profit before rental expense, share of income in associates and joint ventures, depreciation and amortisation, costs due to termination of contracts, gain/loss on sale of fixed assets, net financial items and income tax.

EBITDAR Margin

EBITDAR as a percentage of Revenue.

Adjusted EBITDA

EBITDA adjusted for items of one-off nature.

MEUR	Q1 2018	Q1 2017
EBITDA	6.1	2.5
Financial advisor fees incurred in connection with the public offer on the shares of the company	—	2.2
Retention bonus	—	0.6
Adjusted EBITDA	6.1	5.3

Adjusted EBIT

EBIT adjusted for items of one-off nature.

MEUR	Q1 2018	Q1 2017
EBIT	-4.8	-8.2
Financial advisor fees incurred in connection with the public offer on the shares of the company	—	2.2
Retention bonus	—	0.6
Write-downs and reversal of write-downs	0.1	0.2
Adjusted EBIT	-4.7	-5.2

Net Cash (Debt)

Cash & cash equivalents plus short-term interest-bearing assets (with maturity within three months) minus interest-bearing liabilities (short-term & long-term), excluding retirement benefit obligations as well as liabilities related to investments in hotels under management contracts, for which repayments are linked to fees collected.

	31 Mar 2018	31 Dec 2017
Cash & cash equivalents [A]	10.2	7.4
Cash & cash equivalents classified as held-for-sale [B]	—	—
Interest-bearing liabilities [C]	61.7	47.4
Retirement benefit obligations [D]	3.4	3.3
Liabilities related to investments in hotels under management contracts [E]	5.0	5.0
Net cash (debt) [A+B-C+D+E]	-43.1	-31.7

Net Interest-bearing Assets/Liabilities

Interest-bearing assets minus interest-bearing liabilities.

MEUR	31 Mar 2018	31 Dec 2017
Interest-bearing assets [A]	33.3	30.1
Interest-bearing liabilities [B]	61.7	47.4
Net interest-bearing assets/liabilities [A-B]	-28.4	-17.3

Free Cash Flow

Total cash flow from operating activities and investing activities.

MEUR	Q1 2018	Q1 2017
Cash flow from operating activities [A]	-1.6	2.5
Cash flow from investing activities [B]	-9.7	-8.9
Free cash flow [A+B]	-11.3	-6.4

Rent as Percentage of Leased Hotel Revenue

Rental expense minus shortfall guarantees as percentage of total hotel revenue (leased portfolio).

MEUR	Q1 2018	Q1 2017
Rental expense [A]	56.0	58.9
Where of shortfall guarantees [B]	2.5	2.9
Total hotel revenue [C]	170.9	186.6
Rent as percentage of leased hotel revenue [(A-B)/C]	31.3%	30.0%

Net Working Capital

Inventory plus current non-interest-bearing receivables minus current non-interest-bearing liabilities.

MEUR	31 Mar 2018	31 Dec 2017
Inventories [A]	4.4	4.3
Current non-interest-bearing receivables [B]	138.2	133.7
Current non-interest-bearing liabilities [C]	185.9	186.5
Net working capital [A+B-C]	-43.3	-48.5

RevPAR

Rooms revenue in relation to available rooms, whereas available rooms is defined as total rooms inventory less rooms not available for sale.

Leased portfolio	Q1 2018	Q1 2017
Rooms revenue (MEUR) [A]	111.5	120.9
Number of available rooms (thousands) [B]	1,386	1,488
RevPAR [A/B]	80.4	81.2

Operating Measures**Average Room Rate**

Average Room Rate – Rooms revenue in relation to number of rooms sold. This is also referred to as ARR (Average Room Rate), ADR (Average Daily Rate) or AHR (Average House Rate) in the hotel industry.

F&D

Food and Drink.

FF&E

Furniture, Fittings and Equipment.

Like-for-like Hotels ("LFL")

Hotels that have been in operation during all months within the current and previous financial year compared. No new hotels, exit hotels or hotels undergoing renovation are included.

Like-for-like hotels including renovation ("LFL&R")

Like-for-like hotels plus hotels under renovation during the current and/or previous financial year compared.

Occupancy (%)

Number of rooms sold in relation to the number of rooms available for sale.

Revenue LFL

Revenue for LFL hotels at constant exchange rates.

Revenue LFL&R

Revenue for LFL&R hotels at constant exchange rates.

RevPAR LFL

RevPAR for LFL hotels at constant exchange rates.

RevPAR LFL&R

RevPAR for LFL&R hotels at constant exchange rates.

Geographic Regions/Segments**Nordics (NO)**

Denmark, Finland, Iceland, Norway and Sweden.

Rest of Western Europe (ROWE)

Austria, Belgium, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, the Netherlands, Portugal, Spain, Switzerland and the United Kingdom.

Eastern Europe (incl. CIS countries) (EE)

Armenia, Azerbaijan, Belarus, Croatia, Cyprus, the Czech Republic, Estonia, Georgia, Hungary, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Moldova, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Turkey, Ukraine and Uzbekistan.

Middle East, Africa and Others, (MEAO)

Algeria, Angola, Bahrain, Cameroon, Cape Verde, Chad, China, Congo, Egypt, Ethiopia, Gabon, Ghana, Iraq, Ivory Coast, Kenya, Kuwait, Lebanon, Libya, Mali, Mauritius, Morocco, Mozambique, Nigeria, Oman, Qatar, Rwanda, Saudi Arabia, Senegal, Sierra Leone, South Africa, South Sudan, Tunisia, Uganda, the United Arab Emirates, Zambia and Zimbabwe.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF
RADISSON HOSPITALITY AB (PUBL)
AS OF AND FOR THE FISCAL YEAR 2017**

CONSOLIDATED STATEMENT OF OPERATIONS

		For the Year Ended December 31	
TEUR (except for share related data)	Notes	2017	2016
Revenue	7, 8	967,250	961,176
Costs of goods sold for Food & Drinks and other related expenses	9	–51,001	–53,865
Personnel cost and contract labour	10	–347,772	–337,780
Other operating expenses	11	–239,408	–240,918
Insurance of properties and property tax	12	–14,484	–14,059
Operating profit before rental expense, share of income in associates and joint ventures, depreciation and amortisation, costs due to termination of contracts, gain/loss on sale of fixed assets, net financial items and income tax (EBITDAR)		314,585	314,554
Rental expense	13	–231,741	–235,779
Share of income in associates and joint ventures	7, 20, 21	–775	573
Operating profit before depreciation and amortisation, costs due to termination of contracts, gain/loss on sale of fixed assets, net financial items and income tax (EBITDA)	7	82,069	79,348
Depreciation and amortisation	7, 18, 19	–42,147	–41,810
Write-downs and reversal of write-downs	6, 7, 18, 19	–20,947	–7,456
Costs due to termination of contracts		–4,230	–28,921
Gain/loss on sale of shares, intangible and tangible assets		–15	1,848
Operating profit (EBIT)	7	14,730	3,009
Financial income	14	1,204	2,475
Financial expense	14	–3,211	–2,748
Profit before tax	7	12,723	2,736
Income tax	15	–8,287	23,664
Profit for the year		4,436	26,400
Attributable to:			
Owners of the Parent Company		4,436	26,400
Non-controlling interests		—	—
		4,436	26,400
Basic average number of shares outstanding	17	170,952,649	170,725,046
Diluted average number of shares outstanding	17	172,653,954	173,509,152
Profit/loss per share after allocation to non-controlling interests (EUR)			
Basic	17	0.03	0.15
Diluted	17	0.03	0.15

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the Year Ended December 31	
TEUR	Notes	2017	2016
Profit for the year		4,436	26,400
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gains and losses	23	636	2,306
Tax on actuarial gains and losses		–160	–784
Items that may be reclassified subsequently to profit or loss:			
Currency differences on translation of foreign operations		–9,228	3,475
Tax on currency differences on translation of foreign operations		–255	–2,656
Fair value gains and losses on cash flow hedges	32	278	–320
Tax on fair value gains and losses on cash flow hedges	32	–61	70
Other comprehensive income for the year, net of tax		–8,790	2,091
Total comprehensive income for the year		–4,354	28,491
Total comprehensive income attributable to:			
Owners of the Parent Company		–4,354	28,491
Non-controlling interests		—	—

CONSOLIDATED BALANCE SHEET STATEMENT

TEUR	Notes	As of December 31	
		2017	2016
ASSETS			
Non-current assets			
Intangible assets			
Licenses and related rights	18	40,007	41,269
Other intangible assets	18	21,542	19,780
		61,549	61,049
Tangible assets			
Fixed installations in leased properties	19	70,204	68,475
Machinery and equipment	19	96,951	102,688
Investments in progress	19	25,863	17,873
		193,018	189,036
Financial assets			
Investments in associated companies	20	16,162	17,959
Investments in joint ventures	21	—	—
Other shares and participations	22	5,737	5,220
Other long-term interest-bearing receivables	24	6,638	8,475
Other long-term non-interest-bearing receivables	24	7,522	8,125
		36,059	39,779
Deferred tax assets	15	60,486	57,833
		351,112	347,697
Current assets			
Inventories		4,253	4,586
Accounts receivable	25	46,997	44,678
Current tax assets	15	24,809	21,274
Other current interest-bearing receivables	26	3,529	2,780
Other current non-interest-bearing receivables	27	61,700	56,611
Derivative financial instruments	4	219	41
		141,507	129,970
Cash and cash equivalents	28	7,356	8,024
Assets classified as held for sale	29	13,438	16,826
Total current assets		162,301	154,820
Total assets		513,413	502,517

		As of December 31	
TEUR	Notes	2017	2016
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	30	11,626	11,626
Other paid in capital	30	177,124	177,124
Reserves		-5,191	4,075
Retained earnings including profit for the year		70,096	72,850
Equity attributable to owners of the Company		253,655	265,675
Non controlling interests		1	1
Total equity		253,656	265,676
Non-current liabilities			
Deferred tax liabilities	15	15,605	19,122
Retirement benefit obligations	23	3,320	3,683
Other long-term interest-bearing liabilities	34	13,611	13,677
Other long-term non-interest-bearing liabilities		10,267	11,392
		42,803	47,874
Current liabilities			
Accounts payable		44,913	31,431
Current tax liabilities	15	6,263	11,252
Provisions	33	3,204	96
Other current interest-bearing liabilities	34	30,405	20,522
Derivative financial instruments	4	8	107
Other current non-interest-bearing liabilities	35	132,161	122,711
		216,954	186,119
Liabilities directly related to assets classified as held for sale	29	—	2,848
Total liabilities		259,757	236,841
Total equity and liabilities		513,413	502,517

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

TEUR	Share capital	Other paid in capital	Foreign currency translation reserve	Fair value reserve-available for sale financial assets	Fair value reserve-cash-flow hedges ¹⁾	Retained earnings incl. net profit/loss for the period	Attributable to equity holders of the parent	Non-controlling interests	Total equity
Opening balance as of January 1, 2016	11,626	177,124	3,018	290	198	54,436	246,692	1	246,693
Profit for the period	—	—	—	—	—	26,400	26,400	—	26,400
OTHER COMPREHENSIVE INCOME:									
Actuarial gains and losses on defined benefit plans	—	—	—	—	—	2,306	2,306	—	2,306
Tax on actuarial gains and losses on defined benefit plans	—	—	—	—	—	–784	–784	—	–784
Currency differences on translation of foreign operations	—	—	3,475	—	—	—	3,475	—	3,475
Tax on exchange differences recognised in other comprehensive income	—	—	–2,656	—	—	—	–2,656	—	–2,656
Fair value gains and losses on cash flow hedges ¹⁾	—	—	—	—	–320	—	–320	—	–320
Tax on fair value gains and losses on cash flow hedges ¹⁾	—	—	—	—	70	—	70	—	70
Total comprehensive income for the period	—	—	819	—	–250	27,922	28,491	—	28,491
TRANSACTIONS WITH OWNERS:									
Dividend	—	—	—	—	—	–11,949	–11,949	—	–11,949
Long term incentive plans ²⁾	—	—	—	—	—	2,441	2,441	—	2,441
Ending balance as of December 31, 2016	11,626	177,124	3,837	290	–52	72,850	265,675	1	265,676
Profit for the period	—	—	—	—	—	4,436	4,436	—	4,436
OTHER COMPREHENSIVE INCOME:									
Actuarial gains and losses on defined benefit plans	—	—	—	—	—	636	636	—	636
Tax on actuarial gains and losses on defined benefit plans	—	—	—	—	—	–160	–160	—	–160
Currency differences on translation of foreign operations	—	—	–9,228	—	—	—	–9,228	—	–9,228
Tax on exchange differences recognised in other comprehensive income	—	—	–255	—	—	—	–255	—	–255
Fair value gains and losses on cash flow hedges ¹⁾	—	—	—	—	278	—	278	—	278
Tax on fair value gains and losses on cash flow hedges ¹⁾	—	—	—	—	–61	—	–61	—	–61
Total comprehensive income for the period	—	—	–9,483	—	217	4,912	–4,354	—	–4,354
TRANSACTIONS WITH OWNERS:									
Dividend	—	—	—	—	—	–8,542	–8,542	—	–8,542
Long term incentive plans ²⁾	—	—	—	—	—	876	876	—	876
Ending balance as of December 31, 2017	11,626	177,124	–5,646	290	165	70,096	253,655	1	253,656

1) See further Note 32

2) See further Note 31

CONSOLIDATED STATEMENT OF CASH FLOWS

TEUR	Notes	For the Year Ended December 31	
		2017	2016
OPERATIONS			
Operating profit (EBIT)		14,730	3,009
Adjustments for non-cash items:			
Depreciations, amortisations and write-downs	18, 19	63,094	49,265
Change in pension assets/liabilities		-362	-1,899
Share of income in associated companies and joint ventures	20, 21	775	-573
Other adjustments for non-cash items		891	2,541
Interest received		926	645
Interest paid		-632	-790
Other financial items		-1,937	289
Tax paid		-23,376	-14,625
Cash flows from operations before change in working capital		54,109	37,862
Change in:			
Inventories		521	395
Current receivables		-419	3,850
Current liabilities		18,156	-8,193
Change in working capital		18,258	-3,948
Cash flow from operating activities		72,367	33,914
INVESTMENTS			
Purchase of intangible assets	18	-7,569	-803
Purchase related to investments in progress	19	-34,447	-26,886
Purchase of machinery and equipment	19	-22,025	-25,488
Purchase fixed installations	19	-9,761	-17,904
Investments in associated companies and joint ventures	20	—	-14,715
Net proceeds from sale of subsidiaries		—	600
Other investment and divestments of financial fixed assets		95	2,135
Cash flow from investing activities		-73,707	-83,061
FINANCING			
Change in overdraft facilities		9,883	20,518
New borrowings		—	8,200
Repayment of borrowings		-547	-631
Total external financing		9,336	28,087
Dividend paid		-8,542	-11,949
Total cash from transactions with shareholders		-8,542	-11,949
Cash flow from financing activities		794	16,138
Cash flow for the year		-546	-33,009
Translation difference in cash and cash equivalents		-149	-27
Cash and cash equivalents, January 1		8,051	41,087
Cash and cash equivalents, December 31	28	7,356	8,051
Where of classified as assets held for sale	28, 29	—	27

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Note 1 | General Information

Rezidor Hotel Group AB (publ), hereafter referred to as Rezidor or the Company, is a limited liability company incorporated in Sweden. Its registered office and principal place of business is in Stockholm, Sweden, address: Klara-bergsviadukten 70 D7, 111 64 Stockholm, Sweden. The corporate head office is located in Brussels, Belgium.

Rezidor is an international hospitality company which currently has 369 hotels in operation and another 103 under development in 78 countries. Rezidor operates under the brands Radisson Collection, Radisson Blu, Radisson, Park Inn by Radisson, Radisson RED, and Prizeotel. Further information about the activities of the Company is described in Note 7.

The Annual Report as of December 31, 2017 was approved by the Board of Directors of Rezidor Hotel Group AB (publ) on March 19, 2018. The Annual Report is subject to approval by the Annual General Meeting on April 26, 2018.

Note 2 | Adoption of new and revised international financial reporting standards

In current year, the Group has adopted all new and amended Standards and Interpretations issued by the International Accounting Standards Board (IASB) and IFRS Interpretations Committee that are relevant to its operations and effective for accounting periods beginning on January 1, 2017 and endorsed by the European Commission prior to the release of these financial statements. New and amended Standards and Interpretations have not had any significant impact on the financial statements 2017.

New and amended standards not yet effective

International Accounting Standards Board (IASB) has issued the following new and amended Standards that are not yet effective:

IFRS 9 Financial Instruments	January 1, 2018 or later
IFRS 15 Revenue from Contracts with Customers	January 1, 2018 or later
IFRS 16 Leases	January 1, 2019 or later

IFRS 9 *Financial instruments*

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The group does not expect the new guidance to affect the classification and measurement of financial assets and there will be no impact either on the group's accounting for financial liabilities.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The group has confirmed that its current hedge relationships will qualify as continuing hedges upon the adoption of IFRS 9.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortized cost such as long and short term receivables. Based on the assessments undertaken to date, the group expects no material change in the loss allowance for these instruments.

The new standard also introduces expanded disclosure requirements.

These are expected to change the nature and extent of the group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

The standard must be applied for financial years commencing on or after 1 January 2018.

IFRS 15 *Revenue from Contracts with Customers*

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The group primarily has the following revenues.

Leased properties – primarily received from hotel operations, including all revenue received from guests for accommodation, conferences, food and drinks or other services. Revenue is recognised when the sale has been rendered.

Management fees – received from hotels managed by the Group under long-term contracts with the hotel owner. Management fee is normally a percentage of hotel revenue and/or profit and recognised in the income statement when earned and realised or realisable under the terms of the contract.

Franchise fees – received in connection with the license of the Group's brand names, usually under long-term contracts with the hotel owner. Franchise fee is normally a percentage of hotel revenue and/or profit and recognised in the income statement based on the underlying contract agreements.

Based on the analysis of the standard the group has concluded that there will be no change of revenue recognition as current accounting is also acceptable under IFRS 15. Furthermore as Rezidor is not liable for the Radisson Rewards loyalty programme, there will be no effect by IFRS 15.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

The standard is mandatory for financial years commencing on or after 1 January 2018. The group intends to adopt the standard using the modified retrospective approach.

IFRS 16 *Leases*

IFRS 16 will supersede IAS 17. For the lessee, IFRS 16 implies that almost all leases shall be accounted for the statement of financial position, thus the classification as an operating lease or as a finance lease will therefore no longer be performed. The underlying asset in the lease agreement is recognised in the Statement of financial position. In subsequent periods the right-of-use asset is accounted for at cost less depreciation and any impairment as well as potential remeasurement of the lease liability. The lease liability is recognised in the Statement of financial position and in subsequent periods the liability is accounted for at amortised cost and reduced by lease payments. The lease liability is remeasured to reflect changes in, for example, the lease term, residual value guarantees and potential changes in lease payments.

The Income statement will be impacted when current operating expenses attributable to operating leases will be replaced by amortisations and interest expenses.

Short-term leases (12 months or less) and leases for which the underlying asset is of low value are not required to be recognised in a lessee's Statement of financial position, these will be recognised in the operating profit consistent with the current requirement for operating leases.

The new standard has more extensive disclosure requirements than the current standard. Lessor accounting is in all material aspects unchanged.

Management has initiated an extensive implementation project for IFRS 16. The new standard is considered, due to the size in the rental portfolio, to have a significant impact on the financial statements when applied for the first time.

The standard is mandatory for financial years commencing on or after 1 January 2019. The group intends to adopt the standard using the modified retrospective approach.

the financial statements, except for valuation of certain financial instruments or as described below.

Reporting currency

EUR is the functional currency of the primary economic environment in which the Parent Company and the majority of the entities within the Group operates and consequently the financial statements are presented with EUR as the reporting currency. Any difference between the functional currency and the currencies in which the Group companies reports is recognised directly in the statement of shareholders equity.

General provision on recognition and measurement

Assets are recognised in the balance sheet when it is likely that future economic benefits will flow to the Group as a result of past events and the value of the assets can be measured reliably.

Liabilities are recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is likely that future economic benefits will flow out of the Group, and the value of the liabilities can be measured reliably.

At initial recognition, assets and liabilities are measured at cost. Measurement after the initial recognition is effected as described below for each item.

Events or transactions occurring after the balance sheet date but before the financial statements are issued, that provides evidence of conditions which existed at the balance sheet, are used to adjust the amounts recognised in the financial statements.

Revenue is recognised in the income statement as and when earned, whereas costs are recognised at the amounts attributable to the financial period under review.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (directly or indirectly owned subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements used for consolidation have been prepared applying the Group's accounting policies.

The results from subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. That date is the date when the group effectively obtains or loses control over the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

For intra-group restructurings such as the formation of the new Parent Company, any difference between the acquisition costs and the equity of the acquired companies are adjusted against equity as such transactions are considered common control transactions and should not have any impact on the consolidated balance sheet.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling's share of changes in equity since the date of the combination. Losses applicable to the non-controlling in excess of the non-controlling's interest in the subsidiary's equity are allocated against the interest of the Group except to the extent that the non-controlling has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of companies or businesses is accounted for using the acquisition method. The cost acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control of the acquiree. Costs directly attributable to the business combination are expensed as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising from an acquisition is recognised as an asset being the

Note 3 | Accounting principles

The Rezidor Hotel Group's Annual Report has been prepared in accordance with International Financial Reporting Standards (IFRS)/International Accounting Standards (IAS) as endorsed by EU and the Swedish Annual Accounts Act. In addition, RFR 1 Supplementary Rules for Groups has been applied, issued by the Swedish Financial Accounting Standards Council.

The Rezidor Hotel Group applies the historical cost method when preparing

excess of the cost of the business combination over the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss. The interest of non-controlling shareholders in the acquiree is initially measured at the non-controlling's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised. The non-controlling shareholders interest in goodwill is included or excluded on a case by case basis.

Investments in associates and interest in joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Significant influence is normally present in situations where the company has more than 20% of the voting interests but less than 50%.

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control. That is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control. Currently, where the shareholding and votes are less than or equal to 50% of total (shareholding and votes), the Company accounts for these related investments as investments in associated companies.

The results, assets and liabilities of associates and joint ventures are incorporated in the Group's financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 Non-Current Assets Held for Sale and discontinued operations.

The share of income represents the Company's share in the net income (after tax) from these associates and is directly accounted for in the income statement. No further income tax expense is charged to the share of income as this kind of income is untaxed in the countries of the related shareholding entities.

Under the equity method, investments in associates and joint ventures are carried in the consolidated balance sheet at cost, adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised.

Any goodwill arising from the acquisition of the Group's interest in a jointly controlled entity or an associated company is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a subsidiary (see above).

Gains and losses from divestment of shares

Gains or losses from divestment of subsidiaries and associates are calculated as the difference between the selling price and the carrying amount of the net assets at the time of divestment, including a proportionate share of related goodwill and estimated divestment expenses. Gains and losses are recognised in the income statement under "Gain/loss on sale of shares, intangible and tangible assets".

Foreign currency

Assets and liabilities in foreign currency

Foreign currency transactions are translated into the reporting currency using average monthly rates, which essentially reflect the rate of exchange at the date of transaction. Receivables, liabilities and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the rate of exchange at the balance sheet date. Exchange differences that arise between the rate at the date of transaction and the one in effect at the date of payment, or the rate at the balance sheet date, are recognised in the income statement as income or expense. Exchange differences on operating items are recognised in operating profit. Exchange differences on financial items are recognised in the income statement as financial income or expense.

Translation of financial statements of foreign subsidiaries

The functional currency of the majority of the reporting entities is considered to be their local currency. When consolidating, the reporting entities' income statements are translated using the monthly average rates and the balance sheets are translated using the rates at the balance sheet date. Any difference

between the local currency and the functional currency for the Group is recognised in the statement of comprehensive income.

The main exchange rates affecting the financial statements are:

Country	Currency	Year-end rate Dec. 31		Average rate Jan. 1–Dec. 31	
		2017	2016	2017	2016
Denmark	DKK	7.45	7.44	7.44	7.44
Sweden	SEK	9.85	9.57	9.63	9.46
Norway	NOK	9.84	9.08	9.33	9.29
United Kingdom	GBP	0.89	0.85	0.88	0.82
United States	USD	1.20	1.05	1.13	1.11

Income statement

Revenue recognition

Revenue consists of the value of goods and services sold in the leased properties, management fees, franchise fees and other revenues which are generated from the Group's operations.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes. The following is a description of the composition of revenues of the Group.

Leased properties – primarily received from hotel operations, including all revenue received from guests for accommodation, conferences, food and drinks or other services. Revenue is recognised when the sale has been rendered.

Management fees – received from hotels managed by the Group under long-term contracts with the hotel owner. Management fee is normally a percentage of hotel revenue and/or profit and recognised in the income statement when earned and realised or realisable under the terms of the contract.

Franchise fees – received in connection with the license of the Group's brand names, usually under long-term contracts with the hotel owner. Franchise fee is normally a percentage of hotel revenue and/or profit and recognised in the income statement based on the underlying contract agreements.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. Dividend from investments is recognised when the shareholders rights to receive payment have been established.

Customer Loyalty programme

A Customer loyalty programme, Club Carlson (previously named goldpoints plus) is used by the Company to provide customers with incentives to buy room nights. On October 28, 2007, Carlson Group took over the responsibility for the goldpoints plusSM programme from Rezidor. Rezidor was liable three years for points awarded before that date. Rezidor is not liable for points awarded under the loyalty programme after the date of transfer to the Carlson Group.

The Company's customers are awarded loyalty points under various third party loyalty programs. The customers are entitled to utilise the awards as soon as they are granted. Revenues for Rezidor's portion of the award credits are recognised when the customer chooses to claim awards from the third party.

In March 2018, the Club Carlson loyalty programme was replaced by Radisson Rewards.

Cost of goods sold

Cost of goods sold relates mainly to cost of goods in restaurants (Food & Drinks) incurred to generate revenue.

Leasing

As a lessee, Rezidor has entered into lease contracts primarily related to fully furnished hotel premises. Each lease contract is subject to a determination as to whether the lease is a financial or an operating lease. The classification of leases as operating or financial leases are determined based on the individual terms. Leasing contracts where virtually all rights and obligations (which normally characterise ownership) are transferred from the lessor to the lessee are defined as a financial leasing contract. At the beginning of the leasing period, finance leasing contracts are reported at fair value. Assets held under finance leasing contracts are recognised in the balance sheet as a fixed asset and

future commitment to the lessor as a liability.

Leasing contracts that are non-financial are classified as operational leasing contracts. All of Rezidor's leases are currently classified as operating leases. In all current leasing arrangements regarding hotels, Rezidor only carries risks limited to operating the hotel. The lease cost for operating lease contracts is recognised on a straight-line basis except where another systematic basis is more representative of the time pattern in which the economic benefits from the leased assets are consumed.

Assessment of the leased assets' useful economic life corresponds to the principles Rezidor applies to acquired assets. However, in certain exceptional cases, where Rezidor accepts a hotel that requires a major renovation or has excess capacity or other capacity limitation in the short-run (that is, until such time when the property builds up to its full potential), Rezidor may agree to pay a lower minimum lease fee in the beginning of the lease period, and account for it accordingly to better reflect the time pattern in which the economic benefits from such leased hotels are derived.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of any lease benefits, if any, are recognised as a reduction of the leasing cost on a straight line basis over the lease term.

Based on the transitional provisions of IAS 17 (revised 1999), the classification of leases entered into prior to 1999 have been retained.

Personnel cost

Personnel costs comprise salaries and wages as well as social security costs, pension contributions, etc. for employees employed by the legal entities of the Company.

Other operating expenses

Other operating expenses include royalty fees to Radisson Hospitality, Inc. and marketing expenses as well as expenses related to operating the hotels such as energy costs, supplies, other external fees, laundry and dry cleaning, contract services, administration costs, communication, travel, transport, operating equipment, licences, maintenance contracts and exchange differences on operating items.

Rental expenses

Rental expense includes fixed and variable rent for the leased hotels for the period. It also includes all management guarantee payments (i.e. guarantee payments or shortfalls) owed to or paid to the hotel owners based on the related management contracts. Rental costs related to premises leased for administration purposes are recorded at cost in the rental expenses in the line item 'Fixed rent' (see Note 13).

Financial income and expenses

Financial income and expenses items include interest income and expenses, realised and unrealised foreign exchange gains on financial items, bank charges, write-downs of financial loans and receivables and capital gains and losses on loans and receivables and on liabilities as well as capital gains and losses on available-for-sale financial assets.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The current tax is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted in the respective tax jurisdictions on the balance sheet date.

Deferred tax is recognised as the difference between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax is generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates and interest in joint ventures, except where the Group is able to control the reversal of the temporary

difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also recognised in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current liabilities and when they relate to income taxes levied by the same taxation authority and the Groups intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities over cost.

Balance sheet

Licences and other rights and Other intangible assets

Acquired intangible assets are measured at cost less accumulated amortisation. These intangible assets are amortised on a straight line basis. Licences and other rights primarily relate to the contractual rights relating to the Radisson Hospitality, Inc. agreement which is being amortised over the length of the contract (expiring in 2052). Other intangible assets are normally the result of intangible assets acquired as part of new lease or management agreements and are amortised over the rental or management contract period.

If impaired, intangible assets are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Fixed installations in leased properties as well as machinery and equipment (mainly related to investments in leased hotels) are measured at cost less accumulated depreciation and write-downs.

Cost includes the acquisition price, costs directly related to the acquisition and expenses incurred to make the asset ready to be put into operation.

Interest and other finance costs relating to tangible assets during the manufacturing period are recognised in the income statement.

The basis of depreciation is cost less the estimated residual value at the end of the assets useful life. Depreciation is calculated on a straight-line basis based on an assessment of the asset's estimated useful lives:

Fixed installations and technical improvements	10 years
Guest room Furniture, Fixture and Equipment (FF&E)	7 years
Other Furniture, Fixtures & Equipment and Machinery	5 years

In case the remaining term of a lease agreement for a hotel is shorter than the estimated useful life of the asset, the depreciation period is limited to the remainder of the lease term.

Tangible assets are written down to the recoverable amount if this amount is lower than the carrying amount. The recoverable amount is the higher of the net sale value and the value in use. Profits and losses from the sale of tangible assets are calculated as the difference between the selling price less selling expenses and the carrying amount at the time of sale.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the car-

rying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss. When an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is immediately recognised in profit or loss.

Assets classified as held for sale

Non-current assets and disposals groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Inventories

Inventories are measured at the lower of cost (using the FIFO principle) and net realisable value. Cost of goods for resale, raw materials and consumables consist of purchase price plus handling cost.

Financial instruments

Financial instruments are stated at amortised cost or at fair value depending on their initial classification according to IAS 39.

Fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices. Fair value of other financial assets and liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis, using prices from observable current market transactions or dealer quotes for similar instruments.

Amortised cost is calculated using the effective interest method, where any premiums or discounts and directly attributable costs and revenues are capitalised over the contract period using the effective interest rate. The effective interest rate is the rate that yields the instrument's cost when calculating the present value of future cash flows.

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. In order to be classified as cash and cash equivalents, the maturity of the cash and cash equivalents instruments is three months or less at the time of acquisition. Cash and cash equivalents are carried at their nominal value.

Other shares and participations are classified as available-for-sale investments and measured at fair value. Gains and losses arising from changes in fair value are recognised in other comprehensive income, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period. Impairment losses recognised in profit and loss for equity investments are not subsequently reversed through profit and loss. Investments where the fair value cannot be measured reliably are measured at cost.

Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Currently, the Group only designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are

reclassified to profit or loss in the periods when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

The fair values of derivative instruments used for hedging purposes are disclosed in Note 4. Movements on the hedging reserve in equity are shown in Note 32.

Receivables

Receivables are classified as loans and receivables and measured at amortised cost, usually equalling nominal value, less allowance for doubtful accounts.

Other short-term investments

Other short term investments are comprised of cash on restricted accounts and are measured at nominal value.

Accounts payable

Accounts payable are classified as other financial liabilities and recognised at amortised cost, usually equalling nominal value.

Other interest- and non-interest-bearing liabilities

Other interest- and non-interest-bearing liabilities are classified as other financial liabilities and recognised at amortised cost.

Provisions

Provisions for obligations related to lease contracts and management contracts are made if a contract is considered to be onerous. Other provisions are recognised and measured as the best estimate of the expenses required for settling the liabilities at the balance sheet date. Provisions that are estimated to mature in more than one year after the balance sheet date are measured at their present value.

Retirement benefit obligations

Several companies within the Group have established pension plans for its employees. These pension commitments are mainly secured through various pension plans. These vary considerably due to different legislation and agreements on occupational pension systems in the individual countries.

For pension plans where the employer has accepted responsibility for defined contribution solutions, the obligations to employees ceases when contractual premiums have been paid. For other pension plans where defined benefit pensions have been agreed, the commitments do not cease until the contractual pensions have been paid to the employee on retirement.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in income.

Share-based payment transactions

Fair value at grant date for the long-term equity-settled incentive programmes, in which the participants of the plans receive a certain amount of shares in the Company if certain performance criteria are met during the vesting period, is recognised as an expense over the vesting period, adjusted for the number of participants that are expected to remain in service. An amount equal to the expense is credited to equity. In addition to the service criteria, the current programmes have a performance criteria related to earnings per share (EPS), a so called non-market condition. The non-market conditions are taken into consideration in the assessment of the number of shares that will be vested at the end of the vesting period. The additional social security costs are reported as a liability, revalued at each balance sheet date in accordance with UFR 7, issued by the Swedish Financial Accounting Standards Council's Emergency Task Force.

Cash Flow Statement

The cash flow statement is presented using the indirect method. It shows cash flows from operating activities, investing activities and financing activities as

well as the cash and cash equivalents at the beginning and at the end of the financial period.

Cash flows from the acquisition and divestment of enterprises are shown separately under "Cash flow from investing activities". Cash flows from acquired enterprises are recognised in the cash flow statement from the time of their acquisition, and cash flows from divested enterprises are recognised up to the time of sale.

"Cash flow from operating activities" is calculated as operating income before tax adjusted for non-cash operating items, increase or decrease in working capital and change in tax position.

"Cash flow from investing activities" includes payments in connection with the acquisition and divestment of enterprises and activities as well as the purchase and sale of intangible and tangible assets.

"Cash flow from financing activities" includes changes in the size or the composition of the Group's issued capital and related costs as well as the raising of loans, installments on interest-bearing debt, and payment of dividends. Cash flows denominated in foreign currencies, including cash flows in foreign subsidiaries, are translated to the Group reporting currency using average monthly rates, which essentially reflect the rates at the date of payment. Cash at year end is translated to the functional currency using the rates at the balance sheet date.

Note 4 | Financial risk management

Rezidor's financial risk management is governed by a finance policy approved by the Board of Directors. According to the finance policy, the corporate treasury function of the Company systematically monitors and evaluates the financial risks, such as foreign exchange, interest rate, credit and liquidity risks. Rezidor's corporate and regional operational teams systematically monitor market risks related to its business. Measures aimed at managing and handling financial risks are documented in Rezidor's finance policy as well as a finance manual. The finance policy is reviewed by the corporate treasury function on an ongoing basis and presented to the Board on an annual basis for approval.

According to the finance policy, the treasury function may use financial instruments, such as FX forwards, FX swaps, FX options and interest rate swaps to hedge against currency and interest rate risks. At year-end, the Company had entered into certain hedging contracts for cash flow related to some of its fee income. FX swaps have also been used to reduce or eliminate the use of over-draft facilities and mitigate FX volatility, as described under 'Liquidity risks'.

Interest rate risks

Cash flow risks

All credit lines and almost all financial receivables bear floating interest rates. It is the policy of the Company that borrowings and investments should have short term interest rates. The effect on financial net in the income statement of a change in market interest rates with 100 basis points would be immaterial, based on the net financial assets, on December 31, 2017.

Fair value risks

Since almost all interest-bearing receivables are on a floating interest arrangement and carried at amortised cost, there is no material impact from changes in market interest rates on the carrying values of these receivables and consequently no material impact on the income statement or equity.

Off-balance sheet commitments

The main financing risk is related to Rezidor's ability to control and meet the company's off-balance sheet commitments under leases with fixed rent payments and management agreements with guarantees. Such fixed lease and guaranteed amounts have historically been agreed on a fixed rate basis with indexation as a percent of change in the relevant consumer price index, and are, therefore, not exposed to variations in the market interest rates. In addition, these commitments are normally limited to an agreed maximum financial exposure, which is usually capped at 2–3 times the annual guaranteed result under a contract or an annual minimum lease. The off-balance sheet commitments are consequently normally reduced over the contract term as the caps are consumed.

Currency risks

The Company has operations in a vast number of countries with many different currencies, and is therefore exposed to currency exchange rate fluctuations. The most important foreign currencies are the Swedish Krona (SEK), the Norwegian Krone (NOK), the Danish Krone (DKK), the U.S. Dollar (USD), the Swiss Franc (CHF) and the Pound Sterling (GBP). The exposure from the DKK is, however, limited as the currency is pegged to the EUR.

Transaction exposure

When entities within the Group generate revenues and incur costs in different

currencies, they are subject to transaction exposure. For the leased operations, the nature of the business is normally local, and consequently the exposure is limited. Unlike the leased operation, the fee business is generally subject to a relatively higher transaction exposure. This transaction exposure arises when fees are collected by entities located in another country than that of the hotel from which the fee originates. Hotels in certain markets with high currency volatility and a large international customer base, however, generally adjust their room rates charged in the local currency to take into account volatile fluctuations in the EUR, Rezidor's reporting currency, or the USD.

All hotels use a reservation system that is set up and managed by Radisson Hospitality Inc., for which the hotels pay a fee to Radisson Hospitality Inc. The fees are collected centrally by Rezidor from its hotels and paid further on to Radisson Hospitality Inc. Rezidor also pays franchise fees to Radisson Hospitality Inc. for the use of the brand names as well as a minor portion of the marketing fees collected from its hotels. As part of its currency hedging strategy, Rezidor collects the reservation fee from its leased hotels in their local currency. The fee charged to its leased hotels is equivalent to the USD fee per reservation charged by Rezidor in USD to its managed and franchised hotels. By combining currency hedges and keeping a part of the cash inflow in USD, Rezidor mitigates its USD exposure resulting from the outflow to Radisson Hospitality Inc.

Translation exposure

The Company presents its financial statements in EUR. Since certain of Rezidor's foreign operations have a functional currency other than EUR, the consolidated financial statements and shareholders' equity are exposed to exchange rate fluctuations when the income statements and balance sheets in foreign currencies are translated into EUR. The exposure on the consolidated equity is however lowered through the decision to not own any real estate as this reduces the total assets denominated in foreign currencies.

A sensitivity analysis shows that if the EUR would fluctuate by 5% against other currencies in the Group, excluding DKK which is pegged to the EUR, the effect on the consolidated equity would be approximately MEUR 12.1, based on the equity at year-end 2017, and MEUR 27.1 on total revenue, MEUR 2.1 on EBITDA and MEUR 1.2 on net income, based on the income statement for 2017. This sensitivity assumes that all currencies would fluctuate 5% against the EUR and does not take into account the correlation between and the resulting risk diversification from those currencies.

Credit risks

Credit risks are related to the financial receivables in the balance sheet, i.e. 'Other long-term interest-bearing receivables', 'Other long-term non-interest bearing receivables', 'Other current interest bearing receivables' and 'Accounts receivables'. Above that, the Group is also exposed to credit risks related to 'Other short-term investments' and 'Cash and cash equivalents'.

At the local hotel level, the credit exposure is normally limited, as the accounts regularly are settled in cash or by accepted credit cards. Credits are only offered to customers under a contract and only to companies or registered organisations with a legal structure. Credit terms must be described in the contract and comply with the guidelines as described in the finance manual. As for managed and franchised hotels, a background check of the hotel owner is made before entering into a new contract, including, where possible, an investigation of the creditworthiness. The credit term is normally 30 days for both local hotel customers and for fees. The financial guidelines set strict rules for the follow-up of overdue receivables and for credit meetings. As sales in both the local hotels and the fee invoicing to managed and franchised hotels, are dispersed among many different customers, the Group has little credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Information about accounts receivables overdue and impaired at year end is presented in Note 25.

In some cases, Rezidor grants loans to owners of Rezidor's hotels, or to joint venture partners and associated companies in early stages of new projects. The terms for such loans vary, but in principle there is an agreement on interest on the loans and the repayment schedule is based on the project opening and project progress. Based on market conditions, interest rates, repayment schedules and security arrangements have been agreed upon. Terms and conditions for such loans are decided upon centrally by Group financial management. Information about these loans, maturity dates, security arrangements etc. is presented in Note 24 and Note 26.

Cash not necessary for the normal course of business is deposited in a bank. Central treasury is responsible to coordinate the handling of surplus liquidity and liquidity reserves, and only central treasury or persons authorised by central treasury may engage in external investment transactions. Individual hotels and administration units with excess liquidity which cannot be held on accounts within the cash pool structure can invest externally only with the prior consent of central treasury and in accordance with the finance policy. According to the finance policy, the investments of surplus liquidity can only be made in creditworthy interest-bearing securities, in securities with high liquidity, in investments/securities/deposits with short-term maturity, and, as regards deposits, normally with financial insti-

tutions with a rating of A–1/P1/F1 or higher. The carrying amount of these financial assets, as disclosed in the table below, represents the maximum credit exposure for the Group.

TEUR	As of Dec.31	
Carrying amount	2017	2016
Other long-term interest-bearing receivables ¹⁾	19,178	22,247
Other long-term non-interest-bearing receivables	7,522	8,125
Accounts receivable	46,997	46,140
Other current non-interest-bearing receivables	19,059	16,769
Other current interest-bearing receivables	3,529	3,353
Cash and cash equivalents	7,356	8,051
Maximum credit exposure	103,641	104,685

1) Where of TEUR 12,554 (13,772) is classified as held for sale.

Liquidity risks

Liquidity risk is that the Company is unable to meet its payment obligations because of insufficient liquidity or difficulty in raising external financing. Raising of capital and placement of excess liquidity is managed centrally by the central treasury function. The Group has objectives for liquidity reserves, such as excess cash and irrevocable credit facilities, that the Group should have available at any time. The central treasury function monitors the cash position of the different entities within the Group, usually daily, to ensure an efficient and adequate use of cash and overdraft facilities.

Rezidor has secured appropriate overdraft and credit facilities through long term agreements with leading European Banks with solid credit ratings. One bank provides a cross-border cash pool in which most of the cash flows within the Group are concentrated. Through this bank agreement, the Company has also secured combined overdraft and guarantee facilities with varied terms for a total amount of TEUR 105,000. In addition, the Company has credit facilities of TEUR 90,000 and TEUR 5,000 with other banks. The remaining tenor of the committed credit facility range between ten and eleven months and are combined with customary covenants. The Group has not pledged any assets to secure these facilities. At year-end, TEUR 30,405 (20,522) was used for overdraft. TEUR 2,634 (2,800) was used for bank guarantees. Cash and cash equivalents amounted to TEUR 7,356 (8,051), of which TEUR 6,464 (7,179) were in banks and TEUR 992 (845) in petty cash at several hotels and administration units. TEUR — (27) out of TEUR 7,356 (8,051) was classified as assets held for sale. To reduce or eliminate the use of overdraft and to mitigate FX volatility, Rezidor regularly enters into short term FX swaps and rolling twelve-month currency hedges. On December 31, 2017, the Company had EUR to SEK swaps of TEUR 1,750, EUR to DKK swaps of TEUR 3,358, EUR to NOK swaps of TEUR 2,669, GBP to EUR swaps of TGBP 976 and USD to DKK swaps of TUSD 485 respectively, all with a maturity shorter than two weeks. On December 31, 2016, the Company had EUR to SEK swaps of TEUR 4,300, EUR to GBP swaps of TEUR 2,900 and SEK to GBP swaps of TSEK 124,000 respectively, all with a maturity shorter than two weeks.

The payment obligations of the Group at year-end, defined as the remaining maturity for financial liabilities, is presented below:

TEUR	As of Dec.31	
Mature within 1 year	2017	2016
Other current interest-bearing liabilities	30,405	20,522
	30,405	20,522
Mature after 1 year		
Other long-term interest-bearing liabilities	9,195	9,195
	9,195	9,195
Undefined maturity		
Other long-term interest bearing liabilities	6,385	6,925
	6,385	6,925

The long-term liability falling under 'Undefined maturity' is related to the financing of investments in a German hotel under a management contract, where the repayment of the loan is linked to the fees collected from this hotel.

	01/01/2017	cash flows	Non cash changes	Accrued interest	Effect of foreign currency exchange differences	31/12/2017
Other long term borrowings	13,677	–547	481	—	—	13,611
	13,677	–547	481	—	—	13,611

Bank overdrafts	20,522	9,883	—	—	—	30,405
Cash and cash equivalents	8,051	–546	—	–149	7,356	
	28,573	9,337	—	–149	37,761	

	01/01/2016	cash flows	Non cash changes	Accrued interest	Effect of foreign currency exchange differences	31/12/2016
Other long term borrowings	5,694	7,569	414	—	—	13,677
	5,694	7,569	414	—	—	13,677

Bank overdrafts	4	20,518	—	—	—	20,522
Cash and cash equivalents	41,087	–33,012	—	–24	8,051	
	41,091	–12,494	—	–24	28,573	

Market risks

Apart from interest rate risks and currency risks, which are described above, the Company is also subject to price risk related to changes in fair value of the investments in other shares and participations. These investments, normally the result of equity financing in early stages of certain hotel projects, are classified as available-for-sale investments with changes in fair value recognised in other comprehensive income. The Company is also subject to price risk from changes in fair value on FX swaps, with fair value recognised through profit or loss, and from changes in fair value on derivatives used for hedging. The fair value change on FX swaps and fee hedges outstanding on December 31, 2017, was net TEUR 17 (78) and TEUR 211 (–66) respectively. The real exposure to the Company is, however, limited as the contracts mature from within one week to less than one year.

Fair value

FX swaps are classified as held for trading with changes in fair value recognised in profit or loss. Fair value changes on derivatives used for hedging (cash flow hedges) are recognised in other comprehensive income. The fair value is obtained from banks which have derived the fair value through calculations based on market interest rates and market FX rates. Other shares and participations, classified as available-for-sale investments with changes in fair value recognised in other comprehensive income, are measured at fair value, based on discounted cash flow analyses.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). The main approach used by the company for this purpose is discounted cash flow. The discount rates used when discounting the future cash flows amounts to 13.1% (TEUR 4,158 of the assets in the table below) and 8.2% (TEUR 1,579 of the assets) respectively. The key assumptions for the calculations are similar to these described in Note 6, "Impairment testing".

As of Dec. 31 2017	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss (held for trading)	—	–17	—	–17
Derivatives used for hedging	—	211	—	211
Available-for-sale financial assets	—	—	5,737	5,737
Total	—	194	5,737	5,931

As of Dec. 31 2016	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss (held for trading)	—	–57	—	–57
Derivatives used for hedging	—	–66	—	–66
Available-for-sale financial assets	—	—	5,220	5,220
Total	—	–123	5,220	5,097

Assets measured at fair value based on Level 3	Available for sale financial assets	Total
Opening balance as of Jan. 1, 2017	5,220	5,220
Acquisitions during the year	544	544
In other comprehensive income (mainly exchange differences)	-27	-27
Closing balance as of Dec. 31, 2017	5,737	5,737

For other financial assets and financial liabilities, measured at amortised cost in the balance sheet, the carrying amounts in the financial statements approximate their fair values, as they mature within one year, bear a floating interest or have other terms and conditions considered to be equal or close to equal to market conditions.

Categories of financial assets and liabilities

The carrying amounts of different categories, as defined in IAS 39, of financial assets and liabilities, December 31 were as follows:

	As of Dec.31	
TEUR	2017	2016
Financial assets at fair value through profit and loss (held for trading)		
Other current non-interest bearing receivables	-17	-57
	-17	-57
Derivatives used for hedging		
Derivative financial instruments – current assets	219	41
Derivative financial instruments – current liabilities	-8	-107
	211	-66
Loans and receivables		
Other long-term interest-bearing receivables	6,638	8,475
Other long-term non-interest-bearing receivables	7,522	8,125
Accounts receivables	46,997	46,140
Other current non-interest-bearing receivables	19,059	16,769
Other current interest-bearing receivables	3,529	3,353
Other short-term investments	—	—
Cash and cash equivalents	7,356	8,051
	91,101	90,913
Available for sale financial assets		
Other shares and participations	5,247	5,220
	5,247	5,220
Financial liabilities measured at amortised cost		
Other long-term interest-bearing liabilities	13,611	13,677
Other long-term non-interest-bearing liabilities	10,267	11,392
Accounts payables	44,913	31,698
Other current interest-bearing liabilities	30,405	20,522
Other current non-interest-bearing liabilities	17,164	16,190
	116,360	93,479

Capital structure

Rezidor defines its capital as equity and net debt, where net debt is external borrowing, including the use of overdraft facilities, minus cash and cash equivalents. The objective is to have an efficient capital structure, considering both the financing needs of the Group and the shareholders' return. To achieve this, the long-term policy is to distribute approximately one third of the annual net income as dividend and to maintain a small net cash position and sufficient credit facilities. Depending on the financing needs of the Company, dividends may be adjusted, shares bought back or new shares issued. At year-end 2017 the equity amounted to TEUR 253,656 (265,676) and the net debt to TEUR 31,663 (20,835).

Financial risk management – Parent Company

Joint risk management is applied to all units in the Group. The Parent Company forms a relatively small part of the Group. There are no material differences between the risk management applied for the Parent Company and that applied for the Group. Full application under IFRS 7 regarding qualitative and quantitative risk information is therefore not presented separately for the Parent Company.

Note 5 | Critical judgements and estimates

The preparation of financial statements and application of accounting policies are often based on the management's assessments or on estimates and assumptions deemed reasonable and prudent at the time they are made. Below is an overall description of the accounting policies affected by such estimates or assumptions that are expected to have the most significant impact on The Rezidor Hotel Groups' reported earnings and financial position.

Reporting of costs for defined benefit pensions are based on actuarial estimates derived from assumptions about discount rate, expected return on managed assets, future pay increases and inflation.

As a lessee, Rezidor has entered into lease contracts primarily related to fully furnished hotel premises. Each lease contract is subject to a determination as to whether the lease is a financial or an operating lease. The classification of leases as operating or financial leases are determined based on the individual terms. Leasing contracts where virtually all rights and obligations (which normally characterise ownership) are transferred from the lessor to the lessee are defined as a financial leasing contract. Leasing contracts that are non-financial are classified as operational leasing contracts. All of Rezidor's leases are currently classified as operating leases. In all current leasing arrangements regarding hotels, Rezidor only carries risks limited to operating the hotel.

Note 6 | Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that could have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed here below.

Impairment testing

At each balance sheet date (closing date), a review is conducted assessing any indication that the company's tangible, intangible assets and contracts are impaired and if this is the case, the recoverable amount of the individual assets and contracts (or the cash-generating unit to which they belong) is calculated in order to determine whether impairment exists. Each hotel contract is considered as a separate cash generating contract.

The method used for testing assets in use is the discounted cash flow technique (DCF) using the internal pre-tax discount rate (Weighted Average Cost of Capital) which is recalculated regularly. At year-end 2017 a discount rate of 8.2% (8.1) was used when discounting future cash flows in Euro zone, Denmark, Norway, Sweden and Switzerland. If the net present value shows a net present value (NPV) that is below the carrying value, then impairment is considered on the related tangible and intangible group of assets.

The key assumptions for the value in use calculations are discount rates, growth rates and expected changes in occupancy and room rates and direct costs during the period. Changes in selling prices and occupancy and direct costs are based on past practices and expectations of future changes in the market. Derived from the most recent financial budgets approved by management, the group prepares cash flows over the related length of each respective contract normally ranging from 15 to 20 years. Each individual hotel contract has been valued separately, taking into account the remaining contract term and the applicable commercial terms.

The expected cash flows for each unit take into account the budgeted numbers for 2018 and projected numbers for 2019-2021. The long term growth in revenues, costs and profit margins follow similar development pattern as the change in local consumer price index in line with the historical growth rates experienced in those regions except when justified otherwise by other factors. Such factors include ongoing higher than inflation improvement in market RevPAR, building up of revenues due to renovation works carried out to maintain the hotels at a certain standard, revenue turnaround and cost restructuring programmes and impact of rebranding.

When required, write-downs have been accounted for. During the year, write-downs of TEUR 19,488 (9,461) of fixed assets related to leased hotels in Belgium, Germany, Norway, Spain and the UK were recognised as a result of impairment tests. The impairments were primarily the result of lowered market growth expectations. The assets have been written-down to the calculated value in use. TEUR 271 (2,005) of reversals of write-downs were recognised during the year.

Portfolio management, a revision of plans and projections for loss-making hotels or a setback in the economic recovery, with major implications on the performance of the company's hotels, may lead to a renewed assessment of the carrying value of both tangible and intangible assets.

Assessment of onerous contracts in management and lease agreements

A similar method as for impairment is applied to test if management contracts or lease agreements are onerous and, if applicable, a provision is recorded. No provision has been recognised for onerous lease contracts during the year or previous year. No provisions were recognised during the year or previous year for onerous management contracts with shortfall guarantees. Provisions for management contracts with shortfall guarantees are recognised as guarantee payments under rental expenses in the income statement. Portfolio management, a revision of plans and projections for loss-making hotels or a setback in the economic recovery, with major implications on the performance of the company's hotels, may lead to a renewed assessment.

Deferred tax assets

Deferred tax is recognised on temporary differences between stated and taxable income and on unutilised tax losses carried forward. The valuation of tax losses carried forward, and ability to utilise tax losses carried forward, is based on estimates of future taxable income. The assumptions used in estimating the future taxable income are based on those used in the impairment tests. During 2017, deferred tax assets on losses of net TEUR 2,134 (26,150) were recognised following reviews of the likelihood to utilise tax losses carried forward. Portfolio management, a revision of plans and projections for loss-making hotels or a setback in the economic recovery, with major implications on the performance of the company's hotels, could trigger a need for further assessment of the recoverability of accumulated tax losses carry forward and therefore also on the carrying value of deferred tax assets. Furthermore, changes in tax rules and regulations, for example a reduction of the income considered taxable, the right to deduct expenses, or restrictions on loss utilisation can also trigger a need for further assessment of the recoverability of the tax losses carry forward and the related deferred tax assets.

Investments

During the year or previous year, no investments were written down following the review of other shares and participations held by the Group (Note 22).

Assessment of the off-balance sheet commitments

For leasing commitments, the Company estimates that the future leasing expense would entail payment of at least the annual fixed rent under the lease agreements (Note 38).

For management contract commitments, the Company discloses its maximum capped financial exposure related to all management agreements that carry a financial commitment. However of the maximum exposure presently disclosed (see Note 39), the annual costs are just a small part of the maximum commitment.

Provisions

Provisions are made when any probable and quantifiable risk of loss attributable to disputes is judged to exist. Provisions for claims due to known disputes are recorded whenever there is a situation where it is more likely than not that the company will have an obligation to settle the dispute and where a reliable estimate can be made regarding the outcome of such dispute.

Note 7 | Segment disclosures

The segments are reported in accordance with IFRS 8 Operating segments. The segment information is reported in the same way as it is reviewed and analysed internally by the chief operating decision-makers, primarily the CEO, the Executive Committee and the Board of Directors.

The Rezidor Hotel Group's principal geographical markets, or regions in which the Group operates its business consists of:

- The Nordics including Denmark, Finland, Iceland, Norway and Sweden;
- The Rest of Western Europe including Austria, Belgium, France, Germany, Ireland, Italy, Luxembourg, Malta, the Netherlands, Portugal, Spain, Switzerland and the United Kingdom;
- Eastern Europe including Armenia, Azerbaijan, Belarus, Croatia, Cyprus, the Czech Republic, Estonia, Georgia, Hungary, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Moldova, Poland, Romania, Russia, Serbia, Slovakia, Turkey, Ukraine and Uzbekistan; and
- Middle East, Africa and Other including Algeria, Angola, Bahrain, Cameroon, Cape Verde, Chad, China, Congo, Egypt, Ethiopia, Gabon, Ghana, Iraq, Ivory Coast, Kenya, Kuwait, Lebanon, Libya, Mali, Mauritius, Morocco, Mozambique, Nigeria, Oman, Qatar, Rwanda, Saudi Arabia, Senegal, Sierra Leone, South Africa, South Sudan, Tunisia, Uganda, the United Arab Emirates, Zambia and Zimbabwe.

The Rezidor Group's types of contractual arrangements (or operating structures) in which the Rezidor hotels are operated consists of:

- **Leased contractual arrangements:**
Under Rezidor's lease agreements, Rezidor leases hotel buildings from property owners and is entitled to the benefits and carries the risks associated with operating of the hotel. The Company derives revenue primarily from room sales and food and drinks sales in restaurants, bars and banqueting. The main costs arising under a lease agreement are costs related to rent paid to the lessor, personnel costs and other operating expenses. Rent payments to lessor typically include a variable rent (as % of hotel revenue) with an underlying minimum fixed rent (for more details see Note 38). Under some lease agreements, the company also reimburses the owner of the hotel property for property taxes and property insurance. Under Rezidor's lease agreements, the company is responsible for maintaining the hotels Furniture, Fixtures and Equipment (FFE) in good repair and condition over the term of the lease agreement.
- **Managed contractual arrangements:**
Under management agreements, the Company provides management services for third-party hotel proprietors. Revenue is primarily derived from base fees determined as a percentage of total hotel revenue and incentive management fees defined as a percentage of the gross operating profit or adjusted gross operating profit of the hotel operations. In addition, the company collects marketing fees based on total rooms revenue or on total revenue, and reservation fees are based on the number of reservations made. Under some management agreements, Rezidor may offer the hotel proprietor a minimum guaranteed result, as further described in Note 39. Under a management agreement, the hotel proprietor is responsible for all investments in and costs of the hotel, including the funding of periodic maintenance and repair, as well as for insurance of the hotel property. The employees that operate the hotels are, in general, employees of the hotel proprietor.
- **Franchised contractual arrangements:**
Under franchise agreements, the company authorises a third-party hotel operator or property owner to operate the hotel under one of the brands in the Company's portfolio. Accordingly, under such agreements, the Company neither owns, leases nor manages the hotel. The Company derives revenue from brand royalties or from licensing fees which, under most of the franchise agreements, are based on a percentage of total room revenue generated by a hotel. In addition, the Company collects marketing fees based on total room revenue and reservation fees based on the number of reservations made. In order to gain access to different concepts and programmes associated with the brand, the hotel owners normally have to pay additional fees. Currently, franchise agreements for the Missoni brand are not allowed.
- **Other represents complementary Group revenue from administrative activities, but also includes the share of income from associates and joint ventures (for EBITDA and EBIT).**

Revenue

The split made between the detailed segments is based on the location of the business activities and on the net contribution of each related entities in their respective regional place of business, meaning that the segment disclosure is made after elimination of intra-group and intra-segment transactions (i.e. internal fees).

The line item 'Leased' represents, per region, the operating revenue (Room revenue, F&B revenue and Other hotel revenue) from leased hotels.

The line item 'Managed' represents, per region, the fees from managed hotels.

The line item 'Franchised' represents, per region, the fees from franchised hotels.

The line item 'Other' represents complementary Group revenue from administrative activities.

EBITDA and EBIT

The line item 'Leased' represents, per region, the net operational contribution of leased hotels per region, less related marketing costs. Royalty fees and reservation fees.

The line item 'Managed' represents, per region, the fees from managed hotels less related marketing costs, Royalty fees, reservation fees and any shortfall guarantees.

The line item 'Franchised' represents, per region, the fees from franchised hotels less related marketing costs, Royalty fees and reservation fees.

Marketing costs are allocated to the operational units, i.e., Leased, Managed and Franchised per region, based on room revenue. Amortisation of

intangible assets related to the franchise agreements with Radisson Hospitality, Inc. is allocated based on the same principle.

The line item 'Central costs' represents corporate and regional costs (excluding the marketing costs which are allocated to the operational units) before depreciations and amortisations.

The line item 'Other' represents the contribution of the rest of the administrative activities and includes also the share of income in associates (for EBITDA) and gain (loss) on sale of shares and fixed assets (for EBIT). Depreciations and amortisations related to administrative activities are included in 'Other' in EBIT.

Balance sheet, Investments, Key Performance Indicators and Hotel Inventory

The chief operating decision-maker monitors tangible, intangible and financial assets as well as capital expenditure (investments) attributable to each segment for the purpose of monitoring segment performance and allocating resources between segments. Assets and capital expenditure include those used directly in the operation of each segment, including intangible assets, property, plant and equipment and investments in associates. These assets are allocated according to their physical location. Key Performance indicators like RevPAR (i.e. Rooms revenue in relation to the number of rooms available) expressed in euro and occupancy (i.e. number of rooms sold in relation to the numbers of rooms available) expressed in rate are disclosed between major brands, Radisson Blu and Park Inn by Radisson. Number of hotels and rooms in operation are segmented by geographic market and by operating structure.

SEGMENTATION – REVENUE

TEUR	Nordics		Rest of Western Europe		Eastern Europe		Middle East, Africa and Other		Total			
	2017	2016	2017	2016	2017	2016	2017	2016	2017	%	2016	%
Leased	370,503	390,722	439,819	424,583	—	—	—	—	810,322	83.8%	815,305	84.8%
Managed	3,180	2,243	27,957	29,891	38,339	32,670	30,382	30,263	99,858	10.3%	95,067	9.9%
Franchised	9,388	9,316	12,075	11,223	7,755	5,667	337	414	29,555	3.1%	26,620	2.8%
Other	17,894	14,813	9,621	9,371	—	—	—	—	27,515	2.8%	24,184	2.5%
Total	400,965	417,094	489,472	475,068	46,094	38,337	30,719	30,677	967,250	100.0%	961,176	100.0%

Countries from which more than 10% of total revenue origins are Norway TEUR 189,967 (195,066), United Kingdom TEUR 162,298 (164,825), Germany TEUR 145,484 (141,184) and Sweden, where the Parent Company is located, TEUR 126,519 (128,844).

SEGMENTATION – EBITDA

TEUR	Nordics		Rest of Western Europe		Eastern Europe		Middle East, Africa and Other		Central costs		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Leased	34,347	31,539	30,286	27,254	—	—	—	—	—	—	64,633	58,793
Managed	2,004	1,464	17,820	19,318	26,284	22,561	15,613	17,261	—	—	61,721	60,604
Franchised	4,964	5,263	5,036	4,690	4,369	2,886	140	177	—	—	14,509	13,016
Other ¹⁾	9,726	6,933	—266	311	—	—	—509	262	—	—	8,951	7,506
Central costs	—	—	—	—	—	—	—	—	—67,745	—60,571	—67,745	—60,571
Total	51,041	45,199	52,876	51,573	30,653	25,447	15,244	17,700	—67,745	—60,571	82,069	79,348

1) Other also includes share of income in associates and joint ventures.

SEGMENTATION – EBIT

TEUR	Nordics		Rest of Western Europe		Eastern Europe		Middle East, Africa and Other		Central costs		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Leased	5,723	2,626	—2,579	—16,152	—	—	—	—	—	—	3,144	—13,526
Managed	1,967	1,446	16,181	18,396	26,050	22,373	14,569	16,963	—	—	58,767	59,178
Franchised	4,605	5,172	4,904	4,559	4,324	2,839	136	173	—	—	13,969	12,743
Other ¹⁾	7,370	4,612	—266	311	—	—	—509	262	—	—	6,595	5,185
Central costs	—	—	—	—	—	—	—	—	—67,745	—60,571	—67,745	—60,571
Total	19,665	13,856	18,240	7,114	30,374	25,212	14,196	17,398	—67,745	—60,571	14,730	3,009

1) Other also includes share of income in associates and joint ventures and gain /loss on sale of shares and fixed assets.

RECONCILIATION OF PROFIT/LOSS FOR THE PERIOD

TEUR	2017	2016
Total operating profit (EBIT) for reportable segments	14,730	3,009
Financial income	1,204	2,475
Financial expense	–3,211	–2,748
Group's total profit before tax	12,723	2,736

SHARE OF INCOME IN ASSOCIATES

TEUR	Nordics		Rest of Western Europe		Eastern Europe		Middle East, Africa and Other		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Share of income in associates	—	—	–266	311	—	—	–509	262	–775	573
Total	—	—	–266	311	—	—	–509	262	–775	573

SEGMENTATION – BALANCE SHEET

TEUR	Nordics		Rest of Western Europe		Eastern Europe		Middle East, Africa and Other		Total	
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Leased	187,430	166,929	252,569	258,212	2,188	1,769	6,238	5,985	448,425	432,895
Managed	784	637	5,458	5,601	6,847	6,673	6,263	6,850	19,352	19,761
Franchised	3,137	3,082	4,442	4,569	1,534	1,652	122	164	9,235	9,467
Other	349	1,448	15,521	15,502	5,602	5,069	14,929	18,375	36,401	40,394
Group's total assets	191,700	172,096	277,990	283,884	16,171	15,163	27,552	31,374	513,413	502,517
Group's total liabilities	105,930	105,613	147,373	124,543	1,468	1,004	4,986	5,681	259,757	236,841

SEGMENTATION – INVESTMENTS¹⁾

TEUR	Nordics		Rest of Western Europe		Eastern Europe		Middle East, Africa and Other		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Leased	48,511	23,219	24,185	47,219	154	159	725	82	73,575	70,679
Other	—	—	228	403	—	—	—	—	228	403
Total	48,511	23,219	24,413	47,622	154	159	725	82	73,803	71,082

1) Excluding investments related to financial assets, see Note 20 and 21.

SEGMENTATION – DEPRECIATION, AMORTISATION AND WRITE-DOWNS

TEUR	Nordics		Rest of Western Europe		Eastern Europe		Middle East, Africa and Other		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Depreciation and amortisation	16,602	18,072	25,001	23,209	279	235	265	294	42,147	41,810
Write-downs	14,771	4,568	5,664	4,885	—	—	783	8	21,218	9,461
Reversal of write-downs	—	—	–271	–2,005	—	—	—	—	–271	–2,005
Group's total depreciation and amortisation	31,373	22,640	30,394	26,089	279	235	1,048	302	63,094	49,266

Non-current assets in Sweden amounted to TEUR 56,115 (58,733).

SEGMENTATION – REVPAR AND OCCUPANCY¹⁾

	Radisson Blu		Park Inn by Radisson		Rezidor	
	2017	2016	2017	2016	2017	2016
RevPAR, EUR	77.1	76.7	47.3	45.1	69.7	68.8
Occupancy, %	65.6	65.2	65.5	64.8	65.6	65.1

1) RevPAR (Revenue per Available Room) – is calculated as Rooms revenue in relation to the number of rooms available in leased and managed hotels.
Occupancy – is calculated as the number of rooms sold in relation to the number of rooms available.

SEGMENTATION – HOTEL INVENTORY (IN OPERATION)

Summary by geographic area and by operating structure

As of Dec. 31, 2017 – In operation	Nordics		Rest of Western Europe		Eastern Europe		Middle East, Africa and Other		Total	
	Hotels	Room	Hotels	Room	Hotels	Room	Hotels	Room	Hotels	Room
Leased	25	7,102	39	9,167	—	—	—	—	64	16,269
Managed	3	957	46	8,411	72	18,481	75	15,735	196	43,584
Franchised	31	6,235	45	8,782	32	6,005	1	257	109	21,279
Total Rezidor	59	14,294	130	26,360	104	24,486	76	15,992	369	81,132

As of Dec. 31, 2016 – In operation	Nordics		Rest of Western Europe		Eastern Europe		Middle East, Africa and Other		Total	
	Hotels	Room	Hotels	Room	Hotels	Room	Hotels	Room	Hotels	Room
Leased	26	7,267	41	9,434	—	—	—	—	67	16,701
Managed	3	957	45	8,243	72	18,584	66	14,438	186	42,222
Franchised	31	6,235	50	9,542	28	5,545	1	257	110	21,579
Total Rezidor	60	14,459	136	27,219	100	24,129	67	14,695	363	80,502

Note 8 | Revenue

Operating Revenue per area of operation

TEUR	For the Year Ended Dec. 31	
	2017	2016
Rooms revenue	544,320	541,538
Food & Drink revenue	241,623	247,245
Other hotel revenue	24,379	26,522
Hotel revenue	810,322	815,305
Fee revenue	129,413	121,682
Other revenue	27,515	24,189
Total revenue	967,250	961,176
Specification of Fee revenue		
Management fees	35,444	33,268
Incentive fees	32,702	30,114
Franchise fees	13,330	12,457
Marketing fees	29,725	28,243
Termination fees	1,584	1,426
Other fees	16,628	16,174
Total	129,413	121,682

- The line item 'Other hotel revenue' consists of complementary hotel revenue such as revenue from parking, pool, laundry and gym.
- The line item 'Other revenue' consists of complementary Group revenue such as administration revenue.

Note 9 | Cost of goods sold for food & drinks and other related expenses

TEUR	For the Year Ended Dec. 31	
	2017	2016
Cost of food	33,583	34,444
Cost of drinks	8,706	9,362
Cost of other income	7,570	9,014
Cost of other goods sold	740	537
Cost of telephone, fax, internet	402	508
Total	51,001	53,865

- The line item 'Cost of other income' consists of various costs directly related to 'Other hotel revenue' and 'Other revenue'.

Note 10 | Payroll cost, number of employees, etc

Payroll cost	For the Year Ended Dec. 31	
	2017	2016
TEUR		
Salaries	232,833	226,768
Social security	39,257	37,915
Pension costs	8,027	8,254
Sub-total	280,117	272,937
Other personnel costs (other benefits in kind), including contract labour costs	67,655	64,843
Total	347,772	337,780

These costs are included in the line personnel cost and contract labour in the income statement.

TEUR 18,125 (16,423) of the total salaries and remuneration in 2017 was related to senior officers within the Group, of which TEUR 4,858 (3,265) was variable salary. TEUR 922 (631) of the pension costs was related to senior officers within the Group. Senior officers are defined as General Managers at hotels, members of the Executive Committee and Area Vice Presidents. The salary specified for senior officers relates to the remuneration they have received in their capacity as General Managers, members of the Executive Committee or Area Vice Presidents.

For the Year ended Dec. 31	Salaries		Social security		Pension costs		Subtotal		Other personnel costs ¹⁾		Total	
TEUR	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Denmark	21,449	25,598	475	775	1,769	2,098	23,693	28,471	3,778	4,579	27,471	33,050
Norway	46,555	48,259	6,199	6,679	1,635	1,619	54,389	56,557	14,800	14,747	69,189	71,304
Sweden	24,556	26,454	8,249	8,382	1,759	1,716	34,564	36,552	6,190	6,389	40,754	42,941
United Kingdom	34,942	35,174	3,053	3,172	928	965	38,923	39,311	8,192	8,973	47,115	48,284
Germany	31,942	30,261	6,347	6,088	—	—	38,289	36,349	12,119	11,956	50,408	48,305
France	13,817	9,164	4,946	3,557	—39	16	18,724	12,737	4,688	2,013	23,412	14,750
Belgium	27,670	22,588	6,220	5,649	1,184	1,201	35,074	29,438	7,945	6,362	43,019	35,800
Other	31,902	29,270	3,768	3,613	791	639	36,461	33,522	9,943	9,824	46,404	43,346
Total	232,833	226,768	39,257	37,915	8,027	8,254	280,117	272,937	67,655	64,843	347,772	337,780

1) Includes variable remuneration and related social costs.

The average number of employees in Rezidor's companies was 5,033 (5,142) and is split as follows:

	For the Year Ended Dec. 31			
	2017		2016	
	Men	Women	Men	Women
Denmark	188	204	254	235
Norway	465	467	487	522
Sweden	240	284	245	290
United Kingdom	555	683	604	597
Germany	415	439	398	444
France	191	135	135	170
Belgium	121	134	137	123
Other	276	236	268	233
Total	2,451	2,582	2,528	2,614
Total men and women	5,033		5,142	

	As of Dec. 31			
	2017		2016	
	Men	Women	Men	Women
Members of the Board of Directors ¹⁾	10	—	4	3
Executive Committee (including CEO)	6	—	5	1

1) Including two male employee representatives elected by the Swedish labour organisation "Hotell- och restaurangfacket".

Remuneration to the members of the Board of Directors of the Parent Company elected by the AGM¹⁾

TEUR	For the Year Ended Dec. 31	
	2017	2016
Di Xin	—	—
Daoqi Liu	—	—
Xiang Song	—	—
Charles B. Mobus Jr	22	—
Wolfgang M. Neumann	20	—
Kin Ching Lo	25	—
Andreas Schmid	22	—
Thomas Staehelin	23	—
Trudy Rautio	43	86
Göte Dahlin	—	20
Wendy Nelson	22	44
Staffan Bohman	37	74
Anders Moberg	22	44
Douglas M. Anderson	—	23
David P. Berg	12	47
Charlotte Strömberg	23	45
	271	383

1) TEUR 159 of the total remuneration to members of the Board of Directors in 2017 is attributable to the remuneration approved by the Annual General Meeting on April 21, 2016 for the period beginning after that Meeting and ending on the Annual General Meeting in 2017.

Remuneration of the Executive Committee (incl. the CEO)¹⁾

TEUR	For the Year Ended Dec. 31	
	2017	2016
Base remuneration ²⁾	5,074	4,534
Variable remuneration ³⁾	3,497	2,267
Pension cost, defined contribution plan	473	398
Housing, schooling and company car	560	605

1) The table above shows the gross amounts. One member of the Executive Committee was remunerated on a net basis. Apart from the impact of changes in the agreed upon remuneration levels, the gross remuneration may also differ from year to year due to special tax treatment rules in Belgium. Regarding number of persons in the Executive Committee, see above. On 4 May 2017, the Board appointed Mr. Federico González-Tejera as new CEO, replacing Mr. Wolfgang M. Neumann. Remuneration of two CEOs has been reported in table above.

2) The 2017 number includes the exit settlement cost for one Executive Committee member. The 2016 number includes the exit settlement cost for two Executive Committee members.

3) The 2017 number includes the cost of the retention bonus for four Executive Committee members of TEUR 1,171. The 2016 number includes the cost of the retention bonus for five Executive Committee members of TEUR 2,156.

The variable remuneration of the members of the Executive Committee is subject to accruals each year. The basis for the annual variable remuneration scheme for 2017 for the members of the Executive Committee is based on financial and personal performance objectives. The financial objective, which represents 60% of the maximum variable opportunity, is defined as the level of earnings before interest and tax (EBIT) achieved in the year. The maximum variable opportunity depends on the executive's role and is capped to between 60% and 100% of the annual base remuneration (excl. CEO). The related variable remuneration costs recorded in the P&L as of the end of the year represent the best estimate made at the balance sheet dates. The final variable remuneration payment is dependent on certain factors that will finally be known at a date subsequent to the release of the financial statements. Therefore, variable remuneration accrued in a specific year may be adjusted in subsequent periods as a result of the final parameters deviating from the assumptions made at the balance sheet dates. For members of the Executive Committee the contracted notice period for termination of their agreements and associated severance payments was between three and twenty-four months or in some cases three months per period of five years of seniority. In case of dispute, the applicable law could lead to severance payments exceeding the contracted amount and may exceed two years annual remuneration. In 2016, the Board put in place a retention bonus for 2017, subject to certain conditions. For the CEO, the bonus amounts to 150% of the fixed annual base remuneration and for the Executive Committee members the bonus varies from 50 to 75% of the fixed annual base remuneration. In addition, for one Executive Committee member the Board also put in place an additional performance based bonus for 2015, 2016 and 2017, which may vary from 0 up to EUR 50,000 per year and with up to an additional EUR 150,000 based on cumulative performance in the years 2015, 2016 and 2017.

On 4 May 2017, the Board appointed Mr. Federico González-Tejera as new CEO, replacing Mr. Wolfgang M. Neumann.

Cont. Note 10

Remuneration of Mr. Neumann was as follows:

Remuneration – Mr. Neumann	For the Year Ended Dec. 31	
	2017	2016
TEUR		
Base remuneration ¹⁾	2,008	699
Variable remuneration	537	1,149
Pension cost, defined contribution plan	108	70
Housing, schooling and company car	110	75

1) Severance payment equal to eighteen months' base compensation and twelve months' contractual benefits (including pension contribution) are included.

Following the change of control, Mr. Neumann exercised his right to terminate his contract within the first six months after the event. In that case, he had a right to a notice period of six months with continued payment of base compensation and contractual benefits and a severance payment equal to eighteen months' base compensation and twelve months' contractual benefits. He would also receive an incentive payment for twelve months at target level.

As part of his exit settlement, it was agreed to pay Mr. Neumann for the full year 2017. He had an annual gross base remuneration of TEUR 717 for 2017. Due to a split salary arrangement, only part of the base remuneration was paid by the Parent Company. See also Note 3 in the Parent Company accounts. These numbers exclude social costs. In addition, he had an annual and long term incentive programme representing up to 75% of base remuneration at target level achievement and 150% of base remuneration at maximum level achievement for each plan. He also received a pension contribution of 15% of annual gross base remuneration, had a company car, travel allowance, housing and schooling entitlement.

Remuneration of Mr. González-Tejera was as follows:

Remuneration – CEO	For the Year Ended Dec. 31	
	2017	2016
TEUR		
Base remuneration	617	—
Variable remuneration	797	—
Pension cost, defined contribution plan	—	—
Housing, schooling and company car	38	—

The CEO has a gross base remuneration of TEUR 950 on a full year basis. Due to a split salary arrangement, only part of the base remuneration is paid by the Parent Company. See also Note 3 in the Parent Company accounts. These numbers exclude social costs. In addition, he has an annual and long term incentive programme representing up to 100% of base remuneration at target level achievement and 200% of base remuneration at maximum level achievement for each plan. He also has a company car and housing.

Long-term equity-settled performance based incentive programmes 2014, 2015 and 2016

In addition to the remuneration outlined above, the CEO and the Executive Committee participate in long-term equity settled incentive programmes for 2014, 2015 and 2016. The details of these incentive programmes are described in Note 31. The total cost recognised in 2017 for the three equity-settled programmes amounts to TEUR 446 for the CEO and TEUR 283 for the other members of the Executive Committee. The 2014 programme has expired in 2017. The performance target based on cumulative earnings per share for three consecutive financial years was not met. Four members of the Executive Committee met the requirements for the matching share part of the programme and 26,682 shares were awarded, of which the CEO was awarded 12,957 shares. The tables below show the maximum number of shares that can be awarded to the CEO and the rest of the Executive Committee under the respective incentive programmes approved by the Annual General Meeting in 2015 and 2016.

Maximum number of shares that can be awarded to members of the Executive Committee for the 2015 programme

	As of Dec. 31	
	2017	2016
CEO	—	272,935
Other members of the Executive Committee	292,586	331,632
Total	292,586	604,567

Maximum number of shares that can be awarded to members of the Executive Committee for the 2016 programme

	As of Dec. 31	
	2017	2016
CEO	—	304,258
Other members of the Executive Committee	325,885	340,608
Total	325,885	644,866

For the CEO who left the company in 2017, all outstanding programmes have been settled in 2017 and 287,991 shares have been allotted as part of his exit settlement agreement. For one member of the Executive Committee who left the company at the end of 2016, all outstanding programmes have been settled in 2017 and 47,905 shares have been allotted as part of his exit settlement agreement. For further details on the respective programme conditions, see Note 31.

Long-term cash-settled incentive programme 2017

In addition to the remuneration outlined above, the CEO and the Executive Committee participate in long-term cash settled incentive programme for 2017, covering a three-year performance period. The variable remuneration of the participants is subject to accruals each year. The long-term variable remuneration programme for 2017 for the participants represent a potential to earn a percentage of the fixed annual base remuneration, subject to meeting ambitious, but achievable predefined financial and operational performance objectives. Depending on the level of performance achieved, multi-year variable remuneration can vary from no variable payment up to 100% of the fixed annual base remuneration for Executive Committee members and up to 200% for the CEO. The total cost recognised in 2017 for the cash-settled programme amounts to TEUR 200 for the CEO and TEUR 300 for the other members of the Executive Committee. The table below shows the maximum award for the CEO and the rest of the Executive Committee under the 2017 incentive programme approved by the Board in 2017.

Maximum award for members of the Executive Committee for the 2017 programme

	As of Dec. 31
	2017
CEO	1,689
Other members of the Executive Committee	1,943
Total	3,632

Note 11 | Other operating expenses

TEUR	For the Year Ended Dec. 31	
	2017	2016
Fees for royalty, marketing, reservations, rentals and licences to Radisson Hospitality Inc. (see Note 36)	18,067	18,894
Energy costs	23,746	25,446
Supplies	14,322	13,512
Marketing expenses	71,387	71,336
External fees	14,122	12,397
Laundry and dry cleaning	16,729	17,242
Contract services and maintenance	14,046	13,160
Administration costs	15,500	15,172
Communication, travel and transport	11,880	12,559
Operating equipment	3,777	3,735
Rentals and licences	8,391	7,860
Property operating expenses	9,209	9,096
Other expenses	18,232	20,509
Total	239,408	240,918

Note 12 | Insurance of properties and property tax

	For the Year Ended Dec. 31	
TEUR	2017	2016
Property and miscellaneous taxes	12,924	12,415
Building insurance	1,560	1,644
Total	14,484	14,059

Note 13 | Rental expense

	For the Year Ended Dec. 31	
TEUR	2017	2016
Fixed rent ¹⁾	182,827	187,416
Variable rent ²⁾	48,002	46,112
Shortfall guarantees ³⁾	912	2,251
Total	231,741	235,779

1) Fixed rent represent all fixed lease payments (or minimum lease payments) made to the owners of the leased hotels. This line item also includes rental costs of premises which are leased for administration purposes.

2) Variable rent represent all variable lease payments (or contingent lease payments) made to the owners of the leased hotels (based on the underlying contract type) which are primarily based on the revenue of the leased hotels.

3) Guarantee payments are made to the owners of the managed hotels (based on the underlying contract type) when Rezidor has guaranteed a certain annual result to the property owner. The guarantee payments represent the difference between the guaranteed and achieved result.

Note 14 | Financial items

	For the Year Ended Dec. 31	
TEUR	2017	2016
Interest income from external financial institutions	127	91
Interest income from other loans and receivables	918	557
Other financial income	159	647
Foreign currency exchange gains	—	1,180
Financial income	1,204	2,475
Interest expense to external financial institutions	–607	–766
Interest expense other loans and payables	–507	–434
Other financial expense	–1,300	–1,548
Foreign currency exchange losses	–797	—
Financial expense	–3,211	–2,748
Financial income and expenses, net	–2,007	–273

Other financial expenses are related to bank charges and similar items.

Net gain/loss per category of financial assets and liabilities

	For the Year Ended Dec. 31	
TEUR	2017	2016
Financial assets at fair value through profit and loss (held for trading)	37	345
Loans and receivables and financial liabilities measured at amortised cost	–2,044	–618
Total	–2,007	–273

All interest income and expenses in 2017 and 2016 are related to financial assets and liabilities measured at amortised cost. No interest income in 2017 and 2016 was recognised on impaired financial assets.

Note 15 | Income taxes

Income tax recognised in profit or loss

TEUR	For the Year Ended Dec. 31	
	2017	2016
Tax expense(+)/income(-) comprises:		
Current tax expense(+)/income(-)	14,601	10,181
Adjustments recognised in the current year in relation to the current tax of prior years	250	-791
Deferred tax expense(+)/income(-) relating to the origination and reversal of temporary differences	-6,564	-40,053
Write-downs and reversals of deferred tax assets	—	6,999
Total tax expense	8,287	-23,664

The total charge for the year can be reconciled to the accounting profit as follows:

TEUR	For the Year Ended Dec. 31	
	2017	2016
Profit/loss before tax from continuing operations	12,723	2,736
Income tax income(-)/expense(+) calculated at the local tax rate	457	-2,981
Effect of revenue that is exempt from taxation	-356	-2,141
Effect of expenses that are not deductible in determining taxable profit	3,157	3,130
Effect of tax losses and tax offsets not recognised as deferred tax assets	142	-81
Effect of previously unrecognised deferred tax attributable to tax losses, tax credits or temporary differences of prior years	-8,895	-29,317
Effect on deferred tax balances due to the change in income tax rate	11,403	-203
Effect of utilisation of tax losses carry forward previously unrecognised	-68	-790
Write-downs of deferred tax assets	—	6,999
Effect of withholding taxes	2,782	2,261
Other	-585	250
Sub total	8,037	-22,873
Adjustments recognised in the current year related to the current tax of prior years	250	-791
Income tax expense recognised in profit or loss	8,287	-23,664

TEUR	For the Year Ended Dec. 31	
	2017	2016
Income tax recognised in Other comprehensive income:		
Current tax		
Arising on exchange differences	753	2,744
Total	753	2,744
Deferred tax		
Arising on income and expenses recognised in Other comprehensive income:		
Remeasurement of defined obligation	160	784
Arising on exchange differences	-498	-88
Gains and losses on cash flow hedges	61	-70
Total	-277	626

The average effective tax rate was 65% (-865%). The average tax rate was positively impacted by the effect of capitalisation of previously unrecognised tax losses carried forward. Changes in enacted tax rates impacted tax rate negatively.

DEFERRED TAX ASSETS(+)/LIABILITIES(-) ARISE FROM THE FOLLOWING:

	Opening balance	Recognised in profit or loss	Recognised in Other comprehensive income	Exchange differences	Closing balance
2017					
Temporary differences					
Assets held for sale	-626	—	75	1	-550
Cash flow hedges	15	—	-61	—	-46
Property, plant & equipment	-675	2,931	—	7	2,263
Intangible assets	-11,370	791	—	1	-10,578
Provisions	16	371	—	-1	386
Doubtful receivables	925	564	—	-5	1,484
Pensions	1,175	-229	-160	—	786
Other long-term interest bearing receivables/liabilities	-265	252	—	13	—
Other liabilities	780	-396	423	-25	782
Other current non-interest-bearing liabilities	-83	146	—	14	77
	-10,108	4,430	277	5	-5,396
Unused tax losses and credits					
Tax losses	48,819	2,134	—	-676	50,277
	48,819	2,134	—	-676	50,277
Total	38,711	6,564	277	-671	44,881

DEFERRED TAX ASSETS(+)/LIABILITIES(-) ARISE FROM THE FOLLOWING

2016	Opening balance	Recognised in profit or loss	Recognised in Other comprehensive income	Exchange differences	Closing balance
Temporary differences					
Assets held for sale	-609	—	—	-17	-626
Cash flow hedges	-55	—	70	—	15
Property, plant & equipment	-5,038	4,645	—	-282	-675
Intangible assets	-11,763	397	—	-4	-11,370
Provisions	264	-263	—	15	16
Doubtful receivables	1,011	-104	—	18	925
Untaxed reserves	-269	285	—	-16	—
Pensions	1,804	155	-784	—	1,175
Other long-term interest bearing receivables/liabilities	-2,230	2,085	—	-120	-265
Other liabilities	1,001	-321	—	100	780
Other current non-interest-bearing liabilities	-99	25	—	-9	-83
	-15,983	6,904	-714	-315	-10,108
Unused tax losses and credits					
Tax losses	22,307	26,150	88	274	48,819
	22,307	26,150	88	274	48,819
Total	6,324	33,054	-626	-41	38,711

Deferred tax balances are presented in the balance sheet as follows:

	As of Dec. 31	
TEUR	2017	2016
Deferred tax assets	60,486	57,833
Deferred tax liabilities	-15,605	-19,122
Total	44,881	38,711

UNRECOGNISED DEFERRED TAX ASSETS

The following deferred tax assets have not been recognised at the balance sheet date:

	As of Dec. 31	
TEUR	2017	2016
Tax losses	1,700	11,240
Temporary differences	—	356
Total	1,700	11,596

The unrecognised tax losses have no expiry date.

Capital gains and losses on sale of shares in subsidiaries, associates and joint ventures are normally not subject to any taxation and there are consequently no temporary differences associated with these assets.

Deferred tax assets attributable to tax losses carry forward are recognised to the extent it is probable, based on convincing evidence, that future taxable profits will be available against which the unused tax losses can be utilised such as for example that a previously loss making entity has turned into profitability or that a change in structure will generate taxable income to offset historic losses. When assessing the probability of utilisation, the amount of taxable temporary differences relating to the same taxation authority as the tax losses carry forward are taken into account as well as the projected future taxable profits. The projected future taxable profits are estimated based on budgets and long range plans, taking into account the expiry of contracts. The deferred tax assets attributable to tax losses carry forward are found in Belgium (TEUR 24,825), UK (TEUR 10,209) and France (TEUR 15,243). Portfolio management, a revision of plans and projections for loss-making hotels or a setback in the economic recovery with major implications on the performance of the company's hotels, could trigger a need for further assessment of the recoverability of tax losses carry forward and therefore also on the carrying value of deferred tax assets. In addition to changes to future cash-flow projections, deferred tax assets are also sensitive to changes in tax rules and regulations.

Note 16 | Sold and acquired operations

In January 2016 Rezidor sold 100% of the shares in the Swedish subsidiary Hotel AB Bastionen. The gain recognised on the sale of the shares amounted to TEUR 1,947.

In April 2016 Rezidor finalised the acquisition of 49% of the shares in prize Holding GmbH ("Prizeotel"), a young hotel chain in the economy segment with currently three operating properties in Germany and three hotels under development. The purchase price amounts to TEUR 14,700, where TEUR 6,500 has been settled. The remaining TEUR 8,200 is recognised as a non-current interest bearing liability. Rezidor has secured further rights, including an option to acquire the remaining 51% in four years time.

No operations have been sold or acquired in 2017.

Note 17 | Earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

Basic	For the Year Ended Dec. 31	
TEUR	2017	2016
Profit for the year attributable to equity holders of the Parent Company (TEUR)	4,436	26,400
Weighted average number of ordinary shares for the purposes of basic earnings per share	170,952,649	170,725,046
Total basic earnings per share	0.03	0.15

	For the Year Ended Dec. 31	
TEUR	2017	2016
Weighted average number of ordinary shares used in the calculation of basic earnings per share	170,952,649	170,725,046
Contingently issuable shares	1,701,305	2,784,106
Weighted diluted average number of ordinary shares	172,653,954	173,509,152

The basic earnings per share is calculated by dividing the earnings attributable to the equity holders of the Parent Company by a weighted average number of ordinary shares during the period, excluding those shares bought back and held by the Parent Company.

The participants of the equity-settled incentive programmes, approved by the Annual General Meetings in 2015 and 2016, are entitled to a certain amount of shares at the end of the vesting periods (further described in Note 31) if certain performance criteria are met, including growth in earnings per share. The maximum number of shares that can be awarded is 1,256,957.

Note 18 | Intangible assets

TEUR	Other intangible assets	Licenses and related rights	Total
Cost			
Balance as of Jan. 1, 2016	44,660	55,373	100,033
Investments	734	154	888
Disposals	-68	-27	-95
Classified as held for sale	-1,552	—	-1,552
Effect of foreign currency exchange differences	-646	2	-644
Other	23	—	23
Balance as of Jan. 1, 2017	43,151	55,502	98,653
Investments	7,536	33	7,569
Disposals	-214	-549	-763
Effect of foreign currency exchange differences	-256	-8	-264
Other	—	—	—
Balance as of Dec. 31, 2017	50,217	54,978	105,195
Accumulated amortisation and impairment			
Balance as of Jan. 1, 2016	-22,482	-12,986	-35,468
Amortisation	-2,869	-1,264	-4,133
Write-downs and reversals of write-downs	-12	-12	-24
Disposals	68	26	94
Classified as held for sale	1,552	—	1,552
Effect of foreign currency exchange differences	372	3	375
Balance as of Jan. 1, 2017	-23,371	-14,233	-37,604
Amortisation	-2,742	-1,306	-4,048
Write-downs and reversals of write-downs	-3,061	-14	-3,075
Disposals	214	549	763
Effect of foreign currency exchange differences	277	33	310
Other	8	—	8
Balance as of Dec. 31, 2017	-28,675	-14,971	-43,646
Carrying amount			
As of Dec. 31, 2016	19,780	41,269	61,049
As of Dec. 31, 2017	21,542	40,007	61,549

TEUR 39,881 (41,052) of the carrying amount of 'Licences and related rights' is related to the contractual rights associated with the master franchise agreements with Radisson Hospitality, Inc. These rights were renegotiated in 2005 and in exchange for the new terms, Radisson Hospitality, Inc. received 25% of the shares in Rezidor. This was achieved through a contribution in kind, where the value of the renegotiated terms was estimated to be TEUR 55,000. This amount is being amortised over the length of the contract, which expires in 2052.

More information about the write-downs recognised during the year is provided in Note 6.

Note 19 | Tangible assets

TEUR	Fixed installations	Machinery and equipment	Investments in progress	Total
Cost				
Balance as of Jan 1, 2016	178,101	261,584	34,051	473,736
Investments	17,904	25,488	26,886	70,278
Disposals	-13,253	-23,879	—	-37,132
Effect of foreign currency exchange differences	-6,795	-5,718	-676	-13,189
Transfer from investments in progress	14,448	27,854	-42,302	—
Classified as held for sale	-16,168	-9,789	—	-25,957
Other	—	-59	-75	-134
Balance as of Jan 1, 2017	174,237	275,481	17,884	467,602
Investments	9,761	22,025	34,447	66,233
Disposals	-12,888	-16,476	-87	-29,451
Effect of foreign currency exchange differences	-7,429	-11,523	-1,145	-20,097
Transfer from investments in progress	10,472	12,158	-22,630	—
Other	171	-171	-188	-188
Balance as of Dec. 31, 2017	174,324	281,494	28,281	484,099
Accumulated depreciations and impairment				
Balance as of Jan 1, 2016	-125,665	-175,300	-2,255	-303,220
Depreciation	-8,978	-28,698	—	-37,676
Write-downs and reversals of write-downs	-4,813	-4,513	1,894	-7,432
Disposals	13,709	22,960	371	37,040
Effect of foreign currency exchange differences	3,817	2,874	-21	6,670
Classified as held for sale	16,168	9,789	—	25,957
Other	—	95	—	95
Balance as of Jan 1, 2017	-105,762	-172,793	-11	-278,566
Depreciation	-9,746	-28,354	—	-38,100
Write-downs and reversals of write-downs	-9,999	-5,463	-2,410	-17,872
Disposals	12,868	16,450	—	29,318
Effect of foreign currency exchange differences	5,627	8,509	3	14,139
Other	2,892	-2,892	—	—
Balance as of Dec. 31, 2017	-104,120	-184,543	-2,418	-291,081
Carrying amount				
As of Dec. 31, 2016	68,475	102,688	17,873	189,036
As of Dec. 31, 2017	70,204	96,951	25,863	193,018

More information about the write-downs recognised during the year is provided in Note 6.

Note 20 | Investments in associated companies

TEUR	Ownership (%) as of Dec. 31, 2016	Ownership (%) as of Dec. 31, 2017	Carrying value as of Dec. 31, 2016	Acquisitions during the year	Share of income	Dividends	Exchange difference	Carrying value as of Dec. 31, 2017
Al Quesir Hotel Company S.A.E	20.00%	20.00%	2,837	—	–635	—	–852	1,350
Afrinord Hotel Investment A/S	20.00%	20.00%	76	—	—	—	—	76
prize Holding GmbH	49.00%	49.00%	15,046	—	–266	—	–44	14,736
Total			17,959	—	–901	—	–896	16,162

TEUR	Ownership (%) as of Dec. 31, 2015	Ownership (%) as of Dec. 31, 2016	Carrying value as of Dec. 31, 2015	Acquisitions during the year	Share of income	Dividends	Exchange difference	Carrying value as of Dec. 31, 2016
Al Quesir Hotel Company S.A.E	20.00%	20.00%	2,750	—	34	—	53	2,837
Afrinord Hotel Investment A/S	20.00%	20.00%	126	—	—	–50	—	76
prize Holding GmbH	—	49.00%	—	14,700	311	—	35	15,046
Total			2,876	14,700	345	–50	88	17,959

Investments in associates are primarily made in order to facilitate the ability to enter into hotel contracts. For a description regarding Afrinord Hotel Investment A/S, see Note 37.

Summarised financial information for associated companies

TEUR	As of and for the Year Ended Dec. 31	
	2017	2016
Total assets	63,193	67,962
Total liabilities	32,045	35,116
Net assets	31,589	32,846
Group's share in net assets	14,685	15,211
Revenue	12,994	12,973
Profit/loss from continuing operations	–2,256	–2,194
Profit/loss after tax	–2,256	–2,200
Other comprehensive income	—	—
Total comprehensive income	–2,256	–2,120
Group's share in net profit	–634	–547

The difference between the carrying value of the investments and group's share in net assets is due to goodwill of TEUR 821 (821) and timing differences.

Note 21 | Investments in joint ventures

Rezidor's share of negative equity in the 50% (50%) owned Rezidor Royal Hotel Beijing Co Ltd and long-term receivable on that company (Note 24) are seen as a net investment. The net investment is recognised as a receivable and presented in "Assets classified as held for sale".

TEUR	As of and for the Year Ended Dec. 31	
	2017	2016
Total assets	31,357	33,560
Total liabilities	11,274	11,708
Net assets	20,083	21,852
Group's share in net assets	10,042	10,926
Reversal of write down	2,498	2,846
Net investment in Rezidor Royal Hotel Beijing Co Ltd	12,540	13,772
Revenue	10,307	9,714
Profit after tax	252	456
Other comprehensive income	–2,021	–1,696
Total comprehensive income	–1,769	–1,240
Group's share in net profit	126	228

Note 22 | Other shares and participations

TEUR	Ownership (%) as of Dec. 31, 2016	Ownership (%) as of Dec. 31, 2017	Carrying value as of Dec. 31, 2016	Acquisitions dur- ing the year	Remeasurement	Exchange difference	Carrying value as of Dec. 31, 2017
Doriscus Enterprise Ltd	13.41%	13.41%	4,169	—	—	-11	4,158
First Hotels Co K.S.C.C	1.82%	1.82%	1,017	—	—	2	1,019
Mongolia Nord GmbH	14.28%	14.28%	900	—	—	-2	898
PBR Hotel, Ltd.	—	9.00%	—	544	—	—	544
Other	—	—	34	—	-7	-11	16
Total			6,120	544	-7	-22	6,635
Less assets held for sale			-900			2	-898
Total reported as of Dec. 31, 2016			5,220				5,737

Note 23 | Pension funds, net

Defined Benefit Pension Plans

These plans mainly cover retirement pensions and widow pensions where the employer has an obligation to pay a lifelong pension corresponding to a certain guaranteed percentage of wages or a certain annual sum. Retirement pensions are based on the number of years a person is employed. The employee must be registered in the plan for a certain number of years in order

to receive full retirement pension. For each year at work the employee earns an increasing right to pension, which is recorded as pension earned during the period as well as an increase in pension obligations. Some of Rezidor's pension plans for salaried employees in Sweden and Belgium are funded through defined benefit pensions plans with insurance companies.

The amounts recognised in the balance sheet for the defined benefit plans are determined as follows:

TEUR	As of Dec. 31	
	2017	2016
Present value of funded obligations	11,759	12,596
Fair value on plan assets	-8,633	-9,144
Deficit/(surplus) of funded plans	3,126	3,452
Present value of unfunded obligations	194	231
Total deficit of defined benefit pension plans	3,320	3,683
Impact of minimum funding requirement/asset ceiling	—	—
Liability in the balance sheet	3,320	3,683

The movement in the defined benefit obligation over the year is as follows:

TEUR	For the year ended Dec. 31	
	2017	2016
Opening defined benefit obligation	12,827	12,756
Current service cost	829	962
Interest cost	128	263
Components recognised in profit or loss	957	1,225
Remeasurement on the defined benefit obligation:		
Actuarial (gains)/losses from change in financial assumptions	-1,485	-251
Actuarial (gains)/losses arising from experience adjustments	-122	-540
Components recognised in other comprehensive income	-1,607	-791
Benefits paid	-158	-203
Exchange (gains)/losses on foreign plans	-66	-160
Closing defined benefit obligation	11,953	12,827

The movement in plan assets over the year is as follows:

TEUR	For the year ended Dec. 31	
	2017	2016
Opening plan assets	9,144	7,173
Interest income	96	161
Components recognised in profit or loss	96	161
Remeasurement on the plan assets:		
Actuarial gains/(losses) arising from experience adjustments	-972	1,515
Components recognised in other comprehensive income	-972	1,515
Contributions from employer	500	494
Contributions from plan participants	56	58
Benefits paid	-158	-203
Exchange gains/(losses) on foreign plans	-33	-54
Closing fair value of plan assets	8,633	9,144

The significant actuarial assumptions were as follows:

TEUR	As of Dec. 31	
	2017	2016
Discount rate		
Belgium	1.54%	0.77%
Sweden	2.25%	2.75%
Expected rate of salary increase		
Belgium	2.0%	2.0%
Sweden	—	—

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Increase in assumption	Decrease in assumption
Discount rate 0.50%	1,044	-1,176
Expected rate of salary increase 0.50%	-492	453
Life expectancy (men and women) 1 year	-133	140

The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

Plan assets are comprised as follows:

TEUR	As of Dec. 31						
	2017			2016			
	Quoted	Unquoted	%	Quoted	Unquoted	%	%
Equity investments	423	—	5.0%	323	—	3.5%	
Bond investments:							
Government	5,386	—	62.4%	6,008	—	65.7%	
Corporate	1,235	—	14.3%	1,234	—	13.5%	
Mortgage	211	—	2.4%	284	—	3.1%	
Properties	—	1,378	15.9%	—	1,295	14.2%	
Total	7,255	1,378		7,849	1,295		

The plan assets are part of common funds used by insurance companies for investing. Therefore, information of specific Rezidor's assets allocation is not available and it is the insurance companies' allocation of its total assets that is applied to Rezidor's assets in the table above.

Through its defined benefit pension plans the group is exposed to a number of risks, the most significant of which are:

Asset volatility:

The present value of defined benefit liability is calculated using a discount rate determined by reference to high quality corporate bond yields in Belgium and government bonds in Sweden. If the return on plan asset is below this rate, it will create a plan deficit.

Changes in bond yields:

A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.

Life expectancy:

The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

Salary risk:

The present value of the defined benefit liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of plan participants will increase the plan's liability.

Expected contributions to post-employment benefit plans for the year ending December 31, 2018 are TEUR 470.

The weighted average duration of the defined benefit obligation is 15.5 years.

Expected maturity analysis of undiscounted pension benefits:

TEUR	
Year 2018	203
Year 2019	179
Year 2020–Year 2022	580
Year 2023–Year 2027	1,358

Defined Contribution Pension Plans

These plans mainly cover retirement, sick and family pensions. The premiums are paid regularly during the year by group companies to different insurance companies. The size of the premium is based on wages. Pension costs for the period are included in the income statement and amount to TEUR 7,167 (6,959).

For clerical employees in Sweden, the defined benefit obligations in the ITP 2 plan for retirement and family pension (or family pension), are safeguarded through insurance in Alecta. According to a statement from the Swedish Accounting Standards Council, UFR 10, this is a defined benefit multi-employer plan. For the financial year 2017, the Company has not had access to the information necessary to account for its shared part of the plan's obligations, plan assets and costs, and a consequence it has not been possible to report the plan as a defined benefit plan. The pension plan ITP 2, which is safeguarded through insurance in Alecta, is therefore reported as a defined contribution plan. The premium for the defined benefit retirement and family pension is individually calculated and is inter alia taking into account salary, previously earned pension and anticipated remaining seniority. Expected fees next reporting period for ITP 2 insurances, covered by Alecta, amounts to TEUR 1,043 (1,002). The Group's share of the total contributions to the plan and the Group's share of the total number of active members in the plan is 0.056 and 0.028 percent (0.059 and 0.029). The collective consolidation level is the market value of Alecta's assets as a percentage of insurance obligations measured in accordance with Alecta's actuarial assumptions, which do not comply with IAS 19.

The collective consolidation level is normally allowed to vary between 125 and 155 percent. If Alecta's collective consolidation level is less than 125 percent or greater than 155 percent, measures should be taken in order to create the conditions to return the consolidation level within the normal range. At low consolidation, an action can be to raise the agreed price for subscription and expansion of existing benefits. At high consolidation, an action can be to introduce premium reductions. At the end of 2017, Alecta's surplus in the form of the collective consolidation level was 154% (149).

Note 24 | Other long-term receivables

In some cases Rezidor grants loans to owners of the company's hotels, or to the company's joint venture and associated companies in early stages of new projects. The terms for such loans vary, but in principle there is an agreement on interest on the loans and the repayment schedule is based on the project opening and project progress. These related parties and terms concerning

these loans are presented below. No collateral was held as security for these receivables and no receivables were past due at the end of the reporting periods.

As of Dec. 31, 2017								
Counterpart/Specification	Nominal loan amount	Currency	Nominal value in TEUR	Impairment & exchange losses in TEUR	Assets held for sale	Short term portion	Amortised cost in TEUR	Duration and interest rates
SIA Polar BEK Daugava	1,750	USD	1,457	—	—	—	1,457	Undefined duration - 10.08%
Rezidor Royal Hotel Beijing Co. Ltd	15,752	USD	13,118	-578	-12,540	—	—	Undefined duration
Afrinord Hotel Investment A/S	334	EUR	334	—	—	-223	111	15/04/2019 - 6 months Euribor + 6.1%
Afrinord Hotel Investment A/S	853	USD	711	—	—	-378	333	31/03/2020 - 3 months USD Libor + 8.5%
Afrinord Hotel Investment A/S	1,681	EUR	1,681	—	—	-336	1,345	15/10/2022 - 3 months Euribor + 3.5%
Afrinord Hotel Investment A/S	1,060	USD	883	—	—	-177	706	15/10/2022 - 6 months USD Libor + 8.0%
Afrinord Hotel Investment A/S	671	EUR	671	—	—	-231	440	15/06/2022 - 6 months Euribor + 7.0%
SIA (Ltd) D.N.H.	1,500	EUR	1,500	—	—	—	1,500	21/12/2022 - 6 months Euribor + 4.5%
Prigan D.O.O. Beograd	400	EUR	400	—	—	—	400	01/10/2030 - 3 months Euribor + 1.0%
Al Quseir Hotel Company S.A.E.	500	EUR	500	—	—	-214	286	31/12/2020 - 6 months Euribor + 4.0%
Other	60	EUR	60	—	—	—	60	Various interest bearing deposits
Total interest-bearing			21,315	-578	-12,540	-1,559	6,638	
Haute Rive Azuri Hotel Ltd	500	EUR	500	—	—	-100	400	07/01/2020
Immo Congo S.A.	400	EUR	400	—	—	-200	200	07/01/2019
Non-current prepaid expenses	6,673	EUR	6,673	—	—	—	6,673	Straighlining of rent expenses
Other non-current receivables	248	EUR	248	—	—	—	248	
Total non-interest-bearing			7,822			-300	7,522	
Total long-term receivables			29,137	-578	-12,540	-1,859	14,160	

As of Dec. 31, 2016								
Counterpart/Specification	Nominal loan amount	Currency	Nominal value in TEUR	Impairment & exchange losses in TEUR	Assets held for sale	Short term portion	Amortised cost in TEUR	Duration and interest rates
SIA Polar BEK Daugava	1,225	USD	1,822	—	—	—	1,822	Undefined duration, 10.08%
Rezidor Royal Hotel Beijing Co. Ltd	15,752	USD	14,983	-1,211	-13,772	—	0	Undefined duration
Afrinord Hotel Investment A/S	566	EUR	566	—	—	-232	334	15/04/2019, 6 months Euribor +6.1%
Afrinord Hotel Investment A/S	1,224	USD	1,164	—	—	-480	684	31/03/2020, 3 months USD Libor +8.5%
Afrinord Hotel Investment A/S	1,692	EUR	1,692	—	—	-11	1,681	15/10/2022, 3 months Euribor +3.5%
Afrinord Hotel Investment A/S	1,105	USD	1,051	—	—	-43	1,008	15/10/2022, 6 months USD Libor +8.0%
Afrinord Hotel Investment A/S	673	USD	673	—	—	-115	558	15/06/2022, 6 months Euribor +7.0%
SIA (Ltd) D.N.H.	1,500	EUR	1,500	—	—	—	1,500	21/12/2022, 6 months Euribor +4.5%
Prigan D.O.O. Beograd	400	EUR	400	—	—	-1	399	01/10/2030, 3 month Euribor +1.0%
Al Quseir Hotel Company S.A.E.	500	EUR	500	—	—	-71	429	31/12/2020, 6 months Euribor +4.0%
Other	60	EUR	60	—	—	—	60	Various interest bearing deposits
Total interest-bearing			24,411	-1,211	-13,772	-953	8,475	
Haute Rive Azuri Hotel Ltd.	500	EUR	500	—	—	-50	450	07/01/2020
Immo Congo S.A.	600	EUR	600	—	—	-200	400	07/01/2019
Non-current prepaid expenses	6,985	EUR	6,985	—	—	—	6,985	Straighlining of rent expenses
Other non-current receivables	290	EUR	290	—	—	—	290	
Total non-interest-bearing			8,375			-250	8,125	
Total long-term receivables			32,786	-1,211	-13,772	-1,203	16,600	

Note 25 | Accounts receivables

TEUR	As of Dec. 31	
	2017	2016
Accounts receivables before allowance for doubtful accounts	68,335	60,405
Allowance for doubtful accounts	-21,338	-15,727
Accounts receivables net of allowance for doubtful accounts	46,997	44,678

	Accounts receivables before allowance for doubtful accounts	Provision for doubtful accounts	Accounts receivables net of allowance for doubtful accounts
As of Dec. 31, 2017			
Accounts receivables not overdue	20,685	-469	20,216
Accounts receivables overdue			
1-30 days	20,784	-752	20,032
31-60 days	5,815	-1,940	3,875
61-90 days	3,192	-1,889	1,303
More than 90 days	17,859	-16,288	1,571
Total overdue	47,650	-20,869	26,781
Total ledger	68,335	-21,338	46,997

	Accounts receivables before allowance for doubtful accounts	Provision for doubtful accounts	Accounts receivables net of allowance for doubtful accounts
As of Dec. 31, 2016			
Accounts receivables not overdue	20,111	-437	19,674
Accounts receivables overdue			
1-30 days	17,083	-267	16,816
31-60 days	5,774	-419	5,355
61-90 days	2,901	-1,623	1,278
More than 90 days	14,536	-12,981	1,555
Total overdue	40,294	-15,289	25,005
Total ledger	60,405	-15,727	44,678

Movement in the allowance for doubtful accounts

TEUR	As of Dec. 31	
	2017	2016
Balance at the beginning of the year	-15,727	-12,130
Amounts written off during the year	502	178
Amounts recovered during the year	4,832	696
Increase/decrease in allowance recognised in profit or loss	-11,060	-4,446
Translation difference	115	-25
Balance at the end of the year	-21,338	-15,727

No collaterals are held as security for accounts receivables outstanding.

Note 26 | Other current interest-bearing receivables

As of Dec. 31, 2017		
Counterpart	Amortised cost in TEUR	Interest rates
Afrinord Hotel Investment A/S	228	6 months Euribor + 6.1%
Afrinord Hotel Investment A/S	397	3 months USD Libor + 8.5%
Afrinord Hotel Investment A/S	348	3 months Euribor + 3.5%
Afrinord Hotel Investment A/S	216	6 months USD Libor + 8%
Afrinord Hotel Investment A/S	284	6 months Euribor + 7%
Limited Liability Company "SASSK"	1,824	0.01%
SIA (Ltd) D.N.H.	18	6 months Euribor + 4.5%
Al Quseir Hotel Company	214	6 months Euribor + 4%
Total of current interest-bearing receivables	3,529	

As of Dec. 31, 2016		
Counterpart	Amortised cost in TEUR	Interest rates
Afrinord Hotel Investment A/S	232	6 months Euribor +6.1%
Afrinord Hotel Investment A/S	480	3 months USD Libor +8.5%
Afrinord Hotel Investment A/S	11	3 months Euribor +3.5%
Afrinord Hotel Investment A/S	43	6 months USD Libor +8%
Afrinord Hotel Investment A/S	115	6 months Euribor +7%
Limited Liability Company "SASSK"	1,827	0.01%
Prigan D.O.O. Beograd	1	3 months Euribor +1%
Al Quseir Hotel Company S.A.E.	71	6 months Euribor +4%
Total	2,780	

No collaterals are held as security for these receivables.

Note 27 | Other current non-interest-bearing receivables

TEUR	As of Dec. 31	
	2017	2016
Prepaid expenses		
Prepaid rent	18,085	13,878
Prepaid property tax	1,957	1,784
Other prepaid expenses	11,236	12,338
	31,278	28,000
Accrued Income		
Accrued fee income	8,031	8,803
Other accrued income	3,332	3,039
	11,363	11,842
Other current non-interest-bearing receivables	19,059	16,769
Total	61,700	56,611

Note 28 | Cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the cash flow statement can be reconciled to the related items in the balance sheet as follows:

TEUR	As of Dec.31	
	2017	2016
Bank accounts	6,464	7,178
Cash on hand	892	873
Where of classified as held for sale	—	–27
Total cash and cash equivalents	7,356	8,024

There are no restrictions in the use of the cash and cash equivalents recognised.

Note 29 | Assets and liabilities classified as held for sale

The assets related to the investments in Rezidor Royal Hotel Beijing Co. Ltd and Mongolia Nord GmbH have been presented as held for sale, following the approval of the board of directors. The sales are expected to take place within 12 months from the balance sheet day.

Assets and liabilities of six hotels in the UK ("QMH portfolio") were pre-

sented as held for sale in December 2016 since an exit agreement was signed. The hotels have left the system in 2017.

Assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

TEUR	As of Dec. 31	
	2017	2016
Rezidor Royal Hotel Beijing Co. Ltd		
Other long-term interest-bearing receivables	12,540	13,772
Mongolia Nord GmbH		
Other shares and participations	898	900
QMH portfolio		
Inventories	—	92
Accounts receivable	—	1,462
Other current interest-bearing receivables	—	573
Cash and cash equivalents	—	27
Total assets classified as held for sale	13,438	16,826

TEUR	As of Dec. 31	
	2017	2016
QMH portfolio		
Accounts payable	—	265
Other current non-interest-bearing liabilities	—	2,583
Total liabilities directly related to assets held for sale	—	2,848

Note 30 | Share capital

ISSUED CAPITAL

TEUR	Share capital 2017	Other paid in capital 2017	Share capital 2016	Other paid in capital 2016
Opening balance as of Jan. 1	11,626	177,124	11,626	177,124
Closing balance as of Dec. 31	11,626	177,124	11,626	177,124

FULLY PAID ORDINARY SHARE	Date of resolution	Change in number of shares	Change in share capital
The company is registered	Mar. 8, 2005	1,000	11,000
Share split of ordinary shares	Mar. 22, 2005	10,000	—
Share issue of ordinary shares	Mar. 22, 2005	89,000	89,000
Share issue of ordinary shares	Oct. 10, 2006	26,584	26,584
Share split of ordinary shares	Oct. 10, 2006	149,875,456	—
Bonus issue, without new share issue	May. 4, 2007	—	9,873,416
New share issue	June 5, 2014	24,386,817	1,625,766

The total share capital at year end was EUR 11,625,766, corresponding to 174,388,857 shares, giving a quota value per share of EUR 0.067. All issued shares are fully paid. There are no differences in classes of shares. Each owner of shares in the company is entitled to vote for the full amount of such shares at a general meeting, without any voting limitations. Shares held by the company or any of its subsidiaries do not entitle the owner to any of the rights associated with ownership of shares.

TEUR	As of Dec. 31	
	2017	2016
Number of registered shares	174,388,857	174,388,857
Number of own shares held by the company	-3,222,541	-3,580,359
Number of shares outstanding	171,166,316	170,808,498

Share buy-back

The number of treasury shares held by the company at the end of the year amounts to 3,222,541, corresponding to 1.8% of all registered shares. The average number of its own shares held by the company during 2017 was 3,436,208 (3,663,811). The shares have been bought back in 2007 and 2008 following authorisations at the Annual General Meetings in the same years. A majority of the shares bought back are held to secure delivery of shares in the incentive programmes and the related social security costs.

Dividend per share

In accordance with the recommendation from the Board of Directors to the Annual General Meeting 2017, the Annual General Meeting decided to pay dividend of EUR 0.05 per share for the financial year 2016, equivalent to TEUR 8,542. The Board of Directors proposes to the Annual General Meeting 2018 that no dividend is to be paid for the financial year 2017.

Note 31 | Share-based payment

Long-term equity-settled performance-based incentive programmes

The purpose of the programmes is to ensure that remuneration within the group helps aligning executives with shareholders interests and that a suitable proportion of remuneration is linked to company performance. In order to implement the performance based share programme in a cost efficient and flexible manner, the Board of Directors has been authorised by the Annual General Meetings to decide on acquisitions of its own shares on the stock exchange.

The 2014, 2015 and 2016 programmes

In 2014, 2015 and 2016 the AGM's have approved long-term equity settled performance-based incentive programmes to be offered to executives within Rezidor. The structure of the programmes are similar. The programmes are comprised of both matching and performance shares. The President and CEO and other members of the Executive Committee have been offered the opportunity to participate in the performance share part as well as the matching share part of the programmes. Other key executives have been offered to participate in the performance share part of the programmes.

In order to qualify for matching shares, each participant shall meet certain requirements, including a shareholding requirement of at least three years and continuing employment with the company during the vesting period. Exemptions may be prescribed in specific cases. In order to qualify for performance shares, each participant must, in addition to the requirement regarding continuing employment during the vesting period, meet a performance target based on Rezidor Group's cumulative earnings per share for three consecutive financial years, starting as from the year the programme has been approved by the AGM.

The qualification period for the programme approved by the AGM in 2014 ended on June 29, 2017. The performance target based on cumulative earnings per share for three consecutive financial years was not met. Three members of the Executive Committee met the requirements for the matching share part of the programme and were awarded 13,725 shares. In addition, participants in the 2014 programme that have left the company have been awarded 16,065 shares in 2017, where of the former President and CEO 12,957 shares.

Four members of the Executive Committee participate in the 2015 programme entitling them to a total maximum of 292,586 shares. 20 other members of management participate in the programme, entitling them to a maximum of 307,935 shares. Participants in the 2015 programme that have left the company have been awarded 272,911 shares in 2017, where of the former President and CEO 227,446 shares.

The total value of the 2015 programme at grant date, based on 35 participants and including social security costs, amounted to TEUR 5,017.

Four members of the Executive Committee participate in the 2016 programme entitling them to a total maximum of 325,885 shares. 22 other members of management participate in the programme, entitling them to a maximum of 330,551 shares. Participants in the 2016 programme that have left the company have been awarded 55,117 shares in 2017, where of the former President and CEO 47,588 shares.

The total value of the 2016 programme at grant date, incl. social security costs, amounts to TEUR 5,379.

Summary of maximum number of shares that can be awarded

The table below shows the maximum number of shares that may be awarded.

Plan	At the end of 2016	Granted in 2017	Forfeited during 2017	Awarded during 2017	At the end of 2017
2014 plan	642,049	—	-612,259	-29,790	—
2015 plan	997,970	—	-124,538	-272,911	600,521
2016 plan	1,079,632	—	-368,079	-55,117	656,436
Total	2,719,651	—	-1,104,876	-357,818	1,256,957

Total cost

Total cost for the three incentive programmes recognised in the income statement in 2017, in accordance with IFRS 2, amounted to TEUR 856 (2,724).

Note 32 | Fair value reserve – Cash-flow hedges

TEUR	2017	2016
Opening value as of Jan. 1	–52	198
Effective gains and losses recognised in equity during the year	275	237
Tax on effective gains and losses recognised in equity during the year	–60	–52
Gains and losses reclassified out of equity during the year	3	–557
Tax on gains and losses reclassified out of equity during the year	–1	122
Closing value as of Dec. 31	165	–52

Note 33 | Provisions

TEUR	Restructuring and termination	Legal claims	Onerous contracts	Other	Total
Balance as of Jan. 1, 2016	—	122	1,740	1,077	2 939
Additional provisions recognised	—	—	—	–4	–4
Reductions resulting from remeasurement	—	—	—	–24	–24
Effect of foreign currency exchange differences	—	—	—	61	61
Reductions arising from payments	—	–34	–1,740	–1,102	–2,876
Balance as of Dec. 31, 2016	—	88	—	8	96
Additional provisions recognised	3,154	25	—	—	3,179
Reductions resulting from remeasurement	—	—	—	–8	–8
Reductions arising from payments	—	–63	—	—	–63
Balance as of Dec. 31, 2017	3,154	50	—	—	3,204

Analysis of total provisions

TEUR	
Expected cash outflow in 2018	3,204
Total as of Dec. 31, 2017	3,204

organisational and operating models that are optimised and consistent across the organisation.

Legal claims

The provision for legal claims of TEUR 50 relates to two minor claims for two leased hotels in Rest of Western Europe.

Restructuring and termination

The provision for restructuring and termination of TEUR 3,154 relates to initiatives taken during the last quarter of 2017, on hotel level and on corporate level. These cost advantage initiatives are taken to enable higher competitiveness, performance and cost efficiency through the development of new

Note 34 | Borrowings

	Current As of Dec. 31		Non-current As of Dec. 31	
TEUR	2017	2016	2017	2016
Bank overdrafts	30,405	20,522	—	—
Other loans	—	—	13,611	13,677
Total	30,405	20,522	13,611	13,677

TEUR 4,997 (5,313) of other non-current loans are related to the financing of renovation investments in a German hotel under a management contract. Rezidor has not received any cash in connection with this loan, but has assumed an obligation for the financing of a portion of the renovation works as part of the management agreement. An intangible asset corresponding to the rights granted through the management agreement has been recognised at

the same time. Interest costs amounting to TEUR 406 (interest rate 5.8%), incurred during the renovation period, were capitalised in 2009. In 2011, accrued interest of TEUR 567 was waived and reported as a financial income. As from 2011, the loan runs with an interest rate of 4.5%. The repayment of the non-current part of the loan is linked to the amount of fees collected from this hotel.

The remaining other non-current loan of TEUR 8,614 (8,364) relates to the acquisition of the shares in prize Holding GmbH (see also Note 16). The original loan amounts to TEUR 8,200 and capitalised interest amounts to TEUR 414 (interest rate 3.0% on principal amount and 2.0% on capitalised interest).

No borrowing costs other than those described above have been capitalised.

These borrowings are not subject to any covenants and the Group has not pledged any assets as collateral to secure the borrowings.

The carrying amounts in EUR of the Group's borrowings are denominated in the following currencies:

As of Dec. 31, 2017				
	TCHF	TEUR	TSEK	Total
Bank overdrafts	—	30,405	—	30,405
Other loans	—	13,611	—	13,611
Total	—	44,016	—	44,016

As of Dec. 31, 2016				
	TCHF	TEUR	TSEK	Total
Bank overdrafts	—	20,522	—	20,522
Other loans	—	13,677	—	13,677
Total	—	34,199	—	34,199

The average annual interest rates paid were as follows:

	For the Year Ended Dec. 31	
	2017	2016
Bank overdrafts & credit lines	0.92%	0.90%
Other loans	3.56%	3.76%

All liabilities to financial institutions are repayable within one year.

Split of bank overdraft

TEUR	As of Dec. 31	
	2017	2016
Bank overdraft facilities granted	200,000	200,000
Utilisation of bank overdraft: in guarantees	-2,647	-2,800
Utilisation of bank overdraft: in cash	-30,405	-20,522
Bank overdraft facilities unutilised	166,948	176,678

The committed credit facilities, amounting to TEUR 200,000, have a tenor until November 2018 and carry customary covenants, including change of control provisions.

Note 35 | Other current non-interest-bearing liabilities

TEUR	As of Dec. 31	
	2017	2016
Prepayments from customers	14,322	14,964
Accrued expenses & prepaid income	100,378	91,557
Other short term non-interest-bearing liabilities	17,461	16,190
Total	132,161	122,711

Specification of accrued expenses and prepaid income

TEUR	2017	2016
Accrual for vacation pay including social costs	15,314	15,269
Accrual for bonus including social costs	14,882	6,743
Other payroll accruals	14,930	13,487
Accrual for energy expenses	3,366	3,167
Accrued fees	4,142	2,240
Accrued rent	13,967	13,306
Accrued sales & marketing expenses	4,853	3,618
Other accrued expenses	27,242	32,090
Prepaid income	1,682	1,694
Total	100,378	91,614

Note 36 | Related parties

HNA Group Co., Ltd. ("HNA") and its affiliates, including Radisson Hospitality, Inc. (previously Carlson Hotels, Inc.), are significant related parties.

The related party transactions with Radisson Hospitality are split as follows:

TEUR	Revenue		Operating cost		Amounts owed from the related parties		Amounts owed to the related parties	
	2017	2016	2017	2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Radisson Hospitality, Inc. – Royalty fees, marketing fee, reservation fee and rentals & licenses	—	—	18,067	18,894	1,266	—	1,011	1,247
Radisson Hospitality, Inc. – Club Carlson	2,878	2,932	5,541	5,420	—	—	—	—
Radisson Hospitality, Inc. – Recharged third party costs	—	—	5,401	4,938	—	—	—	—
Radisson Hospitality, Inc. – Other	1,782	1,048	1,186	411	—	—	—	—
Carlson Wagonlit Travel – Agency commissions	—	—	—	500	—	—	—	17

Radisson Hospitality, Inc.

On December 31, 2017 Rezidor had receivables of TEUR 1,266 related to Radisson Hospitality, Inc. (none as at December 31, 2016) and current liabilities of TEUR 1,011 (1,247).

The business relationship with Radisson Hospitality mainly consists of operating costs related to the use of the brands and for the use of the reservation system of Radisson Hospitality, Inc.. Rezidor is also paying commissions to a network of travel agencies owned by Radisson Hospitality, Inc.. In addition, Radisson Hospitality, Inc. operates a customer loyalty programme, Club Carl-

son, to provide customers with incentives to buy room nights. Loyalty points earned when guests have stayed at hotels are charged by Radisson Hospitality, Inc. to these hotels. Similarly, when points have been redeemed at hotels, these hotels are reimbursed by Radisson Hospitality, Inc. Including all contract types (leased, managed and franchised), Radisson Hospitality, Inc. charged TEUR 18,466 (17,228) during the year for points earned and reimbursed TEUR 9,511 (9,756) for points redeemed. However, only transactions involving leased hotels (presented in the table above) have an impact on Rezidor's consolidated

accounts. Radisson Hospitality, Inc. furthermore recharges costs that it has incurred from third parties, mainly internet-based reservation channels, to the hotels to which these costs are related. Including all contract types (leased, managed and franchised), Radisson Hospitality, Inc. recharged costs TEUR 15,150 (13,388) during the year. Only costs recharged to leased hotels (presented in the table above) have an impact on Rezidor's consolidated accounts. Radisson Hospitality, Inc. and Rezidor are also cooperating in various other areas, such as global sales, brand websites, revenue optimisation tools and purchasing. These other areas do not, however, always lead to direct transactions between the two companies.

The travel management company Carlson Wagonlit Travel ("CWT") was a related party until December 6, 2016.

All transactions are done at an arms' length basis. Any new agreement or transaction with Radisson Hospitality, Inc. deemed material require the approval of the Board of Directors of Rezidor.

The amounts outstanding are unsecured and will be settled in cash. No

guarantees have been given or received. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

Joint ventures and associated companies

TEUR	As of Dec. 31	
	2017	2016
Loans due from joint ventures and associated companies	12,540	13,772
Revenue (Management Fees) from joint ventures and associated companies	309	136

More information about shares in joint ventures and associates and the loans to the entities is disclosed in Note 20, 21 and 24.

Note 37 | Contingent liabilities and committed investments

TEUR	As of Dec. 31	
	2017	2016
Contingent liabilities		
Tax claim interest deduction Sweden	6,350	5,400
Guarantees provided for management contracts ¹⁾	—	—
Miscellaneous guarantees provided	2,647	2,800
Total	8,997	8,200

1) Refer to Note 40 where these amounts are included in the total maximum future capped guarantee payment.

In December 2015 Rezidor received a first negative decision from the Swedish tax authorities regarding interest deduction made in one of its subsidiaries during financial year 2013. An assessment note for additional income tax due in the amount MEUR 3.1 was raised, which was paid early 2016. Since then, Rezidor has received notices of amendment for financial years 2014 and 2015 on the same topic. Rezidor has challenged all of these notices and filed appeals with the court of first instance (financial year 2014) and court of appeal (financial year 2013) to have these assessments cancelled, since the Company believes the decision has been taken wrongfully and that it is also contrary to EU law. No tax cost has been recognised as per December 31, 2017. If Rezidor is not successful in its claims, the maximum cost for the company would be ca MEUR 6.3.

As per Danish tax law, the Danish subsidiaries in the Rezidor Hotel Group are obliged to participate in a Danish joint taxation with other Danish subsidiaries controlled by the ultimate owner, HNA Group Co., Ltd., and, consequently, are jointly and severally liable as of December 7, 2016 with the other jointly taxed companies for the total corporation tax and for any obligation to withhold tax at source on interest, royalties and dividends for the jointly taxed companies. The jointly taxed companies' total known net liability within the tax consolidation will be stated in the financial statements of the administration company.

Under the lease agreements, Rezidor is responsible for maintaining the hotel building in good repair and condition over the term of the lease agreement. Under certain lease agreements, Rezidor is required to invest an agreed percentage of the hotel revenue in maintenance of the particular property. If renovation works for a period have been lower than what is required in the lease agreements, the renovation works will have to be carried out at a later stage or settled in alternative ways. The total investments carried out by Rezidor may therefore vary from year to year, but normally amount to ca 5% of leased hotel revenue.

Rezidor has a 20.0% equity stake in Afrinord Hotel Investment A/S ("Afrinord"), to develop hotel projects in Africa. The other shareholders in Afrinord are Nordic development funds. Afrinord has a total investment commitment by its shareholders of TEUR 35,000 as of December 31, 2017, of which TEUR 50 has been contributed as share capital by Rezidor in 2006. Afrinord has partly financed hotels in Addis Ababa (Ethiopia), Nairobi (Kenya), Freetown (Sierra Leone), Cape Town (South Africa) and Bamako (Mali) through loan agreements. Related to these projects, TEUR 22,038 was outstanding as of December 31, 2017, of which Rezidor's contribution was TEUR 4,407. All TEUR 35,000 initially committed funds have been disbursed by Afrinord and hence Rezidor has no additional investment commitments related to these projects per December 31, 2017.

Litigation

The Rezidor Hotel Group operates in a number of countries around the world and is always involved in several complex projects and business relationships where professional disputes on various issues can arise. Most times these situations are resolved through negotiations and discussions. In some rare situations, these disputes can lead to major disagreements or claims of violation of law. Provisions for claims due to known disputes are recorded whenever there is a situation where it is more likely than not, that Rezidor will have an obligation to settle the dispute and where a reliable estimate can be made regarding the outcome of such dispute. Rezidor is not engaged in any judicial or arbitral proceedings, including those which are pending and described below or known to be contemplated, which, in Rezidor's judgement, may have or have a material effect on Rezidor's financial position of profitability during 2017. The members of the Board of Directors have no knowledge of any proceeding pending or threatened against Rezidor or any of the subsidiaries or any facts likely to give rise to any litigation, claim or proceeding which might materially affect the financial position or business of Rezidor as at December 31, 2017.

Below is a description of pending material legal proceedings. All amounts are converted and stated in euro.

A claim of MEUR 49.5 against a Rezidor subsidiary, as compensation for alleged wrongful termination of negotiations of a management agreement, was tried and dismissed by commercial court in 2009. The counterpart appealed the ruling and restated its claim. In 2016, the Court of Appeals issued a ruling that Rezidor was at fault regarding the manner in which it terminated the negotiations but did not find that Rezidor bears any liability from such fault. Rezidor has received legal advice that the risk that Rezidor might be ordered to pay substantial damages continues to appear limited. The hearing regarding the issue of liability will probably be held in the course of 2018.

On November 20, 2015, there was a terrorist attack at the Radisson Blu hotel in Bamako, Mali. The hotel is managed by a Rezidor subsidiary pursuant to a management agreement. 22 individuals died in the attack, including 14 guests and three employees. The terrorist attack is subject to governmental investigations. As of 31 December 2017, a few surviving guests have brought claims or threatened to bring claims for injuries and for emotional suffering and the families of two of the deceased guests have brought claims for the death of their family members. All claims have been denied by lawyers engaged by the insurance company, based on an assessment of no liability for the hotel or Rezidor. There have been no further developments since 2015. It is not possible to make a sensible assessment of any provision based on the known circumstances.

An alleged mismanagement claim has been made by the owner of a managed hotel, which has been terminated by Rezidor for owner's material breaches of the management agreement. In parallel, the owner has brought criminal claims against several of its employees at the hotel, including the general manager and the financial controller. The owner has not yet specified the amount of its claim. Rezidor and the owner have not been able to find a mutually acceptable solution to resolve the matter. Meanwhile, in relation to the criminal investigation, an auditor has been appointed by the court and the employees have been prohibited to leave the country and their passports have been confiscated.

Note 38 | Leasing commitments

Under Rezidor's lease agreements, Rezidor lease hotel buildings from property owners or other partners and are entitled to the benefits and carry the risks associated with operating the hotel. Typically, Rezidor's lease agreements include a variable rent clause under which Rezidor are obligated to pay a variable rent based on a percentage of the total revenue generated by a hotel ("variable rent"). The majority of Rezidor's lease agreements also include a minimum rent payment obligation which is independent of the revenue generated by the hotel ("fixed rent"). The fixed rent is typically adjusted annually to take into account changes in a defined consumer price index. Generally, under contracts containing variable and fixed rent clauses, Rezidor pay the higher of the two to the lessor. To limit Rezidor's financial exposure in the company's lease contracts, Rezidor typically limit the "shortfall" amount by which the fixed rent exceeds the variable rent to an amount corresponding to two to three years' aggregate fixed rent payment obligations ("cap"). If cumulative shortfall payments reach this cap, the fixed rent payment obligation ceases and the lessor receives only the variable rent. At year-end 2017, Rezidor had 54 leasing contracts for hotels in operation that had some financial commitments, compared to 56 such contracts in 2016. The following provides an overview of the expiry of those contracts:

Year	2017 Number of leasing agreements expiring	Year	2016 Number of leasing agreements expiring
2018	—	2017	—
2019–2023	2	2018–2022	3
2024–2028	14	2023–2027	11
2029–2033	18	2028–2032	19
2034–2038	15	2033–2037	17
2039–2043	3	2038–2042	4
2044–2048	2	2043–2047	2

The future leasing expense would entail payment of at least the annual fixed rent under Rezidor's lease agreements. The future minimum leasing expenses for all lease agreements with a fixed rent effective on December 31, 2017 are shown in the following table. For further information regarding rent payments, please refer to Note 13.

Future minimum lease payments

TEUR	2017	2016
Within 1 year	167,891	177,671
1–5 years	651,068	709,508
After 5 years	1,621,949	1,918,608
Total	2,440,908	2,805,787

Future minimum sub lease income

Revenue from sub leases recognised in 2017 amounted to TEUR 3,289 (4,077). The expected future sub lease payments to be received from all fixed rent agreements are shown in the table below:

TEUR	2017	2016
Within 1 year	2,986	3,237
1–5 years	6,887	9,312
After 5 years	25,327	36,851
Total	35,200	49,400

Note 39 | Management contract commitments

Under Rezidor's management agreements, Rezidor provide management services to third-party hotel proprietors. Rezidor derive revenue primarily from base fees determined as a percentage of total hotel revenue and incentive management fees defined as percentage of the gross operating profit or adjusted gross operating profit of the hotel operations.

In certain circumstances, Rezidor guarantee the hotel proprietor a minimum result measured by adjusted gross operating profit or some other financial measure (a "guarantee"). Under such contracts, in the event that the actual result of a hotel is less than the guaranteed amount, Rezidor compensate the hotel proprietor for the shortfall. However, in most agreements with such clauses, Rezidor's obligation to compensate for such shortfall amount is typically limited to two to three times the annual guarantee (the "guarantee cap").

As at the end of the year, Rezidor had granted a certain level of financial commitment in 15 management contracts, as compared to 17 at the end of 2016. The management contracts containing such financial risk for the group will expire as presented in the table below:

Year	2017 Number of management agreements expiring	Year	2016 Number of management agreements expiring
2018	1	2017	2
2019–2023	—	2018–2022	3
2024–2028	4	2023–2027	4
2029–2033	5	2028–2032	6
2034–2038	4	2033–2037	1
2039–2043	1	2038–2042	—
2044–2049	—	2043–2047	1

The following table presents the company's capped contractual obligations under all management contracts with financial guarantees and shows the maximum capped financial exposure.

Total maximum future capped guarantee payments

TEUR	2017	2016
Total	33,580	47,412

The capped guarantee payment includes the contingent liabilities as disclosed in Note 37 (i.e. Guarantees provided for management contracts). For 2017, Rezidor's costs for shortfalls under its management agreements with guarantees amounted to TEUR 912 (2,251). See also Note 13.

Note 40 | Auditors' fees

TEUR	2017	2016	TEUR	2017	2016
PwC			Deloitte		
Audit assignments	1,033	—	Audit assignments	160	1,015
where of PwC Sweden	407	—	where of Deloitte Sweden	84	450
Other audit related assignments	25	—	Other audit related assignments	24	352
where of PwC Sweden	—	—	where of Deloitte Sweden	2	—
Tax assignments	7	—	Tax assignments	29	607
where of PwC Sweden	—	—	where of Deloitte Sweden	1	8
Other assignments	108	—	Other assignments	112	214
where of PwC Sweden	34	—	where of Deloitte Sweden	—	7
Total fees	1,173	—	Total fees	325	2,188
where of PwC Sweden	441	—	where of Deloitte Sweden	87	465

Note 41 | Post balance sheet events

There are no significant post balance sheet events to report.

Note 42 | Group companies and legal structure

Rezidor Hotel Group AB (publ) has the following subsidiaries, joint-ventures, associated companies and other investments:

	Registered in	As of Dec. 31, 2017		As of Dec. 31, 2016	
		Ownership %	Share capital	Ownership %	Share capital
Belgium					
The Rezidor Hotel Group SPRL	Brussels	100	MEUR 29.4	100	MEUR 29.4
China					
Rezidor Royal Hotel Beijing Co., Ltd	Beijing	50	MRMB 33.4	50	MRMB 33.4
Cyprus					
Doriscus Enterprises Limited	Limassol	13.4	MEUR 19.8	13.41	MEUR 19.8
Denmark					
Rezidor Hotels ApS Danmark	Copenhagen	100	MDKK 212.0	100	MDKK 212.0
Rezidor Falconer Center A/S	Frederiksberg	—	—	100	MDKK 1.2
Rezidor Services A/S	Copenhagen	—	—	100	MDKK 2.0
SIHKA A/S	Copenhagen	100	MDKK 3.0	100	MDKK 3.0
Rezidor Scandinavia Hotel Aarhus A/S	Aarhus	100	MDKK 0.5	100	MDKK 0.5
Hotel Development S. Africa A/S	Copenhagen	100	MDKK 1.0	100	MDKK 1.0
Rezidor Hotel Kiev A/S	Copenhagen	100	MDKK 1.0	100	MDKK 1.0
Rezidor Hotel investment Egypt A/S	Copenhagen	100	MDKK 1.0	100	MDKK 1.0
Rezidor Russia A/S	Copenhagen	100	MEUR 0.7	100	MEUR 0.7
Rezidor Loyalty Management A/S	Copenhagen	100	MEUR 0.1	100	MEUR 0.1
Rezidor Cornerstone A/S	Copenhagen	100	MDKK 2.4	100	MDKK 2.4
Rezidor Hotel Management & Development A/S	Copenhagen	100	MDKK 2.5	100	MDKK 2.5
Rezidor Hospitality ApS	Copenhagen	100	MEUR 83.0	100	MEUR 83.0
Afrinord Hotel Investments A/S	Copenhagen	20	MEUR 0.3	20	MEUR 0.3
Rezidor Royal ApS	Copenhagen	100	MEUR 0.5	100	MEUR 0.5
Rezidor Scandinavia ApS	Copenhagen	100	MEUR 0.5	100	MEUR 0.5
Egypt					
Al Quesir Hotel Company S.A.E	Nasr City, Cairo	20	MEGP 68.0	20	MEGP 68.0
France					
Rezidor Resort France S.A.S.	Puteaux	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hospitality France S.A.S.	Puteaux	100	MEUR 110.4	100	MEUR 110.4
Royal Scandinavia Hotel Nice S.A.S.	Nice	100	MEUR 10.1	100	MEUR 10.1
Royal Scandinavia Hotel Marseille S.A.S.	Marseille	100	MEUR 0.0	100	MEUR 0.0
Rezidor Lyon S.A.S.	Lyon	100	MEUR 0.0	100	MEUR 0.0
SARL Régence Plage	Nice	100	MEUR 0.0	100	MEUR 0.0

	Registered in	As of Dec. 31, 2017		As of Dec. 31, 2016	
		Ownership %	Share capital	Ownership %	Share capital
Germany					
Rezidor Hotels Deutschland GmbH	Duisburg	100	MEUR 0.2	100	MEUR 0.2
Rezidor Revenue Center Central Europe	Duisburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Hannover GmbH	Duisburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Hamburg Airport GmbH	Duisburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Köln GmbH	Duisburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Wiesbaden GmbH	Duisburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Berlin GmbH	Duisburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Karlsruhe GmbH	Duisburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Frankfurt am Main GmbH	Duisburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Frankfurt Airport GmbH	Duisburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Stuttgart GmbH	Duisburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Shared Services Centre Deutschland GmbH	Duisburg	100	MEUR 0.0	100	MEUR 0.0
Park Inn München Frankfurter Ring GmbH	Duisburg	100	MEUR 0.0	100	MEUR 0.0
Park Inn München Ost GmbH	Duisburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Düsseldorf Media Harbour Hotel GmbH	Duisburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Nürnberg GmbH	Duisburg	100	MEUR 0.0	100	MEUR 0.0
Mongolia Nord GmbH	Frankfurt	14.28	MEUR 0.0	14.28	MEUR 0.0
Rezidor Sales and Marketing Central Europe GmbH	Duisburg	100	MEUR 0.0	100	MEUR 0.0
prize Holding GmbH	Hamburg	49	MEUR 0.0	49	MEUR 0.0
Italy					
Rezidor Hotel Milan S.r.l.	Milan	100	MEUR 0.0	100	MEUR 0.0
Kuwait					
First Hotels Company KSCC	Safat	1.82	MKWD 40.0	1.82	MKWD 40.0
Latvia					
Rezidor Baltics SIA	Riga	100	MLVL 0.0	100	MLVL 0.0
Netherlands					
Rezidor Hotel Amsterdam B.V.	Amsterdam	100	MEUR 0.0	100	MEUR 0.0
Norway					
Rezidor Hospitality Norway AS	Oslo	100	MNOK 249.0	100	MNOK 249.0
Rezidor Hotels Norway AS	Oslo	100	MNOK 11.0	100	MNOK 11.0
Rezidor Hotel Atlantic Stavanger AS (dormant)	Oslo	100	MNOK 0.0	100	MNOK 0.0
Rezidor Hotel Norge Bergen AS (dormant)	Oslo	100	MNOK 0.0	100	MNOK 0.0
South Africa					
Rezidor Hotel Group South Africa Ltd	Johannesbourg	74	MZAR 0.0	74	MZAR 0.0
RHW Management Southern Africa (Pty) Ltd	Johannesbourg	74	MZAR 0.0	74	MZAR 0.0
Spain					
Rezidor Hospitality Services Spain SL	Madrid	100	MEUR 0.0	—	—
Rezidor Hotel Madrid S.L.U	Madrid	100	MEUR 3.5	100	MEUR 0.0
Sweden					
Rezidor Hotel Holdings AB	Stockholm	100	MEUR 0.1	100	MEUR 0.1
Rezidor Hospitality Sweden AB	Stockholm	100	MSEK 18.0	100	MSEK 18.0
Rezidor Hotel & Congress AB	Stockholm	100	MSEK 0.1	100	MSEK 0.1
AB Strand Hotel	Stockholm	100	MSEK 0.3	100	MSEK 0.3
Royal Viking Hotel AB	Stockholm	100	MSEK 8.0	100	MSEK 8.0
Rezidor Arlandia Hotel AB	Stockholm	100	MSEK 1.0	100	MSEK 1.0
Rezidor SkyCity Hotel AB	Stockholm	100	MSEK 1.0	100	MSEK 1.0
Rezidor Royal Hotel AB	Malmö	100	MSEK 1.0	100	MSEK 1.0
Switzerland					
Rezidor Park Switzerland AG	Rümlang	100	MCHF 0.1	100	MCHF 0.1
Rezidor Hotels Switzerland AG	Basel	100	MCHF 0.1	100	MCHF 0.1
Turkey					
Rezidor Otelcilik Anonim Şirketi	Istanbul	100	MTRY 0.0	—	—
United Kingdom					
Rezidor Hotels UK Ltd.	Manchester	100	MGBP 32.2	100	MGBP 32.2.
Rezidor Hotel Manchester Ltd.	Manchester	100	MGBP 0.0	100	MGBP 0.0
Rezidor Hotel Leeds Ltd.	Manchester	100	MGBP 0.0	100	MGBP 0.0
Rezidor Hotel Edinburgh Ltd.	Manchester	100	MGBP 0.0	100	MGBP 0.0
Rezidor Hotel Stansted Airport Ltd.	Manchester	100	MGBP 0.0	100	MGBP 0.0
Rezidor Lifestyle Glasgow Ltd. (dormant)	Manchester	100	MGBP 0.0	100	MGBP 0.0
Rezidor Park UK Ltd.	Manchester	100	MGBP 0.0	100	MGBP 0.0
Park Hotel Heathrow Ltd.	Manchester	100	MGBP 0.0	100	MGBP 0.0
Park Hotels Management Ltd.	Manchester	100	MGBP 0.0	100	MGBP 0.0
Rezidor Lifestyle Edinburgh Ltd.	Manchester	100	MGBP 0.0	100	MGBP 0.0
United States of America					
Rezidor Hospitality Minnesota, Inc.	Saint Paul, MN	100	MUSD 0.0	—	—
PBR Hotel Ltd.	Birmingham, AL	9	N/A	—	—

Note 43 | Proposed appropriation of Earnings

Non-restricted reserves in the Parent Company available for dividend are (TEUR):

TEUR	
Share premium reserve	254,119
Profit brought forward	-597
Profit/loss for the year	-50
Total	253,472

The Board of Directors proposes to the Annual General Meeting 2018 that no dividend is to be paid for financial year 2017 and that the distributable funds of TEUR 253,472 are brought forward.

Note 44 | Definitions

The company presents certain financial measures in this interim report that are not defined under IFRS. The company believes that these measures provide useful supplemental information to investors and the company's management as they allow evaluation of the company's performance. Because not all companies calculate these financial measures similarly, these are not always comparable to measures used by other companies. These financial measures should not be considered a substitute for measures defined under IFRS.

IFRS MEASURES

Revenue

All related business revenue (including rooms revenue, food & drinks revenue, other hotel revenue, fee revenue and other non-hotel revenue from administration units).

Earnings per Share

Profit for the period, before allocation to non-controlling interests, divided by the weighted average number of shares outstanding.

Basic Average Number of Shares

Weighted average number of ordinary shares outstanding during the period.

NON-IFRS MEASURES - ALTERNATIVE PERFORMANCE MEASURES

Capital Employed

Total assets less interest-bearing financial assets and cash and cash equivalents and non-interest bearing operating liabilities, including pension liabilities, and excluding tax assets and tax liabilities.

MEUR	31 Dec. 2017	31 Dec. 2016
Total assets [A]	513.4	502.5
Interest-bearing financial assets [B]	22.7	25.6
Cash & cash equivalents [C]	7.4	8.0
Non-interest-bearing operating liabilities, including pension liabilities and excluding tax assets and tax liabilities [D]	279.1	251.3
Capital employed [A-B-C-D]	204.2	217.6

EBIT

Operating profit before net financial items and tax.

EBIT Margin

EBIT as a percentage of Revenue.

EBITDA

Operating profit before depreciation and amortisation, costs due to termination/restructuring of contracts, net financial items and tax.

EBITDA Margin

EBITDA as a percentage of Revenue.

EBITDAR

Operating profit before rental expense and share of income in associates, depreciation and amortisation, costs due to termination/restructuring of contracts, net financial items and tax.

EBITDAR Margin

EBITDAR as a percentage of Revenue.

Net Cash (Debt)

Cash & cash equivalents plus short-term interest-bearing assets (with maturity within three months) minus interest-bearing liabilities (short-term & long-term), excluding retirement benefit obligations as well as liabilities related to investments in hotels under management contracts, for which repayments are linked to fees collected.

MEUR	31 Dec. 2017	31 Dec. 2016
Cash & cash equivalents [A]	7.4	8.0
Cash & cash equivalents classified as held-for-sale [B]	—	0.0
Interest-bearing liabilities [C]	47.4	37.9
Retirement benefit obligations [D]	3.3	3.7
Liabilities related to investments in hotels under management contracts [E]	5.0	5.3
Net cash (debt) [A+B-C+D+E]	-31.7	-20.9

Net Interest-bearing Assets/Liabilities

Interest-bearing assets minus interest-bearing liabilities.

MEUR	31 Dec. 2017	31 Dec. 2016
Interest-bearing assets [A]	30.1	33.1
Interest-bearing liabilities [B]	47.4	37.9
Net interest-bearing assets/liabilities [A-B]	-17.3	-4.8

Free Cash Flow

Total cash flow from operating activities and investing activities.

MEUR	FY 2017	FY 2016
Cash flow from operating activities [A]	72.4	33.9
Cash flow from investing activities [B]	-73.7	-83.1
Free cash flow [A+B]	-1.3	-49.2

Rent as Percentage of Leased Hotel Revenue

Rental expense minus shortfall guarantees as percentage of total hotel revenue (leased portfolio).

MEUR	FY 2017	FY 2016
Rental expense [A]	231.7	235.9
Where of shortfall guarantees [B]	0.9	2.3
Total hotel revenue [C]	810.3	815.3
Rent as percentage of leased hotel revenue [(A-B)/C]	28.5%	28.7%

Net Working Capital

Inventory plus current non-interest-bearing receivables minus current non-interest-bearing liabilities.

MEUR	31 Dec. 2017	31 Dec. 2016
Inventory [A]	4.3	4.6
Current non-interest-bearing receivables [B]	133.7	122.6
Current non-interest-bearing liabilities [C]	186.5	165.6
Net working capital [A+B-C]	-48.5	-38.4

Return on Capital Employed

Operating profit/loss (EBIT), excluding costs due to termination of contracts and write-downs and reversals of write-downs divided by average capital employed.

MEUR	FY 2017	FY 2016
Operating profit/loss (EBIT) [A]	14.7	3.0
Write-downs and reversals of write-downs [B]	20.9	7.5
Costs due to termination of contracts [C]	4.2	28.9
Capital employed, beginning of the year [D]	217.6	174.1
Capital employed, end of the year [E]	204.2	217.6
Return on Capital Employed [(A+B+C)/((D+E)/2)]	18.9%	20.1%

Return on Equity

Profit for the period, attributable to equity holders of the parent, as a percentage of average shareholders' equity, excluding minority interests.

MEUR	FY 2017	FY 2016
Profit for the period [A]	4.4	26.4
Equity, beginning of the year [B]	265.7	246.7
Equity, end of the year [C]	253.7	265.7
Return on Equity [A/((B+C)/2)]	1.7%	10.3%

RevPAR

Rooms revenue in relation to available rooms, whereas available rooms is defined as total rooms inventory less rooms not available for sale.

Leased portfolio	FY 2017	FY 2016
Rooms revenue (MEUR) [A]	544.3	541.5
Number of available rooms (thousands) [B]	6,028	6,226
RevPAR [A/B]	90.3	87.0

OPERATING MEASURES

Average Room Rate

Average Room Rate – Rooms revenue in relation to number of rooms sold. This is also referred to as ARR (Average Room Rate), ADR (Average Daily Rate) or AHR (Average House Rate) in the hotel industry.

Central Costs

Central Costs represent costs for corporate and regional functions, such as Executive Management, Finance, Business Development, Legal, Communication & Investor Relations, Technical Development, Human Resources, Operations, IT, Brand Management & Development and Purchasing. These costs are incurred to the benefit of all hotels within the Rezidor Group, i.e. leased, managed and franchised.

F&D

Food and Drink.

FF&E

Furniture, Fittings and Equipment.

L/L Hotels

Same hotels in operation during the previous period compared ("like-for-like").

Occupancy (%)

Number of rooms sold in relation to the number of rooms available for sale.

RevPAR L/L

RevPAR for L/L hotels at constant exchange rates.

GEOGRAPHIC REGIONS/SEGMENTS

Nordics (NO)

Denmark, Finland, Iceland, Norway and Sweden.

Rest of Western Europe (ROWE)

Austria, Belgium, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, the Netherlands, Portugal, Spain, Switzerland and the United Kingdom.

Eastern Europe (incl. CIS countries) (EE)

Armenia, Azerbaijan, Belarus, Croatia, Cyprus, the Czech Republic, Estonia, Georgia, Hungary, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Moldova, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Turkey, Ukraine and Uzbekistan.

Middle East, Africa and Others, (MEAO)

Algeria, Angola, Bahrain, Cameroon, Cape Verde, Chad, China, Congo, Egypt, Ethiopia, Gabon, Ghana, Iraq, Ivory Coast, Kenya, Kuwait, Lebanon, Libya, Mali, Mauritius, Morocco, Mozambique, Nigeria, Oman, Qatar, Rwanda, Saudi Arabia, Senegal, Sierra Leone, South Africa, South Sudan, Tunisia, Uganda, the United Arab Emirates, Zambia and Zimbabwe

AUDITOR'S REPORT

To the annual meeting of the shareholders of Rezidor Hotel Group AB (publ)
Corporate identity number 556674-0964

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Rezidor Hotel Group AB (publ) for the year 2017. The annual accounts and consolidated accounts of the company are included on pages 3-54 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Other disclosures

The audit of the annual accounts and consolidated accounts for the year 2016 has been performed by a different auditor who has issued an auditor's report dated 21 March 2017 with unqualified opinions in the "Report on the annual accounts and consolidated accounts".

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made sub-

jective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Rezidor's operations consist of managing hotel, brands and assets owned by third parties. Rezidor operates hotels under the two core brands Radisson Blu and Park Inn by Radisson as well as under the brands Radisson Red and Quorvus Collection. The group operates in Europe, the Middle East and Africa and by the end of 2017 Rezidor operated 369 hotels with approximately 81,100 rooms in 66 countries.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates. In summary, our audit can be described as follows:

In the group audit we have focused on the operations in the parent company as well as the eight most significant countries in which hotels are operated by Rezidor itself under lease agreements. We have also focused on the entities which are responsible for handling the management contracts and the franchise business. This covers the majority of the group's revenue and operating profit.

Our audit includes a limited review of the half year report as of 30 June, an assessment of key controls over financial reporting based on Rezidor's framework, early warning on the closing per 30 September prior to the year-end closing and an audit of the year-end closing as a basis for the Group's consolidated financial closing.

During the year the group audit team has visited the significant entities in the group in order to gain a further understanding of the operations in these countries and adherence to group's internal control framework including the process for financial reporting. For other reporting entities which are not part of the group audit, analytical audit procedures are performed as a part of the audit of the consolidation. In addition to this, statutory audit procedures are performed in most of these entities.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our pro

fessional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Contractual obligations in the lease portfolio

Per 31 December 2017 Rezidor had 65 lease contracts for hotels in operation and under development which is disclosed on page 3 in the Board of Directors' Report. Please also see the disclosures regarding leasing commitments in Note 38. Although there are similarities between the different hotel lease contracts under which the company operates, each contract is unique and could include significant contractual obligations that require recognition and/or disclosure in the financial statements. We focused on this area as the interpretation of the contractual obligations could involve significant judgement.

One such contractual obligation is to maintain the hotel in "good order", in many contracts expressed as a certain percentage of revenue to be spent on maintenance and repair over the contract term and/or that a hotel property is to be returned to the lessor at the end of the contract term in a similar condition as when the lease was entered into. This obligation requires the company to monitor the level of capital expenditure made in each leased property from a contractual perspective to ensure that obligations are accurately reflected in the annual accounts and consolidated accounts.

Our audit procedures included, but were not limited to:

- evaluating the design and implementation of the group's process for monitoring fulfilment of contractual maintenance obligations,
- testing a sample of lease contracts to verify that contractual obligations had been captured and reflected accurately in the annual report and
- obtaining an understanding of any ongoing legal disputes with landlords with input from outside and in-house legal councils.

Deferred tax assets on tax loss carry forwards

Rezidor has significant tax loss carry forwards representing deferred tax assets of approximately MEUR 52 of which MEUR 50.3 MEUR was recognized in the consolidated balance sheet as per 31 December 2017.

The balances as of 31 December 2017 consists mainly of tax loss carry forwards in Belgium, UK and France. The capitalization of and estimated year by when the deferred tax assets will be fully utilized reflect the impact of the Transfer pricing model implemented in December 2016 and takes into consideration the terms of the existing lease and loan agreements for each jurisdiction. The disclosures regarding deferred taxes are included in Note 15.

We focused on this area as the amounts are material and the valuation requires significant judgement on future taxable surplus.

Our audit procedures included, but were not limited to:

- evaluating if any significant changes in tax legislations have occurred that could have a significant impact on the group's possibility to use the tax losses carry forward in coming years,
- using internal experts to review the transfer pricing policy and the impact it has on the utilization of deferred tax assets,
- testing the mathematical accuracy in calculation of deferred taxes and
- based on the budget and business plans for 2018 and subsequent periods assessing the reasonableness in significant assumptions underlying estimated taxable surplus for entities with tax loss carry forwards for which deferred tax assets have been recognised.

Impairment of tangible and intangible assets

The company has significant investments in both tangible and intangible assets primarily related to the properties operated under lease contracts and the right to use the brands under which the

company operates exclusively in certain geographic regions. These investments are disclosed in Note 18 and 19 in the annual report and further information about the impairment test is included in Note 6.

The company has prepared an impairment assessment that is based on a value in use calculation where each hotel constitute a separate cash generating unit for investments in properties and where the group constitute the cash generating unit for investments related to the right to use the brands under which the company operates.

We focused on the impairment assessments above as the book value of tangible and intangible assets are material and as the assessment is sensitive to changes in assumptions (in particular the growth rates, RevPAR, cost assumptions and the discount rates).

Our audit procedures included, but were not limited to:

- evaluating the design and implementation of the group's process for identifying indicators of impairment and that impairment losses are recognized in the right period,
- evaluating the assumptions and methodologies used by management, in particular those relating to forecasted growth rates and discount rates,
- evaluating the adequacy of disclosures related to those assumptions to which the outcome of the impairment test is most sensitive,
- testing the mathematical accuracy in the impairment calculations and
- assessing the sufficiency of the sensitivity analysis prepared by management and performed further sensitivity analysis primarily focused on changes in operating cash flow.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-2 and 66-72. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate

the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Directors' responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden 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 annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Rezidor Hotel Group AB (publ) for the year 2017 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our 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 opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that

are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

PricewaterhouseCoopers AB, was appointed auditor of Rezidor Hotel Group AB (publ) by the general meeting of the shareholders on the 28 April 2017 and has been the company's auditor since the 28 April 2017.

Stockholm 19 March 2018

PricewaterhouseCoopers AB

Eric Salander
Authorised Public Accountant
Auditor in Charge

Erik Bergh
Authorised Public Accountant

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF
RADISSON HOSPITALITY AB (PUBL)
AS OF AND FOR THE FISCAL YEAR 2016**

CONSOLIDATED STATEMENT OF OPERATIONS

TEUR (except for share related data)	Notes	For the Year Ended December 31	
		2016	2015
Revenue	7, 8, 37	961,176	997,015
Costs of goods sold for Food & Drinks and other related expenses	9	–53,865	–57,853
Personnel cost and contract labour	10	–337,780	–343,017
Other operating expenses	11, 37	–240,918	–239,397
Insurance of properties and property tax	12	–14,059	–15,775
Operating profit before rental expense and share of income in associates and before depreciation and amortisation, costs due termination/restructuring of contracts and gain on sale of shares, intangible and tangible assets (EBITDAR)		314,554	340,973
Rental expense	13	–235,779	–243,076
Share of income in associates and joint ventures	20, 21	573	3,156
Operating profit before depreciation and amortisation, costs due to termination/restructuring of contracts and gain on sale of shares, intangible and tangible assets (EBITDA)	7	79,348	101,053
Depreciation and amortisation	18, 19	–41,810	–37,246
Write-downs and reversal of write-downs	6, 18, 19	–7,456	–5,787
Costs due to termination/restructuring of contracts		–28,921	–1,079
Gain/loss on sale of shares, intangible and tangible fixed assets		1,848	397
Operating profit (EBIT)	7	3,009	57,338
Financial income	14	2,475	1,924
Financial expense	14	–2,748	–2,625
Profit before tax	7	2,736	56,637
Income tax expense	15	23,664	–22,402
Profit for the year		26,400	34,235
Attributable to:			
Owners of the Parent Company		26,400	34,235
Non-controlling interests		–	–
		26,400	34,235
Basic average number of shares outstanding	17	170,725,046	170,707,719
Diluted average number of shares outstanding	17	173,509,152	172,902,764
Profit/loss per share after allocation to non-controlling interests (EUR)			
Basic	17	0.15	0.20
Diluted	17	0.15	0.20

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

TEUR	Notes	For the Year Ended December 31	
		2016	2015
Profit for the year		26,400	34,235
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gains and losses	23	2,306	573
Tax on actuarial gains and losses		–784	–191
Items that may be reclassified subsequently to profit or loss:			
Currency differences on translation of foreign operations		3,475	–3,142
Tax on currency differences on translation of foreign operations		–2,656	493
Fair value gains and losses on cash flow hedges	33	–320	–110
Tax on fair value gains and losses on cash flow hedges	33	70	34
Other comprehensive income for the year, net of tax		2,091	–2,343
Total comprehensive income for the year		28,491	31,892
Total comprehensive income attributable to:			
Owners of the Parent Company		28,491	31,892
Non-controlling interests		–	–

CONSOLIDATED BALANCE SHEET STATEMENT

TEUR	Notes	As of December 31	
		2016	2015
ASSETS			
Non-current assets			
Intangible assets			
Licenses and related rights	18	41,269	42,387
Other intangible assets	18	19,780	22,178
		61,049	64,565
Tangible assets			
Fixed installations in leased properties	19	68,475	52,436
Machinery and equipment	19	102,688	86,284
Investments in progress	19	17,873	31,796
		189,036	170,516
Financial assets			
Investments in associated companies	20	17,959	2,876
Investments in joint ventures	21	—	—
Other shares and participations	22	5,220	5,193
Other long-term interest-bearing receivables	24	8,475	7,821
Other long-term non-interest-bearing receivables	24	8,125	5,878
		39,779	21,768
Deferred tax assets	15	57,833	21,747
		347,697	278,596
Current assets			
Inventories		4,586	5,018
Accounts receivable	25	44,678	40,682
Current tax assets	15	21,274	11,578
Other current interest-bearing receivables	26	2,780	2,510
Other current non-interest-bearing receivables	27	56,611	63,843
Derivative financial instruments	4	41	319
Other short term investments	28	—	1,962
		129,970	125,912
Cash and cash equivalents	29	8,024	37,735
Assets classified as held for sale	30	16,826	22,089
Total current assets		154,820	185,736
Total assets		502,517	464,332

TEUR	Notes	As of December 31	
		2016	2015
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	31	11,626	11,626
Other paid in capital	31	177,124	177,124
Reserves		4,075	3,506
Retained earnings including profit for the year		72,850	54,436
Equity attributable to owners of the parent company		265,675	246,692
Non controlling interests		1	1
Total equity		265,676	246,693
Non-current liabilities			
Deferred tax liabilities	15	19,122	15,423
Retirement benefit obligations	23	3,683	5,582
Provisions	34	—	6
Other long-term interest-bearing liabilities	35	13,677	5,694
Other long-term non-interest-bearing liabilities		11,392	11,870
		47,874	38,575
Current liabilities			
Accounts payable		31,431	37,975
Current tax liabilities	15	11,252	6,838
Provisions	34	96	2,933
Other current interest-bearing liabilities	35	20,522	19
Derivative financial instruments	4	107	66
Other current non-interest-bearing liabilities	36	122,711	126,591
		186,119	174,422
Liabilities directly related to assets classified as held for sale			
	30	2,848	4,642
Total liabilities		236,841	217,639
Total equity and liabilities		502,517	464,332

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

TEUR	Share capital	Other paid in capital	Foreign currency translation reserve	Fair value reserve-available for sale financial assets	Fair value reserve-cash-flow hedges ¹⁾	Retained earnings incl. net profit/loss for the period	Attributable to owners of the parent company	Non-controlling interests	Total equity
Opening balance as of January 1, 2015	11,626	177,124	5,667	290	274	24,442	219,423	1	219,424
Profit for the period	—	—	—	—	—	34,235	34,235	—	34,235
OTHER COMPREHENSIVE INCOME:									
Actuarial gains and losses on defined benefit plans	—	—	—	—	—	573	573	—	573
Tax on actuarial gains and losses on defined benefit plans	—	—	—	—	—	–191	–191	—	–191
Currency differences on translation of foreign operations	—	—	–3,142	—	—	—	–3,142	—	–3,142
Tax on exchange differences recognised in other comprehensive income	—	—	493	—	—	—	493	—	493
Fair value gains and losses on cash flow hedges	—	—	—	—	–110	—	–110	—	–110
Tax on fair value gains and losses on cash flow hedges	—	—	—	—	34	—	34	—	34
Total comprehensive income for the period	—	—	–2,649	—	–76	34,617	31,892	—	31,892
TRANSACTIONS WITH OWNERS:									
Dividend	—	—	—	—	—	–5,121	–5,121	—	–5,121
Long term incentive plans ²⁾	—	—	—	—	—	498	498	—	498
Ending balance as of December 31, 2015	11,626	177,124	3,018	290	198	54,436	246,692	1	246,693
Profit for the period	—	—	—	—	—	26,400	26,400	—	26,400
OTHER COMPREHENSIVE INCOME:									
Actuarial gains and losses on defined benefit plans	—	—	—	—	—	2,306	2,306	—	2,306
Tax on actuarial gains and losses on defined benefit plans	—	—	—	—	—	–784	–784	—	–784
Currency differences on translation of foreign operations	—	—	3,475	—	—	—	3,475	—	3,475
Tax on exchange differences recognised in other comprehensive income	—	—	–2,656	—	—	—	–2,656	—	–2,656
Fair value gains and losses on cash flow hedges	—	—	—	—	–320	—	–320	—	–320
Tax on fair value gains and losses on cash flow hedges	—	—	—	—	70	—	70	—	70
Total comprehensive income for the period	—	—	819	—	–250	27,922	28,491	—	28,491
TRANSACTIONS WITH OWNERS:									
Dividend	—	—	—	—	—	–11,949	–11,949	—	–11,949
Long term incentive plans ²⁾	—	—	—	—	—	2,441	2,441	—	2,441
Ending balance as of December 31, 2016	11,626	177,124	3,837	290	–52	72,850	265,675	1	265,676

1) See further Note 33

2) See further Note 32

CONSOLIDATED STATEMENT OF CASH FLOWS

TEUR	Notes	For the Year Ended December 31	
		2016	2015
OPERATIONS			
Operating profit (EBIT)		3,009	57,338
Adjustments for non-cash items:			
Depreciations, amortisations and write-downs	18, 19	49,265	43,033
Change in pension assets/liabilities		-1,899	-95
Share of income in associated companies and joint ventures	20, 21	-573	-3,156
Other adjustments for non-cash items		2,541	-2 944
Interest received	14	648	1,111
Interest paid	14	-1,200	-898
Other financial items		279	-1,465
Tax paid		-14,622	-12,113
Cash flows from operations before change in working capital		37,448	80,811
Change in:			
Inventories		395	143
Current receivables		3,906	-9,133
Current liabilities		-7,498	13,942
Change in working capital		-3,197	4,952
Cash flow from operating activities		34,251	85,763
INVESTMENTS			
Purchase of intangible assets	18	-803	-1,399
Purchase related to investments in progress	19	-26,886	-40,659
Purchase of machinery and equipment	19	-25,488	-20,207
Purchase fixed installations	19	-17,904	-11,703
Investments in subsidiaries	16	—	424
Investments in associated companies and joint ventures	20	-14,700	—
Net proceeds from sale of subsidiaries		600	—
Other investment and divestments of financial fixed assets		2,120	-1,072
Cash flow from investing activities		-83,061	-74,616
FINANCING			
Change in:			
Overdraft facilities		20,518	4
Lease incentives and other long term liabilities		7,229	-546
Total external financing		27,747	-542
Dividend paid		-11,949	-5,121
Total cash from transactions with shareholders		-11,949	-5,121
Cash flow from financing activities		15,798	-5,663
Cash flow for the year		-33,012	5,484
Translation difference in cash and cash equivalents		24	76
Cash and cash equivalents, January 1		41,087	35,527
Cash and cash equivalents, December 31	29	8,051	41,087
Where of classified as assets held for sale	29, 30	27	3,352

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Note 1 | General information

Rezidor Hotel Group AB (publ), hereafter referred to as "Rezidor" or "the Company", is a limited liability company incorporated in Sweden. Its registered office and principal place of business is in Sweden (Stockholm), address: Klarabergsviadukten 70 D7, 111 64 Stockholm, Sweden. The corporate head office is located in Brussels, Belgium.

Rezidor is an international hospitality company which currently has 483 hotels in operation or under development in 82 countries. Rezidor operates under the brands Radisson Blu Hotels & Resorts, Park Inn by Radisson, Radisson RED and Quorvus Collection. Further information about the activities of the Company is described in Note 7.

The Annual Report as of December 31, 2016 was approved by the Board of Directors of Rezidor Hotel Group AB (publ) on March 20, 2017. The Annual Report is subject to approval by the Annual General Meeting on April 28, 2017.

Note 2 | Adoption of new and revised international financial reporting standards

In current year, the Group has adopted all new and amended Standards and Interpretations issued by the International Accounting Standards Board (IASB) and IFRS Interpretations Committee that are relevant to its operations and effective for accounting periods beginning on January 1, 2016 and endorsed by the European Commission prior to the release of these financial statements. New and amended Standards and Interpretations have not had any significant impact on the financial statements 2016.

New and amended standards not yet effective

International Accounting Standards Board (IASB) has issued the following new and amended Standards that are not yet effective:

Standards effective for annual periods beginning

IFRS 9 Financial instruments	January 1, 2018 or later
IFRS 15 Revenue from Contracts with Customers (including amendments to IFRS 15: Effective date)	January 1, 2018 or later
Clarifications to IFRS 15 Revenue from Contracts with Customers*	January 1, 2018 or later
IFRS 16 Leases*	January 1, 2019 or later
Amendments to IFRS 2 Share-based Payment (Classification and Measurement of Share-based Payment Transactions)*	January 1, 2018 or later
Amendments to IAS 7 Statement of Cash Flows ("Disclosure Initiative")*	January 1, 2017 or later
Amendments to IAS 12 Income Taxes (Recognition of Deferred Tax Assets on Unrealised Losses)*	January 1, 2017 or later

* Not yet endorsed by the EU.

IFRS 9 *Financial instruments* will replace IAS 39 *Financial instruments: Recognition and Measurement*.

IFRS 9 introduces new principles for classification and measurement of financial assets. The measurement category is decided by the entity's business model (the purpose for holding the asset) and by the contractual cash flows of the asset.

The standard also provides new impairment principles for financial assets which replaces the current incurred loss model with a new expected loss model. The impairment model is a three stage model where the calculation of impairment is decided by changes in the credit risk of the assets, and there is no longer a need for an incurred loss event to have happened for an impairment to be recognized. The standard has a simplified approach for accounts receivables

and leasing assets, these imply that a lifelong expected loss is recognized at initial recognition and that changes in credit risk don't impact the reserve.

The standard keeps the three basic hedge accounting relations in IAS 39 (cash flow hedge, fair value hedge and hedge of a net investment in a foreign operation). IFRS 9 allows a larger flexibility on ineligible items for hedge accounting, like hedge accounting of components of non-financial items. Further, the quantitative demand for effectiveness within the 80-125 % is no longer a requirement.

Management is currently analysing the impact of the adoption of IFRS 9. Management's initial assessment is, however, that IFRS 9 will not have any significant impact on the financial statements when applied for the first time.

IFRS 15 *Revenue from Contracts with Customers* will supersede IAS 18 Revenue and IAS 11 Construction Contracts. IFRS 15 established a single model for revenue recognition (five step model), which is based on when control of a good or service is transferred to the customer. The core principle is that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled for those goods or services. There are significantly additional guidance in IFRS 15 for different specific areas and the disclosure requirements are extensive.

Clarifications to IFRS 15 discuss the areas Identifying performance obligations, Principal versus Agent considerations, Licensing and Transition relief for contract modifications and completed contracts.

Management is currently analysing the impact of the adoption of IFRS 15. Management's initial assessment is, however, that IFRS 15 will not have any significant impact on the financial statements when applied for the first time.

IFRS 16 *Leases* will supersede IAS 17 *Leases*. For the lessee, IFRS 16 implies that almost all leases shall be accounted for the statement of financial position, thus the classification as an operating lease or as a finance lease will therefore no longer be performed. The underlying asset in the lease agreement is recognised in the Statement of financial position. In subsequent periods the right-of-use asset is accounted for at cost less depreciation and any impairment as well as potential remeasurement of the lease liability. The lease liability is recognised in the Statement of financial position and in subsequent periods the liability is accounted for at amortised cost and reduced by lease payments. The lease liability is remeasured to reflect changes in, for example, the lease term, residual value guarantees and potential changes in lease payments.

The Income statement will be impacted when current operating expenses attributable to operating leases will be replaced by amortisations and interest expenses.

Short-term leases (12 months or less) and leases for which the underlying asset is of low value are not required to be recognised in a lessee's Statement of financial position, these will be recognised in the operating profit consistent with the current requirement for operating leases.

The new standard has more extensive disclosure requirements than the current standard. Lessor accounting is in all material aspects unchanged.

Management has initiated an extensive implementation project for IFRS 16. The new standard is considered, due to the size in the rental portfolio, to have a significant impact on the financial statements when applied for the first time.

It is management's assessment that the amendments in IFRS 2, IAS 7 and IAS 12 will not have any significant impact on the financial statements when applied for the first time.

Note 3 | Accounting principles

The Rezidor Hotel Group's Annual Report has been prepared in accordance with International Financial Reporting Standards (IFRS)/International Accounting Standards (IAS) as endorsed by EU and the Swedish Annual Accounts Act. In addition, RFR 1 Supplementary Rules for Groups has been applied, issued by the Swedish Financial Accounting Standards Council.

The Rezidor Hotel Group applies the historical cost method when preparing the financial statements, except for valuation of certain financial instruments or as described below.

Reporting currency

EUR is the functional currency of the primary economic environment in which the Parent Company and the majority of the entities within the Group operates and consequently the financial statements are presented with EUR as the reporting currency. Any difference between the functional currency and the currencies in which the Group companies reports is recognised directly in the statement of shareholders equity.

General provision on recognition and measurement

Assets are recognised in the balance sheet when it is likely that future economic benefits will flow to the Group as a result of past events and the value of the assets can be measured reliably.

Liabilities are recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is likely that future economic benefits will flow out of the Group, and the value of the liabilities can be measured reliably.

At initial recognition, assets and liabilities are measured at cost. Measurement after the initial recognition is effected as described below for each item.

Events or transactions occurring after the balance sheet date but before the financial statements are issued, that provides evidence of conditions which existed at the balance sheet, are used to adjust the amounts recognised in the financial statements.

Revenue is recognised in the income statement as and when earned, whereas costs are recognised at the amounts attributable to the financial period under review.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (directly or indirectly owned subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements used for consolidation have been prepared applying the Group's accounting policies.

The results from subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. That date is the date when the group effectively obtains or loses control over the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

For intra-group restructurings such as the formation of the new Parent Company, any difference between the acquisition costs and the equity of the acquired companies are adjusted against equity as such transactions are considered common control transactions and should not have any impact on the consolidated balance sheet.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling's share of changes in equity since the date of the combination. Losses applicable to the non-controlling in excess of the non-controlling's interest in the subsidiary's equity are allocated against the interest of the Group except to the extent that the non-controlling has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of companies or businesses is accounted for using the acquisition method. The cost acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control of the acquiree. Costs directly attributable to the business combination are expensed as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising from an acquisition is recognised as an asset being the excess of the cost of the business combination over the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss. The interest of non-controlling shareholders in the acquiree is initially measured at the non-controlling's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised. The non-controlling shareholders interest in goodwill is included or excluded on a case by case basis.

Investments in associates and interest in joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Significant influence is normally present in situations where the company has more than 20% of the voting interests but less than 50%.

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control. That is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control. Currently, where the shareholding and votes are less than or equal to 50% of total (shareholding and votes), the Company accounts for these related investments as investments in associated companies.

The results, assets and liabilities of associates and joint ventures are incorporated in the Group's financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 Non-Current Assets Held for Sale and discontinued operations.

The share of income represents the Company's share in the net income (after tax) from these associates and is directly accounted for in the income statement. No further income tax expense is charged to the share of income as this kind of income is untaxed in the countries of the related shareholding entities.

Under the equity method, investments in associates and joint ventures are carried in the consolidated balance sheet at cost, adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised.

Any goodwill arising from the acquisition of the Group's interest in a jointly controlled entity or an associated company is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a subsidiary (see above).

Gains and losses from divestment of shares

Gains or losses from divestment of subsidiaries and associates are calculated as the difference between the selling price and the carrying amount of the net assets at the time of divestment, including a proportionate share of related goodwill and estimated divestment expenses. Gains and losses are recognised in the income statement under "Gain/loss on sale of shares, intangible and tangible assets".

Foreign currency

Assets and liabilities in foreign currency

Foreign currency transactions are translated into the reporting currency using average monthly rates, which essentially reflect the rate of exchange at the date of transaction. Receivables, liabilities and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the rate of exchange at the balance sheet date. Exchange differences that arise between the rate at the date of transaction and the one in effect at the date of payment, or the rate at the balance sheet date, are recognised in the income statement as income or expense. Exchange differences on operating items are recognised in operating profit. Exchange differences on financial items are recognised in the income statement as financial income or expense.

Translation of financial statements of foreign subsidiaries

The functional currency of the majority of the reporting entities is considered to be their local currency. When consolidating, the reporting entities' income statements are translated using the monthly average rates and the balance sheets are translated using the rates at the balance sheet date. Any difference between the local currency and the functional currency for the Group is recognised in the statement of comprehensive income.

The main exchange rates affecting the financial statements are:

Country	Currency	Year-end rate Dec. 31		Average rate Jan. 1-Dec. 31	
		2016	2015	2016	2015
Denmark	DKK	7.43	7.46	7.44	7.46
Sweden	SEK	9.57	9.17	9.46	9.36
Norway	NOK	9.08	9.60	9.29	8.95
Switzerland	CHF	1.07	1.09	1.09	1.07
United Kingdom	GBP	0.85	0.74	0.82	0.73
United States	USD	1.05	1.09	1.11	1.12

Income statement

Revenue recognition

Revenue consists of the value of goods and services sold in the leased properties, management fees, franchise fees and other revenues which are generated from the Group's operations.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes. The following is a description of the composition of revenues of the Group.

Leased properties – primarily received from hotel operations, including all revenue received from guests for accommodation, conferences, food and drinks or other services. Revenue is recognised when the sale has been rendered.

Management fees – received from hotels managed by the Group under long-term contracts with the hotel owner. Management fee is normally a percentage of hotel revenue and/or profit and recognised in the income statement when earned and realised or realisable under the terms of the contract.

Franchise fees – received in connection with the license of the Group's brand names, usually under long-term contracts with the hotel owner. Franchise fee is normally a percentage of hotel revenue and/or profit and recognised in the income statement based on the underlying contract agreements.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. Dividend from investments is recognised when the shareholders rights to receive payment have been established.

Customer Loyalty programme

A Customer loyalty programme, Club Carlson (previously named goldpoints plusSM) is used by the Company to provide customers with incentives to buy room nights. On October 28, 2007, Carlson Group took over the responsibility for the goldpoints plusSM programme from Rezidor. Rezidor was liable three years for points awarded before that date. Rezidor is not liable for points awarded under the loyalty programme after the date of transfer to the Carlson Group.

The Company's customers are awarded loyalty points under various third party loyalty programs. The customers are entitled to utilise the awards as soon as they are granted. Revenues for Rezidor's portion of the award credits are recognised when the customer chooses to claim awards from the third party.

Cost of goods sold

Cost of goods sold relates mainly to cost of goods in restaurants (Food & Drinks) incurred to generate revenue.

Leasing

As a lessee, Rezidor has entered into lease contracts primarily related to fully furnished hotel premises. Each lease contract is subject to a determination as to whether the lease is a financial or an operating lease. The classification of leases as operating or financial leases are determined based on the individual terms. Leasing contracts where virtually all rights and obligations (which normally characterise ownership) are transferred from the lessor to the lessee are defined as a financial leasing contract. At the beginning of the leasing period, finance leasing contracts are reported at fair value. Assets held under finance leasing contracts are recognised in the balance sheet as a fixed asset and future commitment to the lessor as a liability.

Leasing contracts that are non-financial are classified as operational leasing contracts. All of Rezidor's leases are currently classified as operating leases. In all current leasing arrangements regarding hotels, Rezidor only car-

ries risks limited to operating the hotel. The lease cost for operating lease contracts is recognised on a straight-line basis except where another systematic basis is more representative of the time pattern in which the economic benefits from the leased assets are consumed.

Assessment of the leased assets' useful economic life corresponds to the principles Rezidor applies to acquired assets. However, in certain exceptional cases, where Rezidor accepts a hotel that requires a major renovation or has excess capacity or other capacity limitation in the short-run (that is, until such time when the property builds up to its full potential), Rezidor may agree to pay a lower minimum lease fee in the beginning of the lease period, and account for it accordingly to better reflect the time pattern in which the economic benefits from such leased hotels are derived.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of any lease benefits, if any, are recognised as a reduction of the leasing cost on a straight line basis over the lease term.

Based on the transitional provisions of IAS 17 (revised 1999), the classification of leases entered into prior to 1999 have been retained.

Personnel cost

Personnel costs comprise salaries and wages as well as social security costs, pension contributions, etc. for employees employed by the legal entities of the Company.

Other operating expenses

Other operating expenses include royalty fees to Carlson Group and marketing expenses as well as expenses related to operating the hotels such as energy costs, supplies, other external fees, laundry and dry cleaning, contract services, administration costs, communication, travel, transport, operating equipment, licences, maintenance contracts and exchange differences on operating items.

Rental expenses

Rental expense includes fixed and variable rent for the leased hotels for the period. It also includes all management guarantee payments (i.e. guarantee payments or shortfalls) owed to or paid to the hotel owners based on the related management contracts. Rental costs related to premises leased for administration purposes are recorded at cost in the rental expenses in the line item 'Fixed rent' (see Note 13).

Financial income and expenses

Financial income and expenses items include interest income and expenses, realised and unrealised foreign exchange gains on financial items, bank charges, write-downs of financial loans and receivables and capital gains and losses on loans and receivables and on liabilities as well as capital gains and losses on available-for-sale financial assets.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The current tax is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted in the respective tax jurisdictions on the balance sheet date.

Deferred tax is recognised as the difference between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax is generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates and interest in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that suffi-

cient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also recognised in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current liabilities and when they relate to income taxes levied by the same taxation authority and the Groups intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities over cost.

Balance sheet

Licences and other rights and Other intangible assets

Acquired intangible assets are measured at cost less accumulated amortisation. These intangible assets are amortised on a straight line basis. Licences and other rights primarily relate to the contractual rights relating to the Carlson agreement which is being amortised over the length of the contract (expiring in 2052). Other intangible assets are normally the result of intangible assets acquired as part of new lease or management agreements and are amortised over the rental or management contract period.

If impaired, intangible assets are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Fixed installations in leased properties as well as machinery and equipment (mainly related to investments in leased hotels) are measured at cost less accumulated depreciation and write-downs.

Cost includes the acquisition price, costs directly related to the acquisition and expenses incurred to make the asset ready to be put into operation.

Interest and other finance costs relating to tangible assets during the manufacturing period are recognised in the income statement.

The basis of depreciation is cost less the estimated residual value at the end of the assets useful life. Depreciation is calculated on a straight-line basis based on an assessment of the asset's estimated useful lives:

Fixed installations and technical improvements	10 years
Guest room Furniture, Fixture and Equipment (FF&E)	7 years
Other Furniture, Fixtures & Equipment and Machinery	5 years

In case the remaining term of a lease agreement for a hotel is shorter than the estimated useful life of the asset, the depreciation period is limited to the remainder of the lease term.

Tangible assets are written down to the recoverable amount if this amount is lower than the carrying amount. The recoverable amount is the higher of the net sale value and the value in use. Profits and losses from the sale of tangible assets are calculated as the difference between the selling price less selling expenses and the carrying amount at the time of sale.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss. When an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable

amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is immediately recognised in profit or loss.

Assets classified as held for sale

Non-current assets and disposals groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Inventories

Inventories are measured at the lower of cost (using the FIFO principle) and net realisable value. Cost of goods for resale, raw materials and consumables consist of purchase price plus handling cost.

Financial instruments

Financial instruments are stated at amortised cost or at fair value depending on their initial classification according to IAS 39.

Fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices. Fair value of other financial assets and liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis, using prices from observable current market transactions or dealer quotes for similar instruments.

Amortised cost is calculated using the effective interest method, where any premiums or discounts and directly attributable costs and revenues are capitalised over the contract period using the effective interest rate. The effective interest rate is the rate that yields the instrument's cost when calculating the present value of future cash flows.

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. In order to be classified as cash and cash equivalents, the maturity of the cash and cash equivalents instruments is three months or less at the time of acquisition. Cash and cash equivalents are carried at their nominal value.

Other shares and participations are classified as available-for-sale investments and measured at fair value. Gains and losses arising from changes in fair value are recognised in other comprehensive income, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period. Impairment losses recognised in profit and loss for equity investments are not subsequently reversed through profit and loss. Investments where the fair value cannot be measured reliably are measured at cost.

Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Currently, the Group only designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in

equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

The fair values of derivative instruments used for hedging purposes are disclosed in Note 4. Movements on the hedging reserve in equity are shown in Note 33.

Receivables

Receivables are classified as loans and receivables and measured at amortised cost, usually equalling nominal value, less allowance for doubtful accounts.

Other short-term investments

Other short term investments are comprised of cash on restricted accounts and are measured at nominal value.

Accounts payable

Accounts payable are classified as other financial liabilities and recognised at amortised cost, usually equalling nominal value.

Other interest- and non-interest-bearing liabilities

Other interest- and non-interest-bearing liabilities are classified as other financial liabilities and recognised at amortised cost.

Provisions

Provisions for obligations related to lease contracts and management contracts are made if a contract is considered to be onerous. Other provisions are recognised and measured as the best estimate of the expenses required for settling the liabilities at the balance sheet date. Provisions that are estimated to mature in more than one year after the balance sheet date are measured at their present value.

Retirement benefit obligations

Several companies within the Group have established pension plans for its employees. These pension commitments are mainly secured through various pension plans. These vary considerably due to different legislation and agreements on occupational pension systems in the individual countries.

For pension plans where the employer has accepted responsibility for defined contribution solutions, the obligations to employees ceases when contractual premiums have been paid. For other pension plans where defined benefit pensions have been agreed, the commitments do not cease until the contractual pensions have been paid to the employee on retirement.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in income.

Share-based payment transactions

Fair value at grant date for the long-term equity-settled incentive programmes, in which the participants of the plans receive a certain amount of shares in the Company if certain performance criteria are met during the vesting period, is recognised as an expense over the vesting period, adjusted for the number of participants that are expected to remain in service. An amount equal to the expense is credited to equity. In addition to the service criteria, the current programmes have a performance criteria related to earnings per share (EPS), a so called non-market condition. The non-market conditions are taken into consideration in the assessment of the number of shares that will be vested at the end of the vesting period. The additional social security costs are reported as a liability, revalued at each balance sheet date in accordance with UFR 7, issued by the Swedish Financial Accounting Standards Council's Emergency Task Force.

Cash Flow Statement

The cash flow statement is presented using the indirect method. It shows cash flows from operating activities, investing activities and financing activities as well as the cash and cash equivalents at the beginning and at the end of the financial period.

Cash flows from the acquisition and divestment of enterprises are shown separately under "Cash flow from investing activities". Cash flows from

acquired enterprises are recognised in the cash flow statement from the time of their acquisition, and cash flows from divested enterprises are recognised up to the time of sale.

"Cash flow from operating activities" is calculated as operating income before tax adjusted for non-cash operating items, increase or decrease in working capital and change in tax position.

"Cash flow from investing activities" includes payments in connection with the acquisition and divestment of enterprises and activities as well as the purchase and sale of intangible and tangible assets.

"Cash flow from financing activities" includes changes in the size or the composition of the Group's issued capital and related costs as well as the raising of loans, installments on interest-bearing debt, and payment of dividends. Cash flows denominated in foreign currencies, including cash flows in foreign subsidiaries, are translated to the Group reporting currency using average monthly rates, which essentially reflect the rates at the date of payment. Cash at year end is translated to the functional currency using the rates at the balance sheet date.

Note 4 | Financial risk management

Rezidor's financial risk management is governed by a finance policy approved by the Board of Directors. According to the finance policy, the corporate treasury function of the Company systematically monitors and evaluates the financial risks, such as foreign exchange, interest rate, credit and liquidity risks. Rezidor's corporate and regional operational teams systematically monitor market risks related to its business. Measures aimed at managing and handling financial risks are documented in Rezidor's finance policy as well as a finance manual. The finance policy is reviewed by the corporate treasury function on an ongoing basis. It is normally presented to the Board on an annual basis, save when there is no material change, in which case the existing Board approved policy remains in force.

According to the finance policy, the treasury function may use financial instruments, such as FX forwards, FX swaps, FX options and interest rate swaps to hedge against currency and interest rate risks. At year-end, the Company had entered into certain hedging contracts for cash flow related to some of its fee income. FX swaps have also been used to reduce or eliminate the use of over-draft facilities and mitigate FX volatility, as described under 'Liquidity risks'.

Interest rate risks

Cash flow risks

All credit lines and almost all financial receivables bear floating interest rates. It is the policy of the Company that borrowings and investments should have short term interest rates. The effect on financial net in the income statement of a change in market interest rates with 100 basis points would be immaterial, based on the net financial assets, on December 31, 2016.

Fair value risks

Since almost all interest-bearing receivables are on a floating interest arrangement and carried at amortised cost, there is no material impact from changes in market interest rates on the carrying values of these receivables and consequently no material impact on the income statement or equity.

Off-balance sheet commitments

The main financing risk is related to Rezidor's ability to control and meet the company's off-balance sheet commitments under leases with fixed rent payments and management agreements with guarantees. Such fixed lease and guaranteed amounts have historically been agreed on a fixed rate basis with indexation as a percent of change in the relevant consumer price index, and are, therefore, not exposed to variations in the market interest rates. In addition, these commitments are normally limited to an agreed maximum financial exposure, which is usually capped at 2–3 times the annual guaranteed result under a contract or an annual minimum lease. The off-balance sheet commitments are consequently normally reduced over the contract term as the caps are consumed.

Currency risks

The Company has operations in a vast number of countries with many different currencies, and is therefore exposed to currency exchange rate fluctuations. The most important foreign currencies are the Swedish Krona (SEK), the Norwegian Krone (NOK), the Danish Krone (DKK), the U.S. Dollar (USD), the Swiss Franc (CHF) and the Pound Sterling (GBP). The exposure from the DKK is, however, limited as the currency is pegged to the EUR.

Transaction exposure

When entities within the Group generate revenues and incur costs in different currencies, they are subject to transaction exposure. For the leased operations, the nature of the business is normally local, and consequently the expo-

sure is limited. Unlike the leased operation, the fee business is generally subject to a relatively higher transaction exposure. This transaction exposure arises when fees are collected by entities located in another country than that of the hotel from which the fee originates. Hotels in certain markets with high currency volatility and a large international customer base, however, generally adjust their room rates charged in the local currency to take into account volatile fluctuations in the EUR, Rezidor's reporting currency, or the USD.

All hotels use a reservation system that is set up and managed by the Carlson Group, for which the hotels pay a fee to the Carlson Group. The fees are collected centrally by Rezidor from its hotels and paid further on to the Carlson Group. Rezidor also pays franchise fees to the Carlson Group for the use of the brand names as well as a minor portion of the marketing fees collected from its hotels. As part of its currency hedging strategy, Rezidor collects the reservation fee from its leased hotels in their local currency. The fee charged to its leased hotels is equivalent to the USD fee per reservation charged by Rezidor in USD to its managed and franchised hotels. By combining currency hedges and keeping a part of the cash inflow in USD, Rezidor mitigates its USD exposure resulting from the outflow to the Carlson Group.

Translation exposure

The Company presents its financial statements in EUR. Since certain of Rezidor's foreign operations have a functional currency other than EUR, the consolidated financial statements and shareholders' equity are exposed to exchange rate fluctuations when the income statements and balance sheets in foreign currencies are translated into EUR. The exposure on the consolidated equity is however lowered through the decision to not own any real estate as this reduces the total assets denominated in foreign currencies.

A sensitivity analysis shows that if the EUR would fluctuate by 5% against other currencies in the Group, excluding DKK which is pegged to the EUR, the effect on the consolidated equity would be approximately MEUR 12.1, based on the equity at year-end 2016, and MEUR 27.7 on total revenue, MEUR 1.5 on EBITDA and MEUR 2.4 on net income, based on the income statement for 2016. This sensitivity assumes that all currencies would fluctuate 5% against the EUR and does not take into account the correlation between and the resulting risk diversification from those currencies.

Credit risks

Credit risks are related to the financial receivables in the balance sheet, i.e. 'Other long-term interest bearing receivables', 'Other long-term non-interest bearing receivables', 'Other current interest bearing receivables' and 'Accounts receivables'. Above that, the Group is also exposed to credit risks related to 'Other short-term investments' and 'Cash and cash equivalents'.

At the local hotel level, the credit exposure is normally limited, as the accounts regularly are settled in cash or by accepted credit cards. Credits are only offered to customers under a contract and only to companies or registered organisations with a legal structure. Credit terms must be described in the contract and comply with the guidelines as described in the finance manual. As for managed and franchised hotels, a background check of the hotel owner is made before entering into a new contract, including, where possible, an investigation of the creditworthiness. The credit term is normally 30 days for both local hotel customers and for fees. The financial guidelines set strict rules for the follow-up of overdue receivables and for credit meetings. As sales in both the local hotels and the fee invoicing to managed and franchised hotels, are dispersed among a large number of different customers, the Group has little credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Information about accounts receivables overdue and impaired at year end is found under Note 25.

In some cases Rezidor grants loans to owners of Rezidor's hotels, or to joint venture partners and associated companies in early stages of new projects. The terms for such loans vary, but in principle there is an agreement on interest on the loans and the repayment schedule is based on the project opening and project progress. Based on market conditions, interest rates, repayment schedules and security arrangements have been agreed upon. Terms and conditions for such loans are decided upon centrally by Group financial management. Information about these loans, maturity dates, security arrangements etc. is found under Notes 24 and 26.

Cash not necessary for the normal course of business is deposited in a bank. Central treasury is responsible to coordinate the handling of surplus liquidity and liquidity reserves, and only central treasury or persons authorised by central treasury may engage in external investment transactions. Individual hotels and administration units with excess liquidity which cannot be held on accounts within the cash pool structure can invest externally only with the prior consent of central treasury and in accordance with the finance policy. According to the finance policy, the investments of surplus liquidity can only be made in creditworthy interest bearing securities, in securities with high liquidity, in investments/securities/deposits with short-term maturity, and, as regards deposits, normally with financial institutions with a rating of A–1/P1/F1 or higher. The carrying amount of these financial assets, as disclosed in the table below, represents the maximum credit exposure for the Group.

TEUR	As of Dec.31	
Carrying amount	2016	2015
Other long-term interest-bearing receivables ¹⁾	22,247	22,131
Other long-term non-interest-bearing receivables	8,125	5,878
Accounts receivable ²⁾	46,140	40,682
Other current non-interest bearing receivables ³⁾	16,769	18,750
Other current interest-bearing receivables ⁴⁾	3,353	2,510
Other short-term investments	—	1,962
Cash and cash equivalents ⁵⁾	8,051	41,087
Maximum credit exposure	104,685	133,000

1) Where of TEUR 13,772 (14,310) is classified as held for sale.

2) Where of TEUR 1,462 (—) is classified as held for sale.

3) Where of TEUR — (2,090) is classified as held for sale.

4) Where of TEUR 573 (—) is classified as held for sale.

5) Where of TEUR 27 (3,552) is classified as held for sale.

Liquidity risks

Liquidity risk is that the Company is unable to meet its payment obligations as a result of insufficient liquidity or difficulty in raising external financing. Raising of capital and placement of excess liquidity is managed centrally by the central treasury function. The Group has objectives for liquidity reserves, such as excess cash and irrevocable credit facilities, that the Group should have available at any time. The central treasury function monitors the cash position of the different entities within the Group usually on a daily basis to ensure an efficient and adequate use of cash and overdraft facilities.

Rezidor has secured appropriate overdraft and credit facilities through long term agreements with leading European Banks with solid credit ratings. One bank provides a cross-border cash pool in which a majority of the cash flows within the Group are concentrated. Through this bank agreement, the Company has also secured combined overdraft and guarantee facilities with varied terms for a total amount of TEUR 105,000. In addition, the Company has credit facilities of TEUR 90,000 and TEUR 5,000 with other banks. The remaining tenor of the committed credit facility range between twelve and twenty-three months and are combined with customary covenants. The Group has not pledged any assets to secure these facilities. At year-end, TEUR 20,522 (—) was used for overdraft. TEUR 2,800 (356) was used for bank guarantees. Cash and cash equivalents amounted to TEUR 8,051 (41,087), of which TEUR 7,179 (36,375) were in banks and TEUR 845 (1,360) in petty cash at several hotels and administration units. TEUR 27 (3,352) out of TEUR 8,051 (41,087) was classified as assets held for sale. In order to reduce or eliminate the use of overdraft and to mitigate FX volatility, Rezidor regularly enters into short term FX swaps and rolling twelve-month currency hedges. On December 31, 2016, the Company had EUR to SEK swaps of TEUR 4,300, EUR to GBP swaps of TEUR 2,900 and SEK to GBP swaps of TSEK 124,000 respectively, all with a maturity shorter than two weeks. On December 31, 2015, the Company had SEK to GBP and EUR to GBP swaps of TSEK 175,000 and TEUR 70,250 respectively, all with a maturity shorter than two weeks.

The payment obligations of the Group at year-end, defined as the remaining maturity for financial liabilities, is presented below:

TEUR	As of Dec.31	
Mature within 1 year	2016	2015
Accounts payables ¹⁾	31,698	39,464
Other current interest-bearing liabilities	20,522	19
Other current non-interest-bearing liabilities ²⁾	16,190	14,147
	68,410	53,630
Mature after 1 year		
Other long-term interest-bearing liabilities	8,364	—
Other long-term non-interest-bearing liabilities	11,392	11,870
	19,756	11,870
Undefined maturity		
Other long-term interest bearing liabilities	5,313	5,694
	5,313	5,694

1) Where of TEUR 265 (1,489) is classified as held for sale.

2) Where of TEUR — (398) is classified as held for sale.

The long-term liability falling under 'Undefined maturity' is related to the financing of investments in a German hotel under a management contract, where the repayment of the loan is linked to the fees collected from this hotel.

Market risks

Apart from interest rate risks and currency risks, which are described above, the Company is also subject to price risk related to changes in fair value of the investments in other shares and participations. These investments, normally the result of equity financing in early stages of certain hotel projects, are classified as available-for-sale investments with changes in fair value recognised in other comprehensive income. The Company is also subject to price risk from changes in fair value on FX swaps, with fair value recognised through profit or loss, and from changes in fair value on derivatives used for hedging. The fair value change on FX swaps and fee hedges outstanding on December 31, 2016, was net TEUR 78 (60) and TEUR -66 (253) respectively. The real exposure to the Company is, however, limited as the contracts mature from within one week to less than one year.

Fair value

FX swaps are classified as held for trading with changes in fair value recognised in profit or loss. Fair value changes on derivatives used for hedging (cash flow hedges) are recognised in other comprehensive income. The fair value is obtained from banks which have derived the fair value through calculations based on market interest rates and market FX rates. Other shares and participations, classified as available-for-sale investments with changes in fair value recognised in other comprehensive income, are measured at fair value, based on discounted cash flow analyses.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). The main approach used by the company for this purpose is discounted cash flow. The discount rates used when discounting the future cash flows amounts to 11.7% (TEUR 4,169 of the assets in the table below) and 8.1% (TEUR 1,017 of the assets) respectively. The key assumptions for the calculations are similar to these described in Note 6, "Impairment testing".

As of Dec. 31 2016	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss (held for trading)	—	—	—	—
Derivatives used for hedging	—	-66	—	-66
Available-for-sale financial assets	—	—	5,220	5,220
Total		-66	5,220	5,154

As of Dec. 31 2015	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss (held for trading)	—	—	—	—
Derivatives used for hedging	—	253	—	253
Available-for-sale financial assets	—	—	5,193	5,193
Total	—	253	5,193	5,446

Assets measured at fair value based on Level 3	Available for sale financial assets	Total
Opening balance as of Jan. 1, 2016	5,193	5,193
In other comprehensive income (exchange differences)	27	27
Closing balance as of Dec. 31, 2016	5,220	5,220

For other financial assets and financial liabilities, measured at amortised cost in the balance sheet, the carrying amounts in the financial statements approximate their fair values, as they mature within one year, bear a floating interest or have other terms and conditions considered to be equal or close to equal to market conditions.

Categories of financial assets and liabilities

The carrying amounts of different categories, as defined in IAS 39, of financial assets and liabilities, December 31 were as follows:

TEUR	As of Dec.31	
	2016	2015
Financial assets at fair value through profit and loss (held for trading)		
Other current non-interest bearing receivables	—	458
	—	458
Derivatives used for hedging		
Derivative financial instruments – current assets	41	319
Derivative financial instruments – current liabilities	–107	–66
	–66	253
Loans and receivables		
Other long-term interest-bearing receivables	8,475	7,821
Other long-term non-interest-bearing receivables	8,125	5,878
Accounts receivables	46,140	40,682
Other current non-interest-bearing receivables	16,769	18,750
Other current interest-bearing receivables ¹⁾	3,353	2,510
Other short-term investments	—	1,962
Cash and cash equivalents ²⁾	8,051	41,087
	90,913	118,690
Available for sale financial assets		
Other shares and participations	5,220	5,193
	5,220	5,193
Financial liabilities measured at amortised cost		
Other long-term interest-bearing liabilities	13,677	5,694
Other long-term non-interest-bearing liabilities	11,392	11,870
Accounts payables ³⁾	31,698	39,464
Other current interest-bearing liabilities	20,522	19
Other current non-interest-bearing liabilities	16,190	14,147
	93,479	71,194

1) Where of TEUR 573 (—) is classified as held for sale.

2) Where of TEUR 27 (3,552) is classified as held for sale.

3) Where of TEUR 265 (1,489) is classified as held for sale.

Capital structure

Rezidor defines its capital as equity and net debt, where net debt is external borrowing, including the use of overdraft facilities, minus cash and cash equivalents. The objective is to have an efficient capital structure, considering both the financing needs of the Group and the shareholders' return. In order to achieve this, the long-term policy is to distribute approximately one third of the annual net income as dividend and to maintain a small net cash position and sufficient credit facilities. Depending on the financing needs of the Company, dividends may be adjusted, shares bought back or new shares issued. At year-end 2016 the equity amounted to TEUR 265,676 (246,693) and the net debt to TEUR 20,835 (–41,087).

Financial risk management – Parent Company

Joint risk management is applied to all units in the Group. The Parent Company forms a relatively small part of the Group. There are no material differences between the risk management applied for the Parent Company and that applied for the Group. Full application under IFRS 7 regarding qualitative and quantitative risk information is therefore not presented separately for the Parent Company.

Note 5 | Critical judgements and estimates

The preparation of financial statements and application of accounting policies are often based on the management's assessments or on estimates and assumptions deemed reasonable and prudent at the time they are made. Below is an overall description of the accounting policies affected by such estimates or assumptions that are expected to have the most significant impact on The Rezidor Hotel Groups' reported earnings and financial position.

Reporting of costs for defined benefit pensions are based on actuarial estimates derived from assumptions about discount rate, expected return on managed assets, future pay increases and inflation.

As a lessee, Rezidor has entered into lease contracts primarily related to fully furnished hotel premises. Each lease contract is subject to a determination as to whether the lease is a financial or an operating lease. The classification of leases as operating or financial leases are determined based on the individual terms. Leasing contracts where virtually all rights and obligations (which normally characterise ownership) are transferred from the lessor to the lessee are defined as a financial leasing contract. Leasing contracts that are non-financial are classified as operational leasing contracts. All of Rezidor's leases are currently classified as operating leases. In all current leasing arrangements regarding hotels, Rezidor only carries risks limited to operating the hotel.

Note 6 | Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that could have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed here below.

Impairment testing

At each balance sheet date (closing date), a review is conducted assessing any indication that the company's tangible, intangible assets and contracts are impaired and if this is the case, the recoverable amount of the individual assets and contracts (or the cash-generating unit to which they belong) is calculated in order to determine whether impairment exists. Each hotel contract is considered as a separate cash generating contract.

The method used for testing assets in use is the discounted cash flow technique (DCF) using the internal pre-tax discount rate (Weighted Average Cost of Capital) which is recalculated regularly and per region. The following discount rates have been used when discounting future cash flows:

Discount rates used	2016	2015
UK	8.1%	9.9%
Euro zone excl. Spain and Italy	8.1%	8.5%
Spain	8.1%	9.9%
Italy	8.1%	9.8%
Sweden	8.1%	8.6%
Switzerland	8.1%	7.6%
Norway	8.1%	9.4%

If the net present value shows a net present value (NPV) that is below the carrying value, then impairment is considered on the related tangible and intangible group of assets.

The key assumptions for the value in use calculations are discount rates, growth rates and expected changes in occupancy and room rates and direct costs during the period. Changes in selling prices and occupancy and direct costs are based on past practices and expectations of future changes in the market. Derived from the most recent financial budgets approved by management, the group prepares cash flows over the related length of each respective contract normally ranging from 15 to 20 years. Each individual hotel contract has been valued separately, taking into account the remaining contract term and the applicable commercial terms.

The expected cash flows for each unit take into account the budgeted numbers for 2017 and projected numbers for 2018–2019. The long term growth in revenues, costs and profit margins follow similar development pattern as the change in local consumer price index in line with the historical growth rates experienced in those regions except when justified otherwise by other factors. Such factors include ongoing higher than inflation improvement in market RevPAR, building up of revenues due to renovation works carried out to maintain standard, revenue turnaround and cost restructuring programmes and impact of rebranding.

When required, write-downs have been accounted for. During the year, write-downs of TEUR 9,461 (7,097) of fixed assets related to leased hotels in Belgium, Germany, Italy, Norway, Spain and the UK were recognised as a result of impairment tests. The impairments were primarily the result of lowered market growth expectations. The assets have been written-down to the calculated value in use. TEUR 2,005 (1,311) of reversals of write-downs were recognised during the year.

Portfolio management, a revision of plans and projections for loss-making hotels or a setback in the economic recovery, with major implications on the performance of the company's hotels, may lead to a renewed assessment of the carrying value of both tangible and intangible assets.

Assessment of onerous contracts in management and lease agreements

A similar method as for impairment is applied to test if management contracts or lease agreements are onerous and, if applicable, a provision is recorded. No provision has been recognised for onerous lease contracts during the year (TEUR 580 in 2015). No provisions were recognised in 2016 or 2015 for onerous management contracts with shortfall guarantees. In 2015 TEUR 917 of provisions from prior years for onerous management contracts with shortfall guarantees was reversed as a result from remeasurements. Provisions for management contracts with shortfall guarantees are recognised as guarantee payments under rental expenses in the income statement. Portfolio management, a revision of plans and projections for loss-making hotels or a setback in the economic recovery, with major implications on the performance of the company's hotels, may lead to a renewed assessment.

Deferred tax assets

Deferred tax is recognised on temporary differences between stated and taxable income and on unutilised tax losses carried forward. The valuation of tax losses carried forward, and ability to utilise tax losses carried forward, is based on estimates of future taxable income. The assumptions used in estimating the future taxable income are based on those used in the impairment tests. During 2016, deferred tax assets on losses of net TEUR 26,150 were recognised following reviews of the likelihood to utilise tax losses carried forward (net utilisation of TEUR 2,816 in 2015). Portfolio management, a revision of plans and projections for loss-making hotels or a setback in the economic recovery, with major implications on the performance of the company's hotels, could trigger a need for further assessment of the recoverability of accumulated tax losses carry forward and therefore also on the carrying value of deferred tax assets. Furthermore, changes in tax rules and regulations, for example a reduction of the income considered taxable, the right to deduct expenses, or restrictions on loss utilisation can also trigger a need for further assessment of the recoverability of the tax losses carry forward and the related deferred tax assets.

Investments

During the year or previous year, no investments were written down following the review of other shares and participations held by the Group (Note 22).

Assessment of the off-balance sheet commitments

For leasing commitments, the Company estimates that the future leasing expense would entail payment of at least the annual fixed rent under the lease agreements (Note 39).

For management contract commitments, the Company discloses its maximum capped financial exposure related to all management agreements that carry a financial commitment. However of the maximum exposure presently disclosed (see Note 40), the annual costs are just a small part of the maximum commitment.

Provisions

Provisions are made when any probable and quantifiable risk of loss attributable to disputes is judged to exist. Provisions for claims due to known disputes are recorded whenever there is a situation where it is more likely than not that the company will have an obligation to settle the dispute and where a reliable estimate can be made regarding the outcome of such dispute.

Note 7 | Segment disclosures

The segments are reported in accordance with IFRS 8 Operating segments. The segment information is reported in the same way as it is reviewed and analysed internally by the chief operating decision-makers, primarily the CEO, the Executive Committee and the Board of Directors.

The Rezidor Hotel Group's principal geographical markets, or regions in which the Group operates its business consists of:

- The Nordics including Denmark, Finland, Iceland, Norway and Sweden;
- The Rest of Western Europe including Austria, Belgium, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, the Netherlands, Portugal, Spain, Switzerland and the United Kingdom;
- Eastern Europe including Armenia, Azerbaijan, Belarus, Bulgaria, Croatia, Cyprus, the Czech Republic, Estonia, Georgia, Hungary, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Macedonia, Moldova, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Turkey, Ukraine and Uzbekistan; and
- Middle East, Africa and Other including Algeria, Angola, Bahrain, Benin, Cape Verde, Chad, China, Congo, Egypt, Ethiopia, Gabon, Ghana, Guinea, Iraq, Ivory Coast, Kenya, Kuwait, Lebanon, Libya, Mali, Mauritius, Morocco, Mozambique, Nigeria, Oman, Qatar, Rwanda, Saudi Arabia, Senegal, Sierra Leone, South Africa, South Sudan, Togo, Tunisia, the United Arab Emirates, Uganda, Zambia and Zimbabwe.

The Rezidor Group's types of contractual arrangements (or operating structures) in which the Rezidor hotels are operated consists of:

- **Leased contractual arrangements:**
Under Rezidor's lease agreements, Rezidor leases hotel buildings from property owners and is entitled to the benefits and carries the risks associated with operating of the hotel. The Company derives revenue primarily from room sales and food and drinks sales in restaurants, bars and banqueting. The main costs arising under a lease agreement are costs related to rent paid to the lessor, personnel costs and other operating expenses. Rent payments to lessor typically include a variable rent (as % of hotel revenue) with an underlying minimum fixed rent (for more details see Note 39). Under some lease agreements, the company also reimburses the owner of the hotel property for property taxes and property insurance. Under Rezidor's lease agreements, the company is responsible for maintaining the hotels Furniture, Fixtures and Equipment (FFE) in good repair and condition over the term of the lease agreement.
- **Managed contractual arrangements:**
Under management agreements, the Company provides management services for third-party hotel proprietors. Revenue is primarily derived from base fees determined as a percentage of total hotel revenue and incentive management fees defined as a percentage of the gross operating profit or adjusted gross operating profit of the hotel operations. In addition, the company collects marketing fees based on total rooms revenue or on total revenue, and reservation fees are based on the number of reservations made. Under some management agreements, Rezidor may offer the hotel proprietor a minimum guaranteed result, as further described in Note 40. Under a management agreement, the hotel proprietor is responsible for all investments in and costs of the hotel, including the funding of periodic maintenance and repair, as well as for insurance of the hotel property. The employees that operate the hotels are, in general, employees of the hotel proprietor.
- **Franchised contractual arrangements:**
Under franchise agreements, the company authorises a third-party hotel operator or property owner to operate the hotel under one of the brands in the Company's portfolio. Accordingly, under such agreements, the Company neither owns, leases nor manages the hotel. The Company derives revenue from brand royalties or from licensing fees which, under most of the franchise agreements, are based on a percentage of total room revenue generated by a hotel. In addition, the Company collects marketing fees based on total room revenue and reservation fees based on the number of reservations made. In order to gain access to different concepts and programmes associated with the brand, the hotel owners normally have to pay additional fees.
- Other represents complementary Group revenue from administrative activities, but also includes the share of income from associates and joint ventures (for EBITDA and EBIT).

Revenue

The split made between the detailed segments is based on the location of the business activities and on the net contribution of each related entities in their respective regional place of business, meaning that the segment disclosure is made after elimination of intra-group and intra-segment transactions (i.e. internal fees).

The line item 'Leased' represents, per region, the operating revenue (Room revenue, F&B revenue and Other hotel revenue) from leased hotels.

The line item 'Managed' represents, per region, the fees from managed hotels.

The line item 'Franchised' represents, per region, the fees from franchised hotels.

The line item 'Other' represents complementary Group revenue from administrative activities.

EBITDA and EBIT

The line item 'Leased' represents, per region, the net operational contribution of leased hotels per region, less related marketing costs. Royalty fees and reservation fees.

The line item 'Managed' represents, per region, the fees from managed hotels less related marketing costs, Royalty fees, reservation fees and any shortfall guarantees.

The line item 'Franchised' represents, per region, the fees from franchised hotels less related marketing costs, Royalty fees and reservation fees.

Marketing costs are allocated to the operational units, i.e., Leased, Managed and Franchised per region, based on room revenue. Amortisation of

intangible assets related to the franchise agreements with the Carlson Group is allocated based on the same principle.

The line item 'Central costs' represents corporate and regional costs (excluding the marketing costs which are allocated to the operational units) before depreciations and amortisations.

The line item 'Other' represents the contribution of the rest of the administrative activities and includes also the share of income in associates (for EBITDA) and gain (loss) on sale of shares and fixed assets (for EBIT). Depreciations and amortisations related to administrative activities are included in 'Other' in EBIT.

Balance sheet, Investments, Key Performance Indicators and Hotel Inventory

The chief operating decision-maker monitors tangible, intangible and financial assets as well as capital expenditure (investments) attributable to each segment for the purpose of monitoring segment performance and allocating resources between segments. Assets and capital expenditure include those used directly in the operation of each segment, including intangible assets, property, plant and equipment and investments in associates. These assets are allocated according to their physical location. Key Performance indicators like RevPAR (i.e. Rooms revenue in relation to the number of rooms available) expressed in euro and occupancy (i.e. number of rooms sold in relation to the numbers of rooms available) expressed in rate are disclosed between major brands, Radisson Blu and Park Inn by Radisson. Number of hotels and rooms in operation are segmented by geographic market and by operating structure.

SEGMENTATION – REVENUE

TEUR	Nordics		Rest of Western Europe		Eastern Europe		Middle East, Africa and Other		Total			
	2016	2015	2016	2015	2016	2015	2016	2015	2016	%	2015	%
Leased	390,722	417,978	424,583	433,153	—	—	—	—	815,305	84.8%	851,131	85.3%
Managed	2,243	2,948	29,891	37,884	32,670	29,933	30,263	31,798	95,067	9.9%	102,563	10.3%
Franchised	9,316	7,654	11,223	10,915	5,667	5,106	414	—	26,620	2.8%	23,675	2.4%
Other	14,813	12,878	9,371	6,768	—	—	—	—	24,184	2.5%	19,646	2.0%
Total	417,094	441,458	475,068	488,720	38,337	35,039	30,677	31,798	961,176	100.0%	997,015	100.0%

SEGMENTATION – EBITDA

TEUR	Nordics		Rest of Western Europe		Eastern Europe		Middle East, Africa and Other		Central costs		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Leased	31,539	36,622	27,254	25,595	—	—	—	—	—	—	58,793	62,217
Managed	1,464	2,137	19,318	27,157	22,561	20,394	17,261	19,410	—	—	60,604	69,098
Franchised	5,263	4,261	4,690	5,312	2,886	3,075	177	—	—	—	13,016	12,648
Other ¹⁾	6,933	7,699	311	—	—	—	262	3,146	—	—	7,506	10,845
Central costs	—	—	—	—	—	—	—	—	-60,571	-53,755	-60,571	-53,755
Total	45,199	50,719	51,573	58,064	25,447	23,469	17,700	22,556	-60,571	-53,755	79,348	101,053

1) Other also includes share of income in associates and joint ventures.

SEGMENTATION – EBIT

TEUR	Nordics		Rest of Western Europe		Eastern Europe		Middle East, Africa and Other		Central costs		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Leased	2,626	17,914	-16,152	4,000	—	—	—	—	—	—	-13,526	21,914
Managed	1,446	2,118	19,154	26,974	22,373	20,211	17,067	19,207	—	—	60,040	68,510
Franchised	5,172	4,185	4,559	5,194	2,839	3,035	173	—	—	—	12,743	12,414
Other ¹⁾	3,750	5,109	311	—	—	—	262	3,146	—	—	4,325	8,255
Central costs	—	—	—	—	—	—	—	—	-60,571	-53,755	-60,571	-53,755
Total	12,994	29,326	7,872	36,168	25,212	23,246	17,502	22,353	-60,571	-53,755	3,009	57,338

1) Other also includes share of income in associates and joint ventures and gain /loss on sale of shares and fixed assets.

RECONCILIATION OF PROFIT/LOSS FOR THE PERIOD

TEUR	2016	2015
Total operating profit (EBIT) for reportable segments	3,009	57,338
Financial income	2,475	1,924
Financial expense	-2,748	-2,625
Group's total profit before tax	2,736	56,637

SHARE OF INCOME IN ASSOCIATES

TEUR	Nordics		Rest of Western Europe		Eastern Europe		Middle East, Africa and Other		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Share of income in associates	—	11	311	—	—	—	262	3,146	573	3,156
Total	—	11	311	—	—	—	262	3,146	573	3,156

Share of income in associates in 2015 in Middle East, Africa and Other includes the reversal of the impairment of the investment in Rezidor Hotel Beijing Co Ltd of TEUR 2,764, which is classified as held for sale.

SEGMENTATION – BALANCE SHEET

TEUR	Nordics		Rest of Western Europe		Eastern Europe		Middle East, Africa and Other		Total	
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015
Leased	166,929	170,787	258,212	232,442	1,769	1,634	5,985	4,851	432,895	409,714
Managed	637	696	5,601	6,693	6,673	6,625	6,850	6,891	19,761	20,905
Franchised	3,082	2,772	4,569	4,294	1,652	1,489	164	—	9,467	8,555
Other	1,448	1,407	15,502	496	5,069	5,050	18,375	18,205	40,394	25,158
Group's total assets	172,096	175,662	283,884	243,925	15,163	14,798	31,374	29,947	502,517	464,332
Group's total liabilities	105,613	101,857	124,543	109,684	1,004	807	5,681	5,291	236,841	217,639

SEGMENTATION – INVESTMENTS¹⁾

TEUR	Nordics		Rest of Western Europe		Eastern Europe		Middle East, Africa and Other		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Leased	23,219	23,457	47,219	49,410	159	74	82	654	70,679	73,595
Other	—	—	403	373	—	—	—	—	403	373
Total	23,219	23,457	47,622	49,783	159	74	82	654	71,082	73,968

1) Excluding investments related to financial assets, see Note 20 and 21.

SEGMENTATION – DEPRECIATION, AMORTISATION AND WRITE-DOWNS

TEUR	Nordics		Rest of Western Europe		Eastern Europe		Middle East, Africa and Other		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Depreciation and amortisation	18,066	17,595	23,484	19,530	48	38	212	84	41,810	37,247
Write-downs	4,568	2,410	4,885	4,656	—	—	8	32	9,461	7,098
Reversal of write-downs	—	—	-2,005	-1,311	—	—	—	—	-2,005	-1,311
Group's total depreciation and amortisation	22,634	20,005	26,364	22,875	48	38	220	116	49,266	43,034

Revenue in Sweden, where the Parent Company is located, amounted to TEUR 127,716 (139,443). Non-current assets in Sweden amounted to TEUR 58,733 (61,823).

SEGMENTATION – REVPAR AND OCCUPANCY¹⁾

	Radisson Blu		Park Inn by Radisson		Rezidor	
	2016	2015	2016	2015	2016	2015
RevPAR, EUR	76.7	79.7	45.1	46.5	68.8	71.5
Occupancy, %	65.2	67.1	64.8	65.4	65.1	66.6

1) RevPAR (Revenue per Available Room) – is calculated as Rooms revenue in relation to the number of rooms available in leased and managed hotels.
Occupancy – is calculated as the number of rooms sold in relation to the number of rooms available. The table above does not include RevPAR for Radisson RED and Quorvus.

SEGMENTATION – HOTEL INVENTORY (IN OPERATION)

Summary by geographic area and by operating structure

	Nordics		Rest of Western Europe		Eastern Europe		Middle East, Africa and Other		Total	
	Hotels	Room	Hotels	Room	Hotels	Room	Hotels	Room	Hotels	Room
As of Dec. 31, 2016 – In operation										
Leased	26	7,267	41	9,434	—	—	—	—	67	16,701
Managed	3	957	45	8,243	28	5,545	66	14,438	142	29,183
Franchised	31	6,235	50	9,542	72	18,584	1	257	154	34,618
Total Rezidor	60	14,459	136	27,219	100	24,129	67	14,695	363	80,502

	Nordics		Rest of Western Europe		Eastern Europe		Middle East, Africa and Other		Total	
	Hotels	Room	Hotels	Room	Hotels	Room	Hotels	Room	Hotels	Room
As of Dec. 31, 2015 – In operation										
Leased	30	8,355	41	9,434	—	—	—	—	71	17,789
Managed	2	764	51	8,636	72	19,095	63	13,578	188	42,073
Franchised	29	5,776	44	8,618	22	4,372	—	—	95	18,766
Total Rezidor	61	14,895	136	26,688	94	23,467	63	13,578	354	78,628

Note 8 | Revenue

Operating Revenue per area of operation

TEUR	For the Year Ended Dec. 31	
	2016	2015
Rooms revenue	541,538	560,354
F&D Revenue	247,245	262,327
Other hotel revenue	26,522	28,450
Hotel revenue	815,305	851,131
Fee revenue	121,682	126,238
Other revenue	24,189	19,646
Total revenue	961,176	997,015
Specification of fee revenue		
Management fees	33,268	35,319
Incentive fees	30,114	31,306
Franchise fees	12,457	10,652
Marketing fees	28,243	27,667
Termination fees	1,426	7,241
Other fees	16,174	14,053
Total	121,682	126,238

- The line item 'Other hotel revenue' consists of complementary hotel revenue such as revenue from parking, pool, laundry and gym.
- The line item 'Other revenue' consists of complementary Group revenue such as administration revenue.

Note 9 | Cost of goods sold for food & drinks and other related expenses

TEUR	For the Year Ended Dec. 31	
	2016	2015
Cost of food	34,444	36,376
Cost of drinks	9,362	10,031
Cost of other income	6,897	7,107
Cost of other goods sold	2,654	3,839
Cost of tel, fax, internet	508	500
Total	53,865	57,853

- The line item 'Cost of other income' consists of various costs directly related to 'Other hotel revenue' and 'Other revenue'.

Note 10 | Payroll cost, number of employees, etc

Payroll cost	For the Year Ended Dec. 31	
	2016	2015
Salaries	220,007	224,809
Social security	37,153	37,475
Pension costs	8,023	8,012
Sub-total	265,183	270,296
Other personnel costs (other benefits in kind), including contract labour costs	72,597	72,721
Total	337,780	343,017

These costs are included in the line personnel cost and contract labour in the income statement.

TEUR 16,423 (14,287) of the total salaries and remuneration in 2016 was related to senior officers within the Group, of which TEUR 3,265 (3,223) was variable salary. TEUR 631 (630) of the pension costs was related to senior officers within the Group. Senior officers are defined as General Managers at hotels, members of the Executive Committee and Area Vice Presidents. The salary specified for senior officers relates to the remuneration they have received in their capacity as General Managers, members of the Executive Committee or Area Vice Presidents.

Cont. Note 10

For the Year ended Dec. 31	Salaries		Social security		Pension costs		Subtotal		Other personnel costs ¹⁾		Total	
TEUR	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Denmark	25,275	24,675	769	754	2,098	2,073	28,142	27,502	4,909	5,090	33,051	32,592
Norway	47,650	54,878	6,636	7,635	1,619	2,118	55,905	64,631	15,399	15,305	71,304	79,936
Sweden	25,609	27,198	7,914	8,716	1,716	1,624	35,239	37,538	7,702	6,896	42,941	44,434
United Kingdom	34,252	36,170	3,104	2,893	965	841	38,321	39,904	9,964	11,011	48,285	50,915
Germany	28,720	26,913	5,920	5,792	—	—	34,640	32,705	13,666	13,017	48,306	45,722
France	8,984	8,884	3,457	3,150	16	11	12,457	12,045	2,292	1,350	14,749	13,395
Belgium	20,473	17,741	6,044	5,195	1,201	1,090	27,718	24,026	8,081	9,444	35,799	33,470
Other	29,044	28,350	3,309	3,340	408	255	32,761	31,945	10,584	10,608	43,345	42,553
Total	220,007	224,809	37,153	37,475	8,023	8,012	265,183	270,296	72,597	72,721	337,780	343,017

1) Includes variable remuneration and related social costs.

The average number of employees in Rezidor's companies was 5,142 (5,561) and is split as follows:

	For the Year Ended Dec. 31			
	2016		2015	
	Men	Women	Men	Women
Denmark	254	235	241	236
Norway	487	522	573	625
Sweden	245	290	271	373
United Kingdom	604	597	643	652
Germany	398	444	398	453
France	135	170	199	129
Belgium	137	123	143	130
Other	268	233	262	233
Total	2,528	2,614	2,730	2,831
Total men and women	5,142		5,561	

	As of Dec. 31			
	2016		2015	
	Men	Women	Men	Women
Members of the Board of Directors ¹⁾	4	3	6	3
Executive Committee (including CEO)	5	1	6	1

1) Including one male employee representative elected by the Swedish labour organisation "Hotell- och restaurangfacket".

Remuneration to the members of the Board of Directors of the Parent Company elected by the AGM¹⁾

TEUR	For the Year Ended Dec. 31	
	2016	2015
Trudy Rautio	86	86
Göte Dahlin	20	40
Wendy Nelson	44	44
Staffan Bohman	74	74
Anders Moberg	44	44
Douglas M. Anderson	23	47
David P. Berg	47	47
Charlotte Strömberg	45	44
	383	425

1) TEUR 212 of the total remuneration to members of the Board of Directors in 2016 is attributable to the remuneration approved by the Annual General Meeting on April 24, 2015 for the period beginning after that Meeting and ending on the next Annual General Meeting in 2016.

Remuneration of the Executive Committee (incl the CEO)¹⁾

TEUR	For the Year Ended Dec. 31	
	2016	2015
Base remuneration ²⁾	4,534	3,056
Variable remuneration ³⁾	2,267	2,294

TEUR	For the Year Ended Dec. 31	
	2016	2015
Pension compensation to Executive Committee:		
Defined contribution plan	398	371
Housing, schooling and company cars for the Executive Committee	605	470

1) The table above shows the gross amounts. Two members of the Executive Committee were remunerated on a net basis. Apart from the impact of changes in the agreed upon remuneration levels, the gross remuneration may also differ from year to year due to special tax treatment rules in Belgium. Regarding number of persons in the Executive Committee, see above.

2) The 2016 number includes the exit settlement cost for two Executive Committee members.

3) The 2016 number includes the cost of the retention bonus for five Executive Committee members of TEUR 2,156.

The variable remuneration of the members of the Executive Committee is subject to accruals each year. The basis for the annual variable remuneration scheme for 2016 for the members of the Executive Committee is based on financial, operational and personal performance objectives. The financial objective, which represents 60% of the maximum variable opportunity, is defined as the level of earnings before interest and tax (EBIT) achieved in the year. The operational objective, which represents 20% of the maximum variable opportunity, is defined as room openings in the year. The maximum variable opportunity depends on the executive's role and is capped to between 50% and 75% of the annual base remuneration (excl CEO). The related variable remuneration costs recorded in the P&L as of the end of the year represent the best estimate made at the balance sheet dates. The final variable remuneration payment is dependent on certain factors that will finally be known at a date subsequent to the release of the financial statements. Therefore, variable remuneration accrued in a specific year may be adjusted in subsequent periods as a result of the final parameters deviating from the assumptions made at the balance sheet dates. For members of the Executive Committee the contracted notice period for termination of their agreements and associated severance payments was between three and twenty-four months or in some cases three months per period of five years of seniority. In case of dispute, the applicable law could lead to severance payments exceeding the contracted amount and may exceed two years annual remuneration. In 2015, the Board put in place a retention bonus for 2016, subject to certain conditions. For the CEO, the bonus amounts to 150% of the fixed annual base remuneration and for the Executive Committee members the bonus varies from 50 to 75% of the fixed annual base remuneration. In addition, for one Executive Committee member the Board also put in place an additional performance based bonus for 2015, 2016 and 2017, which may vary from 0 up to EUR 50,000 per year and with up to an additional EUR 150,000 based on cumulative performance in the years 2015, 2016 and 2017.

Remuneration of the CEO was as follows:

Remuneration – CEO	For the Year Ended Dec. 31	
	2016	2015
TEUR		
Base remuneration	699	679
Variable remuneration	1,149	828
Pension cost, defined contribution plan	70	68
Housing, schooling and company car	75	60

The CEO has an annual gross base remuneration of TEUR 699. Due to a split salary arrangement, only part of the base remuneration is paid by the Parent Company. See also Note 3 in the Parent Company accounts. These numbers exclude social costs. In addition, he has an annual and long term incentive programme representing up to 75% of base remuneration at target level achieve-

ment and 150% of base remuneration at maximum level achievement for each plan. He also receives a pension contribution of 10% of annual gross base remuneration, has a company car, travel allowance, housing and schooling entitlement. In the event of a change of control, the CEO can exercise his right to terminate his contract within the first six months after such event. In that case, the CEO would have a right to a notice period of six months with continued payment of base compensation and contractual benefits and a severance payment equal to eighteen months' base compensation and twelve months' contractual benefits. He would also receive an incentive payment for twelve months at target level.

Long-term equity-settled performance based incentive programmes 2013, 2014, 2015 and 2016

In addition to the remuneration outlined above, the CEO and the Executive Committee participate in long-term equity settled incentive programmes for 2013, 2014, 2015 and 2016. The details of these incentive programmes are described in Note 32. The 2013 programme has expired in 2016. The performance target based on cumulative earnings per share for three consecutive financial years was not met. Six members of the Executive Committee met the requirements for the matching share part of the programme and 46,408 shares were awarded, of which the CEO was awarded 17,497 shares. The tables below show the maximum number of shares that can be awarded to the CEO and the rest of the Executive Committee under the respective incentive programmes approved by the Annual General Meeting in 2014, 2015 and 2016.

Maximum number of shares that can be awarded to members of the Executive Committee for the 2014 programme

	As of Dec. 31	
	2016	2015
CEO	207,307	207,307
Other members of the Executive Committee	249,656	284,536
Total	456,963	491,843

Maximum number of shares that can be awarded to members of the Executive Committee for the 2015 programme

	As of Dec. 31	
	2016	2015
CEO	272,935	272,935
Other members of the Executive Committee	331,632	410,425
Total	604,567	683,360

Maximum number of shares that can be awarded to members of the Executive Committee for the 2016 programme

	As of Dec. 31	
	2016	
CEO	304,258	
Other members of the Executive Committee	340,608	
Total	644,866	

For one of the Executive Committee members that have left the company in 2016, all outstanding programmes have been settled at the end of 2016 and 42,508 shares have been allotted. For further details on the respective programme conditions, see Note 32.

Note 11 | Other operating expenses

TEUR	For the Year Ended Dec. 31	
	2016	2015
Royalty fees and other costs to Carlson Group	17,226	17,416
Energy costs	25,446	27,770
Supplies	13,512	14,597
Marketing expenses	71,336	66,693
External fees	12,615	13,162
Laundry and dry cleaning	17,242	18,254
Contract services and maintenance	13,160	14,238
Administration costs	15,172	14,762
Communication, travel and transport	12,559	11,275
Operating equipment	3,735	3,703

TEUR	For the Year Ended Dec. 31	
	2016	2015
Rentals and licences	9,481	8,863
Property operating expenses	9,096	9,340
Other expenses	20,338	19,324
Total	240,918	239,397

Note 12 | Insurance of properties and property tax

TEUR	For the Year Ended Dec. 31	
	2016	2015
Property and miscellaneous taxes	12,415	13,999
Building insurance	1,644	1,776
Total	14,059	15,775

Note 13 | Rental expense

TEUR	For the Year Ended Dec. 31	
	2016	2015
Fixed rent ¹⁾	187,416	198,514
Variable rent ²⁾	46,112	42,903
Shortfall guarantees ³⁾	2,251	1,659
Total	235,779	243,076

1) Fixed rent represent all fixed lease payments (or minimum lease payments) made to the owners of the leased hotels. This line item also includes rental costs of premises which are leased for administration purposes.

2) Variable rent represent all variable lease payments (or contingent lease payments) made to the owners of the leased hotels (based on the underlying contract type) which are primarily based on the revenue of the leased hotels.

3) Guarantee payments are made to the owners of the managed hotels (based on the underlying contract type) when Rezidor has guaranteed a certain annual result to the property owner. The guarantee payments represent the difference between the guaranteed and achieved result. The recognised amounts include changes in provisions for onerous contracts. See Note 34.

Note 14 | Financial items

TEUR	For the Year Ended Dec. 31	
	2016	2015
Interest income from external financial institutions	91	234
Interest income from other loans and receivables	557	877
Other financial income	647	434
Foreign currency exchange gains	1,180	379
Financial income	2,475	1,924
Interest expense to external financial institutions	- 766	- 620
Interest expense other loans and payables	- 434	- 278
Other financial expense	- 1,548	- 1,727
Financial expense	- 2,748	- 2,625
Financial income and expenses, net	- 273	-701

Other financial expenses are related to bank charges and similar items.

Net gain/loss per category of financial assets and liabilities

TEUR	For the Year Ended Dec. 31	
	2016	2015
Financial assets at fair value through profit and loss (held for trading)	345	-195
Loans and receivables and financial liabilities measured at amortised cost	-618	-506
Total	-273	-701

All interest income and expenses in 2016 and 2015 are related to financial assets and liabilities measured at amortised cost. No interest income in 2016 and 2015 was recognised on impaired financial assets.

Note 15 | Income taxes

Income tax recognised in profit or loss

TEUR	For the Year Ended Dec. 31	
	2016	2015
Tax expense(+)/income(–) comprises:		
Current tax expense(+)/income(–)	10,181	18,869
Adjustments recognised in the current year in relation to the current tax of prior years	–791	–672
Deferred tax expense(+)/income(–) relating to the origination and reversal of temporary differences	–40,053	3,441
Write-downs and reversals of deferred tax assets	6,999	764
Total tax expense	–23,664	22,402

The total charge for the year can be reconciled to the accounting profit as follows:

TEUR	For the Year Ended Dec. 31	
	2016	2015
Profit/loss before tax from continuing operations	2,736	56,637
Income tax income(–)/expense(+) calculated at the local tax rate	–2,981	13,892
Effect of revenue that is exempt from taxation	–2,141	–152
Effect of expenses that are not deductible in determining taxable profit	3,130	6,028
Effect of tax losses and tax offsets not recognised as deferred tax assets	–81	479
Effect of previously unrecognised deferred tax attributable to tax losses, tax credits or temporary differences of prior years	–29,317	–102
Effect on deferred tax balances due to the change in income tax rate	–203	–296
Effect of utilisation of tax losses carry forward previously unrecognised	–790	—
Write-downs of deferred tax assets	6,999	764
Effect of withholding taxes	2,261	2,850
Other	250	–389
Sub total	–22,873	23,074
Adjustments recognised in the current year related to the current tax of prior years	–791	–672
Income tax expense recognised in profit or loss	–23,664	22,402

TEUR	For the Year Ended Dec. 31	
	2016	2015
Income tax recognised in Other comprehensive income:		
Current tax		
Arising on exchange differences	2,744	–493
Total	2,744	–493
Deferred tax		
Arising on income and expenses recognised in Other comprehensive income:		
Remeasurement of defined obligation	784	191
Arising on exchange differences	–88	—
Gains and losses on cash flow hedges	–70	–34
Total	626	157

The average effective tax rate was -865% (40). The average tax rate was positively impacted by the effect of capitalisation of previously unrecognised tax losses carried forward in several jurisdictions. Loss of existing tax assets impacted tax rate negatively.

DEFERRED TAX ASSETS(+)/LIABILITIES(–) ARISE FROM THE FOLLOWING:

	Opening balance	Recognised in profit or loss	Recognised in Other comprehensive income	Exchange differences	Closing balance
2016					
Temporary differences					
Assets held for sale	–609	—	—	–17	–626
Cash flow hedges	–55	—	70	—	15
Property, plant & equipment	–5,038	4,645	—	–282	–675
Intangible assets	–11,763	397	—	–4	–11,370
Provisions	264	–263	—	15	16
Doubtful receivables	1,011	–104	—	18	925
Untaxed reserves	–269	285	—	–16	—
Pensions	1,804	155	–784	—	1,175
Other long-term interest bearing receivables/liabilities	–2,230	2,085	—	–120	–265
Other liabilities	1,001	–321	—	100	780
Other current non-interest-bearing liabilities	–99	25	—	–9	–83
	–15,983	6,904	–714	–315	–10,108
Unused tax losses and credits					
Tax losses	22,307	26,150	88	274	48,819
	22,307	26,150	88	274	48,819
Total	6,324	33,054	–626	–41	38,711

DEFERRED TAX ASSETS(+)/LIABILITIES(–) ARISE FROM THE FOLLOWING

2015	Opening balance	Recognised in profit or loss	Recognised in Other comprehensive income	Exchange differences	Closing balance
Temporary differences					
Assets held for sale	—	–609	—	—	–609
Cash flow hedges	–89	—	34	—	–55
Property, plant & equipment	–4,786	–475	—	223	–5,038
Intangible assets	–11,331	–462	—	30	–11,763
Provisions	40	229	—	–5	264
Doubtful receivables	1,174	–146	—	–17	1,011
Untaxed reserves	–385	96	—	20	–269
Pensions	1,840	156	–191	–1	1,804
Other long-term interest bearing receivables/liabilities	–2,030	–323	—	123	–2,230
Other liabilities	1,024	107	—	–130	1,001
Other current non-interest-bearing liabilities	–151	38	—	14	–99
	–14,694	–1,389	–157	257	–15,983
Unused tax losses and credits					
Tax losses	25,212	–2,816	—	–89	22,307
	25,212	–2,816	—	–89	22,307
Total	10,518	–4,205	–157	168	6,324

Deferred tax balances are presented in the balance sheet as follows:

	As of Dec. 31	
TEUR	2016	2015
Deferred tax assets	57,833	21,747
Deferred tax liabilities	–19,122	–15,423
Total	38,711	6,324

UNRECOGNISED DEFERRED TAX ASSETS

The following deferred tax assets have not been recognised at the balance sheet date:

	As of Dec. 31	
TEUR	2016	2015
Tax losses	11,240	40,688
Temporary differences	356	8,383
Total	11,596	49,071

The unrecognised tax losses have no expiry date.

Capital gains and losses on sale of shares in subsidiaries, associates and joint ventures are normally not subject to any taxation and there are consequently no temporary differences associated with these assets.

Deferred tax assets attributable to tax losses carry forward are recognised to the extent it is probable, based on convincing evidence, that future taxable profits will be available against which the unused tax losses can be utilised such as for example that a previously loss making entity has turned into profitability or that a change in structure will generate taxable income to offset historic losses. When assessing the probability of utilisation, the amount of taxable temporary differences relating to the same taxation authority as the tax losses carry forward are taken into account as well as the projected future taxable profits, taking into account among other things, the caps on fixed rent obligations. The projected future taxable profits are estimated based on budgets and long range plans, taking into account the expiry of contracts. The deferred tax assets attributable to tax losses carry forward are mainly found in Belgium (TEUR 25,362), UK (TEUR 12,093) and France (TEUR 10,496). Portfolio management, a revision of plans and projections for loss-making hotels or a setback in the economic recovery with major implications on the performance of the company's hotels, could trigger a need for further assessment of the recoverability of tax losses carry forward and therefore also on the carrying value of deferred tax assets.

Note 16 | Sold and acquired operations

In January 2015 Rezidor acquired 100% of the shares in the Norwegian company Wenaas Alna Hotel AS. The company operates and manages the

Radisson Blu Hotel Oslo Alna and the Park Inn by Radisson Hotel Oslo Alna. The purchase price amounted to TEUR 11. Net assets at fair value acquired consist of cash and cash equivalents of TEUR 435, receivables of TEUR 1,203, inventories of TEUR 67, tangible assets of TEUR 68 and liabilities of TEUR 1,772. The entity was merged into Rezidor Hotels Norway AS during 2015.

In January 2016 Rezidor sold 100% of the shares in the Swedish subsidiary Hotel AB Bastionen. The gain recognised on the sale of the shares amounted to TEUR 1,947. See also Note 30.

In April 2016 Rezidor finalised the acquisition of 49% of the shares in prize Holding GmbH, a young hotel chain in the economy segment with currently three operating properties in Germany and three hotels under development. The purchase price amounts to TEUR 14,700, where TEUR 6,500 has been settled. The remaining TEUR 8,200 is recognised as a non-current interest bearing liability. Rezidor has secured further rights, including an option to acquire the remaining 51% in four years time.

Note 17 | Earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

Basic	For the Year Ended Dec. 31	
	2016	2015
TEUR		
Profit for the year attributable to equity holders of the Parent Company (TEUR)	26,400	34,235
Weighted average number of ordinary shares for the purposes of basic earnings per share	170,725,046	170,707,719
Total basic earnings per share	0.15	0.20
	For the Year Ended Dec. 31	
	2016	2015
TEUR		
Weighted average number of ordinary shares used in the calculation of basic earnings per share	170,725,046	170,707,719
Contingently issuable shares	2,784,106	2,195,045
Weighted diluted average number of ordinary shares	173,509,152	172,902,764

The basic earnings per share is calculated by dividing the earnings attributable to the equity holders of the Parent Company by a weighted average number of ordinary shares during the period, excluding those shares bought back and held by the Parent Company.

The participants of the equity-settled incentive programmes, approved by the Annual General Meetings in 2014, 2015 and 2016, are entitled to a certain amount of shares at the end of the vesting periods if certain performance criteria are met, including growth in earnings per share. The maximum number of shares that can be awarded is 2,719,651. See also Note 32.

Note 18 | Intangible assets

TEUR	Other intangible assets	Licences and related rights	Total
Cost			
Balance as of Jan. 1, 2015	49,834	55,325	105,159
Investments	1,337	62	1,399
Disposals	-6,881	-19	-6,900
Effect of foreign currency exchange differences	278	5	283
Other	92	—	92
Balance as of Jan. 1, 2016	44,660	55,373	100,033
Investments	734	154	888
Disposals	-68	-27	-95
Classified as held for sale	-1,552	—	-1,552
Effect of foreign currency exchange differences	-646	2	-644
Other	23	—	23
Balance as of Dec. 31, 2016	43,151	55,502	98,653
Accumulated amortisation and impairment			
Balance as of Jan. 1, 2015	-25,607	-11,286	-36,893
Amortisation	-2,311	-1,729	-4,040
Write-downs and reversals of write-downs	71	—	71
Disposals	5,487	19	5,506
Effect of foreign currency exchange differences	-111	10	-101
Other	-11	—	-11
Balance as of Jan. 1, 2016	-22,482	-12,986	-35,468
Amortisation	-2,869	-1,264	-4,133
Write-downs and reversals of write-downs	-12	-12	-24
Disposals	68	26	94
Classified as held for sale	1,552	—	1,552
Effect of foreign currency exchange differences	372	3	375
Balance as of Dec. 31, 2016	-23,371	-14,233	-37,604
Carrying amount			
As of Dec. 31, 2015	22,178	42,387	64,565
As of Dec. 31, 2016	19,780	41,269	61,049

TEUR 41,052 (42,222) of the carrying amount of 'Licences and related rights' is related to the contractual rights associated with the master franchise agreements with the Carlson Hotels Group. These rights were renegotiated in 2005 and in exchange for the new terms, the Carlson Hotels Group received 25% of the shares in Rezidor. This was achieved through a contribution in kind, where the value of the renegotiated terms was estimated to be TEUR 55,000. This asset is amortised over the length of the contract, which expires in 2052.

More information about the write-downs recognised during the year is provided in Note 6.

Note 19 | Tangible assets

TEUR	Fixed installations	Machinery and equipment	Investments in progress	Total
Cost				
Balance as of Jan 1, 2015	168,805	247,636	14,761	431,202
Investments	11,703	20,207	40,659	72,569
Disposals	-3,153	-15,091	-3	-18,247
Effect of foreign currency exchange differences	236	1,440	-789	887
Transfer from investments in progress	2,351	18,155	-20,506	—
Classified as held for sale	-1,841	-10,763	-41	-12,645
Additions through business combinations	—	68	—	68
Other	—	-68	-30	-98
Balance as of Jan 1, 2016	178,101	261,584	34,051	473,736
Investments	17,904	25,488	26,886	70,278
Disposals	-13,253	-23,879	—	-37,132
Effect of foreign currency exchange differences	-6,795	-5,718	-676	-13,189
Transfer from investments in progress	14,448	27,854	-42,302	—
Classified as held for sale	-16,168	-9,789	—	-25,957
Other	—	-59	-75	-134
Balance as of Dec. 31, 2016	174,237	275,481	17,884	467,602
Accumulated depreciations and impairment				
Balance as of Jan 1, 2015	-117,598	-174,360	-2,105	-294,063
Depreciation	-9,367	-23,839	—	-33,206
Write-downs and reversals of write-downs	-4,043	-1,654	-161	-5,858
Disposals	3,082	14,938	—	18,020
Effect of foreign currency exchange differences	420	202	11	633
Classified as held for sale	1,841	9,414	—	11,255
Additions through business combinations	—	-12	—	-12
Other	—	11	—	11
Balance as of Jan 1, 2016	-125,665	-175,300	-2,255	-303,220
Depreciation	-8,978	-28,698	—	-37,676
Write-downs and reversals of write-downs	-4,813	-4,513	1,894	-7,432
Disposals	13,709	22,960	371	37,040
Effect of foreign currency exchange differences	3,817	2,874	-21	6,670
Classified as held for sale	16,168	9,789	—	25,957
Other	—	95	—	95
Balance as of Dec. 31, 2016	-105,762	-172,793	-11	-278,566
Carrying amount				
As of Dec. 31, 2015	52,436	86,284	31,796	170,516
As of Dec. 31, 2016	68,475	102,688	17,873	189,036

More information about the write-downs recognised during the year is provided in Note 6.

In December 2015, the carrying amount of assets related to a contract with a hotel in the Nordics (TEUR 1,390) has been presented as held for sale since the business was sold on January 1, 2016.

In December 2016, an exit agreement has been signed for six UK hotels. Assets of these hotels have been classified as held for sale since they will leave the system in 2017. Note that the carrying amount of the fixed assets is zero.

Note 20 | Investments in associated companies

TEUR	Ownership (%) as of Dec. 31, 2015	Ownership (%) as of Dec. 31, 2016	Carrying value as of Dec. 31, 2015	Acquisitions during the year	Share of income	Dividends	Exchange difference	Carrying value as of Dec. 31, 2016
Al Quesir Hotel Company S.A.E	20.00%	20.00%	2,750	—	34	—	53	2,837
Afrinord Hotel Investment A/S	20.00%	20.00%	126	—	—	–50	—	76
prize Holding GmbH	—	49.00%	—	14,700	311	—	35	15,046
Total			2,876	14,700	345	–50	88	17,959

TEUR	Ownership (%) as of Dec. 31, 2014	Ownership (%) as of Dec. 31, 2015	Carrying value as of Dec. 31, 2014	Acquisitions during the year	Share of income	Dividends	Exchange difference	Carrying value as of Dec. 31, 2015
Al Quesir Hotel Company S.A.E	20.00%	20.00%	2,430	—	326	—	–6	2,750
Afrinord Hotel Investment A/S	20.00%	20.00%	118	—	10	—	–2	126
Total			2,548	—	336	—	–8	2,876

Summarised financial information for associated companies

TEUR	As of and for the Year Ended Dec. 31	
	2016	2015
Total assets	32,503	40,389
Total liabilities	29,455	30,113
Net assets	3,048	10,277
Group's share in net assets	610	2,055
Revenue	487	305
Profit/loss from continuing operations	–1,825	1,700
Profit/loss after tax	–1,831	1,680
Other comprehensive income	—	—
Total comprehensive income	–1,831	1,680
Group's share in net profit	–366	336

The numbers above exclude prize Holding GmbH Group, as consolidated information is not available at the date of this report.

Note 21 | Investments in joint ventures

Rezidor's share of negative equity in the 50% (50%) owned Rezidor Royal Hotel Beijing Co Ltd and long-term receivable on that company (Note 24) are seen as a net investment. The net investment is recognised as a receivable and presented in "Assets classified as held for sale".

Summarised financial information for joint ventures

TEUR	As of and for the Year Ended Dec. 31	
	2016	2015
Total assets	33,560	34,839
Total liabilities	11,708	11,747
Net assets	21,852	23,092
Group's share in net assets	10,926	11,546
Reversal of write down	2,846	2,764
Net investment in Rezidor Royal Hotel Beijing Co Ltd	13,772	14,310
Revenue	9,714	10,350
Profit after tax	456	112
Other comprehensive income	–1,696	840
Total comprehensive income	–1,240	952
Group's share in net profit	228	56
Reversal of write down	—	2,764
Share of income related to the net investment in Rezidor Royal Hotel Beijing Co Ltd	228	2,820

Note 22 | Other shares and participations

TEUR	Ownership (%) as of Dec. 31, 2015	Ownership (%) as of Dec. 31, 2016	Carrying value as of Dec. 31, 2015	Exchange difference	Carrying value as of Dec. 31, 2016
Doriscus Enterprise Ltd	13.41%	13.41%	4,150	19	4,169
First Hotels Co K.S.C.C	1.82%	1.82%	1,015	2	1,017
Mongolia Nord GmbH	14.28%	14.28%	897	3	900
Others	—	—	28	6	34
Total			6,090	30	6,120
Less assets held for sale			-897	-3	-900
Total reported as of Dec. 31, 2016			5,193	27	5,220

Note 23 | Pension funds, net

Defined Benefit Pension Plans

These mainly cover retirement pensions and widow pensions where the employer has an obligation to pay a lifelong pension corresponding to a certain guaranteed percentage of wages or a certain annual sum. Retirement pensions are based on the number of years a person is employed. The employee must be registered in the plan for a certain number of years in order

to receive full retirement pension. For each year at work the employee earns an increasing right to pension, which is recorded as pension earned during the period as well as an increase in pension obligations. Rezidor pension plans for salaried employees in Sweden and Belgium are funded through defined benefit pensions plans with insurance companies. At the end of 2015, all of the remaining Norwegian defined benefit plans were settled.

The amounts recognised in the balance sheet for the defined benefit plans are determined as follows:

TEUR	As of Dec. 31	
	2016	2015
Present value of funded obligations	12,596	12,539
Fair value on plan assets	-9,144	-7,173
Deficit/(surplus) of funded plans	3,452	5,366
Present value of unfunded obligations	231	216
Total deficit of defined benefit pension plans	3,683	5,582
Impact of minimum funding requirement/asset ceiling	—	—
Liability in the balance sheet	3,683	5,582

The movement in the defined benefit obligation over the year is as follows:

TEUR	For the year ended Dec. 31	
	2016	2015
Opening defined benefit obligation	12,756	12,429
Current service cost	962	886
Interest cost	263	255
Settlement	—	-81
Components recognised in profit or loss	1,225	1,060
Remeasurement on the defined benefit obligation:		
Actuarial (gains)/losses from change in financial assumptions	-251	-80
Actuarial (gains)/losses arising from experience adjustments	-540	-425
Components recognised in other comprehensive income	-791	-505
Benefits paid	-203	-264
Exchange (gains)/losses on foreign plans	-160	36
Closing defined benefit obligation	12,827	12,756

The movement in plan assets over the year is as follows:

TEUR	For the year ended Dec. 31	
	2016	2015
Opening plan assets	7,173	6,752
Interest income	161	150
Components recognised in profit or loss	161	150
Remeasurement on the plan assets:		
Actuarial gains/(losses) arising from experience adjustments	1,515	68
Components recognised in other comprehensive income	1,515	68
Contributions from employer	494	436
Contributions from plan participants	58	54
Benefits paid	-203	-322
Exchange gains/(losses) on foreign plans	-54	35
Closing fair value of plan assets	9,144	7,173

The significant actuarial assumptions were as follows:

TEUR	As of Dec. 31	
	2016	2015
Discount rate		
Belgium	0.77%	1.98%
Sweden	2.75%	3.25%
Expected rate of salary increase		
Belgium	2.0%	3.30%
Sweden	—	3.50%

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Increase in assumption	Decrease in assumption
Discount rate 0.50%	1,203	-1,346
Expected rate of salary increase 0.50%	-671	617
Life expectancy (men and women) 1 year	-134	141

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

Plan assets are comprised as follows:

TEUR	As of Dec. 31					
	2016			2015		
	Quoted	Unquoted	%	Quoted	Unquoted	%
Equity investments	323	—	3.5%	479	—	6.7%
Bond investments:						
Government	6,008	—	65.7%	4,513	—	62.8%
Corporate	1,234	—	13.5%	939	—	13.1%
Mortgage	284	—	3.1%	312	—	4.4%
Properties	—	1,295	14.2%	—	930	13.0%
Total	7,849	1,295		6,243	930	

The plan assets are part of common funds used by insurance companies for investing. Therefore, information of specific Rezidor's assets allocation is not available and it is the insurance companies' allocation of its total assets that is applied to Rezidor's assets in the table above.

Through its defined benefit pension plans the group is exposed to a number of risks, the most significant of which are:

Asset volatility:

The present value of defined benefit liability is calculated using a discount rate determined by reference to high quality corporate bond yields in Belgium and government bonds in Sweden. If the return on plan asset is below this rate, it will create a plan deficit.

Changes in bond yields:

A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.

Life expectancy:

The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

Salary risk:

The present value of the defined benefit liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of plan participants will increase the plan's liability.

Expected contributions to post-employment benefit plans for the year ending December 31, 2017 are TEUR 462.

The weighted average duration of the defined benefit obligation is 16.2 years.

Expected maturity analysis of undiscounted pension benefits:

TEUR	
Year 2017	175
Year 2018	216
Year 2019–Year 2021	687
Year 2022–Year 2026	1,322

Defined Contribution Pension Plans

These plans mainly cover retirement, sick and family pensions. The premiums are paid regularly during the year by group companies to different insurance companies. The size of the premium is based on wages. Pension costs for the period are included in the income statement and amount to TEUR 6,959 (7,102).

For clerical employees in Sweden, the defined benefit obligations in the ITP 2 plan for retirement and family pension (or family pension), are safeguarded through insurance in Alecta. According to a statement from the Swedish Accounting Standards Council, UFR 10, this is a defined benefit multi-employer plan. For the financial year 2016, the Company has not had access to the information necessary to account for its shared part of the plan's obligations, plan assets and costs, and a consequence it has not been possible to report the plan as a defined benefit plan. The pension plan ITP 2, which is safeguarded through insurance in Alecta, is therefore reported as a defined contribution plan. The premium for the defined benefit retirement and family pension is individually calculated and is inter alia taking into account salary, previously earned pension and anticipated remaining seniority. Expected fees next reporting period for ITP 2 insurances, covered by Alecta, amounts to TEUR 1,002 (1,043). The Group's share of the total contributions to the plan and the Group's share of the total number of active members in the plan is 0.059 and 0.029 percent (0.042 and 0.032).

The collective consolidation level is the market value of Alecta's assets as a percentage of insurance obligations measured in accordance with Alecta's actuarial assumptions, which do not comply with IAS 19. The collective consolidation level is normally allowed to vary between 125 and 155 percent. If Alecta's collective consolidation level is less than 125 percent or greater than 155 percent, measures should be taken in order to create the conditions to return the consolidation level within the normal range. At low consolidation, an action can be to raise the agreed price for subscription and expansion of existing benefits. At high consolidation, an action can be to introduce premium reductions. At the end of 2016, Alecta's surplus in the form of the collective consolidation level was 149% (153).

Note 24 | Other long-term receivables

In some cases Rezidor grants loans to owners of the company's hotels, or to the company's joint venture and associated companies in early stages of new projects. The terms for such loans vary, but in principle there is an agreement on interest on the loans and the repayment schedule is based on the project opening and project progress. These related parties and terms concerning

these loans are presented below. No collateral was held as security for these receivables and no receivables were past due at the end of the reporting periods. Non-interest bearing receivables in the tables below include various items, such as non-current prepaid rent and non-interest bearing deposits.

As of Dec. 31, 2016

Loan from	Counterpart	Nominal loan amount	Currency	Nominal value in TEUR	Impairment & exchange losses in TEUR	Assets held for sale	Short term portion	Amortised cost in TEUR	Duration and interest rates
Rezidor Hotels ApS Danmark	Polar Bek Dugave Ltd. Riga Hotel	1,225	USD	1,822	—	—	—	1,822	Undefined duration, 10.08%
SIHKA A/S	SAS Royal Hotel Beijing Co. Ltd	15,752	USD	14,983	-1,211	-13,772	—	—	Undefined duration
Rezidor Hotels ApS Danmark	Afrinord Hotel Investment A/S	566	EUR	566	—	—	-232	334	15/04/2019, 6 months Euribor +6.1%
Rezidor Hotels ApS Danmark	Afrinord Hotel Investment A/S	1,224	USD	1,164	—	—	-480	684	31/03/2020, 3 months USD Libor +8.5%
Rezidor Hotels ApS Danmark	Afrinord Hotel Investment A/S	1,692	EUR	1,692	—	—	-11	1,681	15/10/2022, 3 months Euribor +3.5%
Rezidor Hotels ApS Danmark	Afrinord Hotel Investment A/S	1,105	USD	1,051	—	—	-43	1,008	15/10/2022, 6 months USD Libor +8.0%
Rezidor Hotels ApS Danmark	Afrinord Hotel Investment A/S	673	USD	673	—	—	-115	558	15/06/2022, 6 months Euribor +7.0%
Rezidor Hotels ApS Danmark	Sia (Ltd) D.N.H.	1,500	EUR	1,500	—	—	—	1,500	21/12/2022, 6 months Euribor +4.5%
Rezidor Hotels ApS Danmark	Prigan D.O.O Beograd	400	EUR	400	—	—	-1	399	01/10/2030, 3 month Euribor +1.0%
Rezidor Hotel Investment Egypt A/S	Al Quseir Hotel Company S.A.E.	500	EUR	500	—	—	-71	429	31/12/2020, 6 months Euribor +4.0%
Rezidor Group	—	60	EUR	60	—	—	—	60	Various interest bearing deposits
Total of interest-bearing				24,411	-1,211	-13,772	-953	8,475	
Rezidor Hotels ApS Danmark	Haute Rive Azuri Hotel Ltd.	500	EUR	500	—	—	-50	450	07/01/2020
Rezidor Hotels ApS Danmark	Immo Congo S.A.	600	EUR	600	—	—	-200	400	07/01/2019
Rezidor Hotel Frankfurt am Main GmbH	—	5,958	EUR	5,958	—	—	—	5,958	Non-current prepaid rent
Rezidor Hotel Köln GmbH	—	1,027	EUR	1,027	—	—	—	1,027	Non-current prepaid rent
Rezidor Group	—	290	EUR	290	—	—	—	290	Various non-interest bearing deposits
Total of non-interest-bearing				8,375	—	—	-250	8,125	
Total long-term receivables				32,786	-1,211	-13,772	-1,203	16,600	

As of Dec. 31, 2015

Loan from	Counterpart	Nominal loan amount	Currency	Nominal value in TEUR	Impairment & exchange losses in TEUR	Assets held for sale	Short term portion	Amortised cost in TEUR	Duration and interest rates
Rezidor Hotels ApS Danmark	Polar Bek Dugave Ltd. Riga Hotel	1,225	USD	1,709	—	—	—	1,709	Undefined duration, 10.08%
SIHKA A/S	SAS Royal Hotel Beijing Co. Ltd	15,902	USD	14,642	-332	-14,310	—	—	Undefined duration
Rezidor Hotels ApS Danmark	Afrinord Hotel Investment A/S	793	EUR	793	—	—	-236	557	15/04/2019, 6 months Euribor +6.1%
Rezidor Hotels ApS Danmark	Afrinord Hotel Investment A/S	1,471	USD	1,354	—	—	-398	956	31/03/2020, 3 months USD Libor +8.5%
Rezidor Hotels ApS Danmark	Afrinord Hotel Investment A/S	1,684	EUR	1,684	—	—	-13	1,671	15/10/2022, 3 months Euribor +3.5%
Rezidor Hotels ApS Danmark	Afrinord Hotel Investment A/S	741	USD	682	—	—	-1	681	15/10/2022, 6 months USD Libor +8.0%
Rezidor Hotels ApS Danmark	Afrinord Hotel Investment A/S	667	EUR	667	—	—	-35	632	15/06/2022, 6 months Euribor +7.0%
Rezidor Hotels ApS Danmark	Sia (Ltd) D.N.H.	1,500	EUR	1,500	—	—	—	1,500	21 December of the year during which the 6th annual anniversary of the opening date for the hotel occurs. 6 months Euribor +4.5%
Rezidor Group	—	115	EUR	115	—	—	—	115	Various interest bearing deposits
Total of interest-bearing				23,146	-332	-14,310	-683	7,821	
Rezidor Hotels ApS Danmark	Haute Rive Azuri Hotel Ltd	500	EUR	500	—	—	—	500	07/01/2020
Rezidor Hotels ApS Danmark	Immo Congo S.A.	600	EUR	600	—	—	—	600	07/01/2019
Rezidor Hotel Frankfurt am Main GmbH	—	4,472	EUR	4,472	—	—	—	4,472	Non-current prepaid rent
Rezidor Group	—	306	EUR	306	—	—	—	306	Various non-interest bearing deposits
Total of non-interest-bearing				5,878	—	—	—	5,878	
Total long-term receivables				29,024	-332	-14,310	-683	13,699	

Note 25 | Accounts receivables

		As of Dec. 31	
TEUR		2016	2015
Accounts receivables before allowance for doubtful accounts		60,405	52,812
Allowance for doubtful accounts		–15,727	–12,130
Accounts receivables net of allowance for doubtful accounts		44,678	40,682
	Accounts receivables before allowance for doubtful accounts	Provision for doubtful accounts	Accounts receivables net of allowance for doubtful accounts
As of Dec. 31, 2016			
Accounts receivables not overdue	20,111	–437	19,674
Accounts receivables overdue			
1–30 days	17,083	–267	16,816
31–60 days	5,774	–419	5,355
61–90 days	2,901	–1,623	1,278
More than 90 days	14,536	–12,981	1,555
Total overdue	40,294	–15,289	25,005
Total ledger	60,405	–15,727	44,678

	Accounts receivables before allowance for doubtful accounts	Provision for doubtful accounts	Accounts receivables net of allowance for doubtful accounts
As of Dec. 31, 2015			
Accounts receivables not overdue	16,276	−345	15,931
Accounts receivables overdue			
1–30 days	18,510	−985	17,525
31–60 days	5,296	−2,078	3,218
61–90 days	2,996	−1,289	1,707
More than 90 days	9,734	−7,433	2,301
Total overdue	36,536	−11,785	24,751
Total ledger	52,812	−12,130	40,682

Movement in the allowance for doubtful accounts

TEUR	As of Dec. 31	
	2016	2015
Balance at the beginning of the year	-12,130	-10,992
Amounts written off during the year	178	1,158
Amounts recovered during the year	696	7,888
Increase/decrease in allowance recognised in profit or loss	-4,446	-10,312
Translation difference	-25	128
Balance at the end of the year	-15,727	-12,130

No collaterals are held as security for accounts receivables outstanding.

Note 26 | Other current interest-bearing receivables

Loan from	Counterpart	As of Dec. 31, 2016	
		Amortised cost in TEUR	Interest rates
Rezidor Hotels ApS Danmark	Afrinord Hotel Investment A/S	232	6 months Euribor +6.1%
Rezidor Hotels ApS Danmark	Afrinord Hotel Investment A/S	480	3 months USD Libor +8.5%
Rezidor Hotels ApS Danmark	Afrinord Hotel Investment A/S	11	3 months Euribor +3.5%
Rezidor Hotels ApS Danmark	Afrinord Hotel Investment A/S	43	6 months USD Libor +8%
Rezidor Hotels ApS Danmark	Afrinord Hotel Investment A/S	115	6 months Euribor +7%
Rezidor Hotels ApS Danmark	Limited Liability Company "SASSK"	1,827	0.01%
Rezidor Hotels ApS Danmark	Prigan D.O.O. Beograd	1	3 months Euribor +1%
Rezidor Hotel Investment Egypt A/S	Al Quseir Hotel Company S.A.E.	71	6 months Euribor +4%
Total of current interest-bearing receivables		2,780	

Loan from	Counterpart	As of Dec. 31, 2015	
		Amortised cost in TEUR	Interest rates
Rezidor Hotels ApS Danmark	Afrinord Hotel Investment A/S	236	6 months Euribor +6.1%
Rezidor Hotels ApS Danmark	Afrinord Hotel Investment A/S	398	3 months USD Libor +8.5%
Rezidor Hotels ApS Danmark	Afrinord Hotel Investment A/S	12	3 months Euribor +3.5%
Rezidor Hotels ApS Danmark	Afrinord Hotel Investment A/S	1	6 months USD Libor +8%
Rezidor Hotels ApS Danmark	Afrinord Hotel Investment A/S	35	6 months Euribor +7%
Rezidor Hotels ApS Danmark	Sia (Ltd) D.N.H.	3	6 months Euribor +4.5%
Rezidor Hotels ApS Danmark	Limited Liability Company "SASSK"	1,825	0.01%
Total of current interest-bearing receivables		2,510	

No collaterals are held as security for these receivables.

Note 27 | Other current non-interest-bearing receivables

TEUR	As of Dec. 31	
	2016	2015
Prepaid expenses		
Prepaid rent	13,878	17,455
Prepaid heating	146	312
Prepaid property tax	1,784	2,195
Prepaid other	12,192	12,100
	28,000	32,062
Accrued Income		
Accrued Income – fees	8,803	10,203
Accrued Income – other	3,039	4,460
	11,842	14,663
Other current non-interest-bearing receivables	16,769	17,118
Total	56,611	63,843

Note 28 | Other short-term investments

Other short-term investments as of December 31, 2015 related to cash in restricted accounts. The restricted accounts have been closed in 2016 and replaced by a bank guarantee.

Note 29 | Cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the cash flow statement can be reconciled to the related items in the balance sheet as follows:

TEUR	As of Dec.31	
	2016	2015
Bank accounts	7,178	39,696
Cash on hand	873	1,391
Where of classified as held for sale	-27	-3,352
Total cash and cash equivalents	8,024	37,735

There are no restrictions in the use of the cash and cash equivalents recognised.

Note 30 | Assets and liabilities classified as held for sale

The assets related to the investments in Rezidor Royal Hotel Beijing Co. Ltd and Mongolia Nord GmbH have been presented as held for sale, following the approval of the board of directors. The sales are expected to take place within 12 months from the balance sheet day.

Assets and liabilities of six hotels in the UK (QMH portfolio) have been presented as held for sale since an exit agreement has been signed in December 2016.

The sale of Hotel AB Bastionen was finalised in January 2016.

Assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

TEUR	As of Dec. 31	
	2016	2015
Rezidor Royal Hotel Beijing Co. Ltd		
Other long-term interest-bearing receivables	13,772	14,310
Mongolia Nord GmbH		
Other shares and participations	900	897
Hotel AB Bastionen		
Machinery and equipment	—	1,349
Investments in progress	—	41
Inventories	—	50
Other current non interest-bearing receivables	—	2,090
Cash and cash equivalents	—	3,352
Total Assets Hotel AB Bastionen	—	6,882

QMH portfolio		
Inventories	92	—
Accounts receivable	1,462	—
Other current interest-bearing receivables	573	—
Cash and cash equivalents	27	—
Total assets QMH portfolio	2,154	—
Total assets classified as held for sale	16,826	22,089

TEUR	As of Dec. 31	
	2016	2015
Hotel AB Bastionen		
Accounts payable	—	1,489
Current tax liabilities	—	10
Other current non-interest bearing liabilities	—	3,143
Total liabilities Hotel AB Bastionen	—	4,642
QMH portfolio		
Accounts payable	265	—
Other current non-interest-bearing liabilities	2,583	—
Total liabilities QMH portfolio	2,848	—
Total liabilities directly related to assets held for sale	2,848	4,642

Note 31 | Share capital

ISSUED CAPITAL

TEUR	Share capital 2016	Other paid in capital 2016	Share capital 2015	Other paid in capital 2015
Opening balance as of Jan. 1	11,626	177,124	11,626	177,124
Closing balance as of Dec. 31	11,626	177,124	11,626	177,124

FULLY PAID ORDINARY SHARE	Date of resolution	Change in number of shares	Change in share capital	Total number of shares	Total share capital
The company is registered	Mar. 8, 2005	1,000	11,000	1,000	11,000
Share split of ordinary shares	Mar. 22, 2005	10,000	—	11,000	11,000
Share issue of ordinary shares	Mar. 22, 2005	89,000	89,000	100,000	100,000
Share issue of ordinary shares	Oct. 10, 2006	26,584	26,584	126,584	126,584
Share split of ordinary shares	Oct. 10, 2006	149,875,456	—	150,002,040	126,584
Bonus issue, without new share issue	May. 4, 2007	—	9,873,416	150,002,040	10,000,000
New share issue	June 5, 2014	24,386,817	1,625,766	174,388,857	11,625,766

The total share capital at year end was EUR 11,625,766, corresponding to 174,388,857 shares, giving a quota value per share of EUR 0.067. All issued shares are fully paid. There are no differences in classes of shares. Each owner of shares in the company is entitled to vote for the full amount of such shares at a general meeting, without any voting limitations. Shares held by the company or any of its subsidiaries do not entitle the owner to any of the rights associated with ownership of shares.

TEUR	As of Dec. 31	
	2016	2015
Number of registered shares	174,388,857	174,388,857
Number of own shares held by the company	-3,580,359	-3,681,138
Number of shares outstanding	170,808,498	170,707,719

Note 32 | Share-based payment

Long-term equity-settled performance-based incentive programmes

The purpose of the programmes is to ensure that remuneration within the group helps aligning executives with shareholders interests and that a suitable proportion of remuneration is linked to company performance. In order to implement the performance based share programme in a cost efficient and flexible manner, the Board of Directors has been authorised by the Annual General Meetings to decide on acquisitions of its own shares on the stock exchange.

The 2013, 2014 and 2015 programmes

In 2013, 2014 and 2015 the AGM's have approved long-term equity settled performance-based incentive programmes to be offered to executives within Rezidor. The structure of the programmes are similar. The programmes are comprised of both matching and performance shares. The President and CEO and other members of the Executive Committee have been offered the opportunity to participate in the performance share part as well as the matching share part of the programmes. Other key executives have been offered to participate in the performance share part of the programmes.

In order to qualify for matching shares, each participant shall meet certain requirements, including a shareholding requirement of at least three years and continuing employment with the company during the vesting period. Exemptions may be prescribed in specific cases. In order to qualify for performance shares, each participant must, in addition to the requirement regarding continuing employment during the vesting period, meet a performance target based on Rezidor Group's cumulative earnings per share for three consecutive financial years, starting as from the year the programme has been approved by the AGM.

The programme approved by the AGM in 2013 expired in 2016. The performance target based on cumulative earnings per share for three consecutive financial years, set to 0.60 EUR, was not met. Six members of the Executive Committee met the requirements for the matching share part of the programme. 46,408 shares were awarded to the Executive Committee members participating, of which the President and CEO was awarded 17,497 shares.

Five members of the Executive Committee participate in the 2014 programme entitling them to a maximum total of 456,963 shares, of which the President and CEO is entitled to a maximum of 207,307 shares. 17 other members of management participate in the programme, entitling them to a maximum of 185,086 shares.

The total value of the 2014 programme at grant date, based on 35 participants and including social security costs, amounted to TEUR 4,651.

Six members of the Executive Committee participate in the 2015 programme entitling them to a maximum total of 604,567 shares, of which the President and CEO is entitled to a maximum of 272,935 shares. 24 other members of management participate in the programme, entitling them to a maximum of 393,403 shares.

The total value of the 2015 programme at grant date, based on 35 participants and including social security costs, amounts to TEUR 5,017.

The 2016 programme

On April 21, 2016, the Annual General Meeting approved a long-term equity settled performance based programme to be offered to no more than 40 executives within the Rezidor Group. The programme is comprised of both matching shares and performance shares. The President and CEO and other members of the Executive Committee have been offered the opportunity to participate in the performance share part as well as the matching share part of the programme. Other key executives have been offered to participate in the performance share part of the programme.

Share buy-back

The number of treasury shares held by the company at the end of the year amounts to 3,681,138, corresponding to 2.1% of all registered shares. The average number of its own shares held by the company during 2016 was 3,663,811 (3,681,138). The shares have been bought back in 2007 and 2008 following authorisations at the Annual General Meetings in the same years. A majority of the shares bought back are held to secure delivery of shares in the incentive programmes and the related social security costs.

Dividend per share

In accordance with the recommendation from the Board of Directors to the Annual General Meeting 2016, the Annual General Meeting decided to pay dividend of EUR 0.07 per share for the financial year 2015, equivalent to TEUR 11,949. The Board of Directors proposes to the Annual General Meeting 2017 to pay dividend of EUR 0.05 per share for the financial year 2016, equivalent to TEUR 8,540.

The participants who have accepted the invitation for the matching share part of the programme have acquired Rezidor shares on Nasdaq Stockholm and/or allocated shares already held to the programme. The investment in and/or allocation of matching shares for the President and CEO amounts to not less than 5 percent, and not more than 10 percent of the fixed annual gross base remuneration for 2016. The investment in and/or allocation of matching shares for other members of the Executive Committee amounts to not less than 2.5 percent, and not more than 5 percent of the fixed annual gross base remuneration for 2016. In order to qualify for matching shares, each participant shall meet certain requirements, including a shareholding requirement of at least three years and continuing employment with the company during the vesting period. Exemptions may be prescribed in specific cases.

In order to qualify for performance shares, each participant must, in addition to the requirement regarding continuing employment during the vesting period, meet a performance target based on Rezidor Group's cumulative earnings per share for the financial years 2016 to 2018. The maximum number of performance shares that is allotted to each participant in the programme is calculated by dividing an amount corresponding to a certain percentage of each participant's fixed annual gross base remuneration for 2016, by the market price of the Rezidor share. The percentage of the fixed annual gross remuneration for 2016 is 150 percent for the President and CEO, between 50 and 75 percent for other members of the Executive Committee and between 30 and 38 percent for other key executives, in each case converted into SEK. The market price of the Rezidor share used amounts to SEK 34.46, which corresponds to the volume-weighted average price paid for the Rezidor share on Nasdaq Stockholm during a period of five consecutive trading days immediately before the day the participants were invited to participate in the programme, which was June 30, 2016.

Six members of the Executive Committee participate in the 2016 incentive programme entitling them to a maximum total of 644,866 shares, of which the President and CEO is entitled to a maximum of 304,258 shares. 26 other members of management participate in the programme, entitling them to a maximum of 434,766 shares in total. The total value of the 2016 programme at grant date, based on 40 participants and including social security costs, amounts to TEUR 5,379.

Participants in the 2014–2016 programmes that have left the company have been awarded 54,371 shares in 2016.

Summary of maximum number of shares that can be awarded

The table below shows the maximum number of shares that may be awarded.

Plan	At the end of 2015	Granted in 2016	Forfeited during 2016	Awarded during 2016	At the end of 2016
2013 plan	938,587	—	-892,179	-46,408	—
2014 plan	701,226	—	-56,407	-2,770	642,049
2015 plan	1,101,411	—	-63,238	-40,203	997,970
2016 plan	—	1,091,030	—	-11,398	1,079,632
Total	2,741,224	1,091,030	-1,011,824	-100,779	2,719,651

Total costs

The net costs recognised in the income statement in 2016 in accordance with IFRS 2 for the incentive programmes amounted to TEUR 2,724 (555).

Note 33 | Fair value reserve – Cash-flow hedges

TEUR	2016	2015
Opening value as of Jan. 1	198	274
Effective gains and losses recognised in equity during the year	237	–231
Tax on effective gains and losses recognised in equity during the year	–52	61
Gains and losses reclassified out of equity during the year	–557	121
Tax on gains and losses reclassified out of equity during the year	122	–27
Closing value as of Dec. 31	–52	198

Note 34 | Provisions

TEUR	Employee benefits and payroll	Restructuring and termination	Legal claims	Onerous contracts	Other	Total
Balance as of Jan. 1, 2015	—	—	80	4,580	689	5,349
Additional provisions recognised	—	—	42	580	1,049	1,671
Reductions resulting from remeasurement	—	—	—	–917	—	–917
Effect of foreign currency exchange differences	—	—	—	—	—	—
Reductions arising from payments	—	—	—	–2,503	–661	–3,164
Balance as of Dec. 31, 2015	—	—	122	1,740	1,077	2,939
Additional provisions recognised	—	—	—	—	–4	–4
Reductions resulting from remeasurement	—	—	—	—	–24	–24
Effect of foreign currency exchange differences	—	—	—	—	61	61
Reductions arising from payments	—	—	–34	–1,740	–1,102	–2,876
Balance as of Dec. 31, 2016	—	—	88	—	8	96

Analysis of total provisions

TEUR	
Expected cash outflow in 2017	96
Expected cash outflow in 2018	—
Total as of Dec. 31, 2016	96

Legal claims

The provision for legal claims of TEUR 88 (122) relates to two minor claims for two leased hotels in Rest of Western Europe.

Onerous contracts

Outstanding provision for onerous contract of TEUR 1,740 at the end of 2015 related to a leased hotel in Rest of Western Europe which was closed for ren-

ovation. The provision was to cover the estimated costs for non-cancellable maintenance and employee contracts during renovation period. The hotel reopened in October 2016.

Other

Outstanding other provisions at the end of 2015 of TEUR 1,077 mainly related to a contractual obligation for one of the leased hotels in the Nordics. No provision outstanding as of December 31, 2016 since paid.

Note 35 | Borrowings

TEUR	Current As of Dec. 31		Non-current As of Dec. 31	
	2016	2015	2016	2015
Bank overdrafts	20,522	—	—	—
Other loans	—	19	13,677	5,694
Total	20,522	19	13,677	5,694

TEUR 5,313 (5,694) of other non-current loans are related to the financing of renovation investments in a German hotel under a management contract.

Rezidor has not received any cash in connection with this loan, but has assumed an obligation for the financing of a portion of the renovation works as part of the management agreement. An intangible asset corresponding to the rights granted through the management agreement has been recognised at the same time. Interest costs amounting to TEUR 406 (interest rate 5.8%), incurred during the renovation period, were capitalised in 2009. In 2011, accrued interest of TEUR 567 was waived and reported as a financial income. As from 2011, the loan runs with an interest rate of 4.5%. The repayment of the non-current part of the loan is linked to the amount of fees collected from this hotel.

The remaining other non-current loan of TEUR 8,364 (—) relates to the acquisition of the shares in prize Holding GmbH (see also Note 16). The original loan amounts to TEUR 8,200 and capitalised interest amounts to TEUR 164 (interest rate 3.0%).

No borrowing costs other than those described above have been capitalised.

These borrowings are not subject to any covenants and the Group has not pledged any assets as collateral to secure the borrowings.

The carrying amounts in EUR of the Group's borrowings are denominated in the following currencies:

	As of Dec. 31, 2016			
	TCHF	TEUR	TSEK	Total
Bank overdrafts	—	20,522	—	20,522
Other loans	—	13,677	—	13,677
Total	—	34,199	—	34,199

	As of Dec. 31, 2015			
	TCHF	TEUR	TSEK	Total
Bank overdrafts	—	—	—	—
Other loans	12	5,701	—	5,713
Total	12	5,701	—	5,713

The average annual interest rates paid were as follows:

	For the Year Ended Dec. 31	
	2016	2015
Bank overdrafts & credit lines	0.90%	0.90%
Other loans	3.76%	4.50%

All liabilities to financial institutions are repayable within one year.

Split of bank overdraft

TEUR	As of Dec. 31	
	2016	2015
Bank overdraft facilities granted	200,000	200,000
Utilisation of bank overdraft: in guarantees	–2,800	–356
Utilisation of bank overdraft: in cash	–20,522	—
Bank overdraft facilities unutilised	176,678	199,644

The committed credit facilities, amounting to TEUR 200,000, have a tenor until November 2018 and carry customary covenants, including change of control provisions.

Note 36 | Other current non-interest-bearing liabilities

TEUR	As of Dec. 31	
	2016	2015
Prepayments from customers	14,964	14,178
Accrued expenses & prepaid income	91,557	98,266
Other short term non-interest-bearing liabilities	16,190	14,147
Total	122,711	126,591

Specification of accrued expenses and prepaid income

TEUR	2016	2015
Vacation pay including social costs	15,269	16,336
Accrual for bonus including social costs	6,743	13,083
Other payroll accruals	13,487	9,732
Accrual for energy costs	3,167	3,627
Accrued fees	2,240	3,522
Accrued rent	13,306	11,423
Accrued sales & marketing costs	3,618	5,970
Prepaid income	1,694	1,789
Other accrued expenses	32,090	32,784
Total	91,614	98,266

Note 37 | Related parties

Carlson Hotels, Inc. and its affiliates ("Carlson") are significant related parties. On December 7, 2016, HNA Tourism Group Co, Ltd. ("HNA") completed its purchase of Carlson Hotels and thereby acquired 51.3% of all outstanding shares in Rezidor. After this date HNA is included as a related party.

The related party transactions with Carlson are split as follows:

TEUR	Revenue		Operating cost		Amounts owed by the related parties		Amounts owed to the related parties	
	2016	2015	2016	2015	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015
Carlson Hotels, Inc. – Royalty fees, marketing fee, reservation fee and rentals & licenses	—	—	18,894	19,727	—	—	1,247	1,492
Carlson Hotels, Inc. – Club Carlson	2,932	3,126	5,420	5,594	—	—	—	—
Carlson Hotels, Inc. – Recharged third party costs	—	—	4,938	2,788	—	—	—	—
Carlson Hotels, Inc. – Other	1,048	2,252	411	993	—	—	—	—
Carlson Wagonlit Travel – Agency commissions	—	—	500	578	—	—	17	23

Carlson

On December 31, 2016 Rezidor had no receivables related to Carlson Hotels, Inc. (none as at December 31, 2015) and current liabilities of TEUR 1,247 (1,492).

The business relationship with Carlson mainly consists of operating costs related to the use of the brands and for the use of the reservation system of Carlson. Rezidor is also paying commissions to a network of travel agencies owned by Carlson. In addition, Carlson operates a customer loyalty programme, Club Carlson, to provide customers with incentives to buy room nights. Loyalty points earned when guests have stayed at hotels are charged

by Carlson to these hotels. Similarly, when points have been redeemed at hotels, these hotels are reimbursed by Carlson. Including all contract types (leased, managed and franchised), Carlson charged TEUR 17,228 (12,633) during the year for points earned and reimbursed TEUR 9,756 (5,638) for points redeemed. However, only transactions involving leased hotels (presented in the table above) have an impact on Rezidor's consolidated accounts. Carlson furthermore recharges costs that it has incurred from third parties, mainly internet-based reservation channels, to the hotels to which these costs are related.

Including all contract types (leased, managed and franchised), Carlson recharged costs TEUR 13,388 (3,967) during the year. Only costs recharged to leased hotels (presented in the table above) have an impact on Rezidor's consolidated accounts. Carlson and Rezidor are also cooperating in various other areas, such as global sales, brand websites, revenue optimisation tools and purchasing. These other areas do not, however, always lead to direct transactions between the two companies.

The travel management company Carlson Wagonlit Travel ("CWT") was a related party until December 6, 2016. During 2016 Rezidor paid commissions towards CWT amounting to TEUR 500 (578). For these commissions Rezidor had current liabilities of TEUR 17 (23).

All transactions are done at an arms' length basis. Any new agreement or transaction with Carlson deemed material require the approval of the Board of Directors of Rezidor.

The amounts outstanding are unsecured and will be settled in cash.

No guarantees have been given or received. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

Joint ventures and associated companies

TEUR	As of Dec. 31	
	2016	2015
Loans due from joint ventures and associated companies	13,772	14,310
Revenue (Management Fees) from joint ventures and associated companies	136	353

More information about shares in joint ventures and associates and the loans to the entities is disclosed in Notes 20, 21 and 24.

Note 38 | Assets pledged, contingent liabilities and committed investments

TEUR	As of Dec. 31	
	2016	2015
Assets pledged		
Securities on deposit	—	1,962
Total	—	1,962
Contingent liabilities		
Tax claim interest deduction Sweden	5,400	5,400
Guarantees provided for management contracts ¹⁾	—	—
Miscellaneous guarantees provided	2,800	356
Total	8,200	5,756

1) Refer to Note 40 where these amounts are included in the total maximum future capped guarantee payment.

In December 2015 Rezidor received a negative decision from the Swedish tax authorities regarding interest deduction made in one of its subsidiaries during financial year 2013. An assessment note for additional income tax due in the amount MEUR 3.1 was raised, which was paid early 2016. On November 2, 2016 Rezidor has filed an appeal with the court of first instance to have this assessment cancelled, since the Company believes the decision has been taken wrongfully and that it is also contrary to EU law. In November 2016 a similar negative decision was received for interest deductions made during financial year 2014. Rezidor will also file an appeal against this decision. No tax cost has been recognised as per December 31, 2016. If Rezidor is not successful in its claims, the maximum cost for the company would be ca MEUR 5.4.

Under the lease agreements, Rezidor is responsible for maintaining the hotel building in good repair and condition over the term of the lease agreement. Under certain lease agreements, Rezidor is required to invest an agreed percentage of the hotel revenue in maintenance of the particular property. If renovation works for a period have been lower than what is required in the lease agreements, the renovation works will have to be carried out at a later stage or settled in alternative ways. The total investments carried out by Rezidor may therefore vary from year to year, but normally amount to ca 5% of leased hotel revenue.

Rezidor has a 20.0% equity stake in Afrinord Hotel Investment A/S ("Afrinord"), to develop hotel projects in Africa. The other shareholders in Afrinord are Nordic development funds. Afrinord has a total investment commitment by its shareholders of TEUR 35,000 as of December 31, 2016, of which TEUR 50 has been contributed as share capital by Rezidor in 2006. Afrinord has partly financed hotels in Addis Ababa (Ethiopia), Nairobi (Kenya), Freetown (Sierra Leone), Cape Town (South Africa) and Bamako (Mali) through loan agreements. Related to these projects, TEUR 25,738 was outstanding as of December 31, 2016, of which Rezidor's contribution was TEUR 5,148. All TEUR 35,000 initially committed funds have been disbursed by Afrinord and hence Rezidor has no additional investment commitments related to these projects per December 31, 2016.

Litigation

The Rezidor Hotel Group operates in a number of countries around the world and is always involved in several complex projects and business relationships where professional disputes on various issues can arise. Most times these situations are resolved through negotiations and discussions. In some rare situations, these disputes can lead to major disagreements or claims of violation of law. Provisions for claims due to known disputes are recorded whenever there is a situation where it is more likely than not, that Rezidor will have an obligation to settle the dispute and where a reliable estimate can be made regarding the outcome of such dispute. Rezidor is not engaged in any judicial or arbitral proceedings, including those which are pending and described below or known to be contemplated, which, in Rezidor's judgement, may have or have a material effect on Rezidor's financial position of profitability during 2016. The members of the Board of Directors have no knowledge of any proceeding pending or threatened against Rezidor or any of the subsidiaries or any facts likely to give rise to any litigation, claim or proceeding which might materially affect the financial position or business of Rezidor as at December 31, 2016.

Below is a description of pending material legal proceedings. All amounts are converted and stated in euro.

A claim of MEUR 34.5 against a Rezidor subsidiary, as compensation for alleged wrongful termination of negotiations of a management agreement, was tried and dismissed by commercial court in 2009. The counterpart appealed the ruling and restated its claim. In 2016, the Court of Appeals issued a ruling that Rezidor was at fault regarding the manner in which it terminated the negotiations, but did not find that Rezidor bears any liability from such fault. The hearing regarding the issue of liability is scheduled for March 2017. Based on external legal advice and opinions, Rezidor believes that the appeal claim is without merits. Proceedings are ongoing.

On November 20, 2015, there was a terrorist attack at the Radisson Blu Hotel in Bamako, Mali. The hotel is managed by a Rezidor subsidiary pursuant to a management agreement. 22 individuals died in the attack, including 14 guests and three employees. The terrorist attack is subject to governmental investigations. As of 31 December, 2016, a few surviving guests have brought claims or threatened to bring claims for injuries and for emotional suffering and the families of two of the deceased guests have brought claims for the death of their family members. All claims have been denied by lawyers engaged by the insurance company, based on an assessment of no liability for the hotel or Rezidor. It is not possible to make a sensible assessment of any provision in Rezidor's accounts based on the known circumstances.

A claim for MEUR 3.9 has been brought by terminated employees at a formerly leased hotel. The employees claim that the terminations are invalid because they were given due to a transfer of undertaking, and therefore Rezidor is liable to pay damages and legal fees in the amount of MEUR 3.9. Based on external legal advice, Rezidor believes that it has good arguments why it should not be liable to pay, and also that any potential liability should be covered by the lessor pursuant to the termination agreement of the lease. Rezidor has withheld the full amount of MEUR 3.9 from the termination payment which was due in 2016, in order to cover any potential liability in the lawsuit. The lessor has initiated litigation against Rezidor for the withheld amount. The external counsel's assessment is that Rezidor's withholding of this amount is proper pursuant to the termination agreement, and that the risk in this litigation therefore is limited.

Note 39 | Leasing commitments

Under Rezidor's lease agreements, Rezidor lease hotel buildings from property owners or other partners and are entitled to the benefits and carry the risks associated with operating the hotel. Typically, Rezidor's lease agreements include a variable rent clause under which Rezidor are obligated to pay a variable rent based on a percentage of the total revenue generated by a hotel ("variable rent"). The majority of Rezidor's lease agreements also include a minimum rent payment obligation which is independent of the revenue generated by the hotel ("fixed rent"). The fixed rent is typically adjusted annually to take into account changes in a defined consumer price index. Generally, under contracts containing variable and fixed rent clauses, Rezidor pay the higher of the two to the lessor. To limit Rezidor's financial exposure in the company's lease contracts, Rezidor typically limit the "shortfall" amount by which the fixed rent exceeds the variable rent to an amount corresponding to two to three years' aggregate fixed rent payment obligations ("cap"). If cumulative shortfall payments reach this cap, the fixed rent payment obligation ceases and the lessor receives only the variable rent. At year-end 2016, Rezidor had 56 leasing contracts for hotels in operation and under development that had some financial commitments, compared to 60 such contracts in 2015. The following provides an overview of the expiry of those contracts – both in operation and under development.

Year	2016 Number of leasing agreements expiring	Year	2015 Number of leasing agreements expiring
2017	—	2016	4
2018–2022	3	2017–2021	5
2023–2027	11	2022–2026	8
2028–2032	19	2027–2031	22
2033–2037	17	2032–2036	17
2038–2042	4	2037–2041	2
2043–2047	2	2042–2046	2

The future leasing expense would entail payment of at least the annual fixed rent under Rezidor's lease agreements. The future minimum leasing expenses for all lease agreements with a fixed rent effective on December 31, 2016 are shown in the following table. For further information regarding rent payments, please refer to Note 13.

Future minimum lease payments

TEUR	2016	2015
Within 1 year	177,671	188,162
1–5 years	709,508	721,682
After 5 years	1,918,608	1,729,453
Total	2,805,787	2,639,297

Future minimum sub lease income

Revenue from sub leases recognised in 2016 amounted to TEUR 4,077 (4,394). The expected future sub lease payments to be received from all fixed rent agreements are shown in the table below:

TEUR	2016	2015
Within 1 year	3,237	3,923
1–5 years	9,312	10,733
After 5 years	36,851	6,267
Total	49,400	20,923

Note 40 | Management contract commitments

Under Rezidor's management agreements, Rezidor provide management services to third-party hotel proprietors. Rezidor derive revenue primarily from base fees determined as a percentage of total hotel revenue and incentive management fees defined as percentage of the gross operating profit or adjusted gross operating profit of the hotel operations.

In certain circumstances, Rezidor guarantee the hotel proprietor a minimum result measured by adjusted gross operating profit or some other financial measure (a "guarantee"). Under such contracts, in the event that the actual result of a hotel is less than the guaranteed amount, Rezidor compensate the hotel proprietor for the shortfall. However, in most agreements with such clauses, Rezidor's obligation to compensate for such shortfall amount is typically limited to two to three times the annual guarantee (the "guarantee cap").

As at the end of the year, Rezidor had granted a certain level of financial commitment in 17 management contracts, as compared to 21 at the end of 2015. The management contracts containing such financial risk for the group will expire as presented in the table below:

Year	2016 Number of management agreements expiring	Year	2015 Number of management agreements expiring
2017	2	2016	1
2018–2022	3	2017–2021	4
2023–2027	4	2022–2026	6
2028–2032	6	2027–2031	8
2033–2037	1	2032–2036	1
2038–2042	—	2037–2041	—
2043–2047	1	2042–2046	1

The following table presents the company's capped contractual obligations under all management contracts with financial guarantees and shows the maximum capped financial exposure.

Total maximum future capped guarantee payments

TEUR	2016	2015
Total	47,412	60,897

The capped guarantee payment includes the contingent liabilities as disclosed in Note 38 (i.e. Guarantees provided for management contracts). For 2016, Rezidor's costs for shortfalls under its management agreements with guarantees amounted to TEUR 2,251 (1,659). See also Note 13.

Note 41 | Auditors' fees

	For the Year Ended Dec. 31	
TEUR	2016	2015
Deloitte		
Audit assignments	1,015	1,022
Other audit related assignments	352	465
Tax assignments	607	181
Other assignments	214	118
Total fees	2,188	1,786

Note 42 | Post balance sheet events

On January 27, 2017, it was announced that David P. Berg has resigned from his position on the Board of Directors with immediate effect.

Note 43 | Group companies and legal structure

Rezidor Hotel Group AB has the following subsidiaries, joint-ventures, associated companies and other investments:

	Registered in	As of Dec. 31, 2016		As of Dec. 31, 2015	
		Ownership %	Share capital	Ownership %	Share capital
Belgium					
The Rezidor Hotel Group SPRL	Brussels	100	MEUR 29.4	100	MEUR 4.0
China					
Rezidor Royal Hotel Beijing Co., Ltd	Beijing	50	MRMB 33.4	50	MRMB 33.4
Cyprus					
Doriscus Enterprises Limited	Limassol	13.41	MEUR 19.8	13.41	MEUR 19.8
Denmark					
Rezidor Hotels ApS Danmark	Copenhagen	100	MDKK 212.0	100	MDKK 212.0
Rezidor Falconer Center A/S	Frederiksberg	100	MDKK 1.2	100	MDKK 1.2
Rezidor Services A/S	Copenhagen	100	MDKK 2.0	100	MDKK 2.0
SIHKA A/S	Copenhagen	100	MDKK 3.0	100	MDKK 3.0
Rezidor Scandinavia Hotel Aarhus A/S	Aarhus	100	MDKK 0.5	100	MDKK 0.5
Hotel Development S. Africa A/S	Copenhagen	100	MDKK 1.0	100	MDKK 1.0
Rezidor Hotel Kiev A/S	Copenhagen	100	MDKK 1.0	100	MDKK 1.0
Rezidor Hotel investment Egypt A/S	Copenhagen	100	MDKK 1.0	100	MDKK 1.0
Rezidor Russia A/S	Copenhagen	100	MEUR 0.7	100	MEUR 0.7
Rezidor Loyalty Management A/S	Copenhagen	100	MEUR 0.1	100	MEUR 0.1
Rezidor Cornerstone A/S	Copenhagen	100	MDKK 2.4	100	MDKK 2.4
Rezidor Hotel Management & Development A/S	Copenhagen	100	MDKK 2.5	100	MDKK 2.5
Rezidor Hospitality A/S	Copenhagen	100	MEUR 83.0	100	MEUR 83.0
Afrinord Hotel Investments A/S	Copenhagen	20	MEUR 0.3	20	MEUR 0.3
Rezidor Royal ApS	Copenhagen	100	MEUR 0.5	100	MEUR 0.5
Rezidor Scandinavia ApS	Copenhagen	100	MEUR 0.5	100	MEUR 0.5
Egypt					
Al Quesir Hotel Company S.A.E	Nasr City, Cairo	20	MEGP 68.0	20	MEGP 68.0
France					
Rezidor Resort France S.A.S.	Puteaux	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hospitality France S.A.S.	Puteaux	100	MEUR 110.4	100	MEUR 110.4
Royal Scandinavia Hotel Nice S.A.S.	Nice	100	MEUR 10.1	100	MEUR 10.1
Royal Scandinavia Hotel Marseille S.A.S.	Marseille	100	MEUR 0.0	100	MEUR 0.0
Rezidor Lyon S.A.S.	Lyon	100	MEUR 0.0	100	MEUR 0.0
SARL Régence Plage	Nice	100	MEUR 0.0	100	MEUR 0.0

	Registered in	As of Dec. 31, 2016		As of Dec. 31, 2015	
		Ownership %	Share capital	Ownership %	Share capital
Germany					
Rezidor Hotels Deutschland GmbH	Duisburg	100	MEUR 0.2	100	MEUR 0.2
Rezidor Revenue Center Central Europe	Duisburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Hannover GmbH	Duisburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Hamburg Airport GmbH	Duisburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Köln GmbH	Duisburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Wiesbaden GmbH	Duisburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Berlin GmbH	Duisburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Karlsruhe GmbH	Duisburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Frankfurt am Main GmbH	Duisburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Frankfurt Airport GmbH	Duisburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Stuttgart GmbH	Duisburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Shared Services Centre Deutschland GmbH	Duisburg	100	MEUR 0.0	100	MEUR 0.0
Park Inn München Frankfurter Ring GmbH	Duisburg	100	MEUR 0.0	100	MEUR 0.0
Park Inn München Ost GmbH	Duisburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Düsseldorf Media Harbour Hotel GmbH	Duisburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Nürnberg GmbH	Duisburg	100	MEUR 0.0	100	MEUR 0.0
Mongolia Nord GmbH	Frankfurt	14.28	MEUR 0.0	14.28	MEUR 0.0
Rezidor Sales and Marketing Central Europe GmbH	Frankfurt	100	MEUR 0.0	—	—
prize Holding GmbH	Hamburg	49	MEUR 0.0	—	—
Italy					
Rezidor Hotel Milan S.r.l.	Milan	100	MEUR 0.0	100	MEUR 0.0
Kuwait					
First Hotels Company KSCC	Safat	1.82	MKWD 40.0	1.82	MKWD 40.0
Latvia					
Rezidor Baltics SIA	Riga	100	MLVL 0.0	100	MLVL 0.0
Netherlands					
Rezidor Hotel Amsterdam B.V.	Amsterdam	100	MEUR 0.0	100	MEUR 0.0
Norway					
Rezidor Hospitality Norway AS	Oslo	100	MNOK 249.0	100	MNOK 249.0
Rezidor Hotels Norway AS	Oslo	100	MNOK 11.0	100	MNOK 11.0
Rezidor Hotel Atlantic Stavanger AS (dormant)	Oslo	100	MNOK 0.0	100	MNOK 0.0
Rezidor Hotel Norge Bergen AS (dormant)	Oslo	100	MNOK 0.0	100	MNOK 0.0
South Africa					
Rezidor Hotel Group South Africa Ltd	Johannesbourg	74	MZAR 0.0	74	MZAR 0.0
RHW Management Southern Africa (Pty) Ltd	Johannesbourg	74	MZAR 0.0	74	MZAR 0.0
Spain					
Rezidor Hotel Madrid S.L.U	Madrid	100	MEUR 0.0	100	MEUR 0.0
Sweden					
Rezidor Hotel Holdings AB	Stockholm	100	MEUR 0.1	100	MEUR 0.1
Rezidor Hospitality Sweden AB	Stockholm	100	MSEK 18.0	100	MSEK 18.0
Rezidor Hotel & Congress AB	Stockholm	100	MSEK 0.1	100	MSEK 0.1
AB Strand Hotel	Stockholm	100	MSEK 0.3	100	MSEK 0.3
Royal Viking Hotel AB	Stockholm	100	MSEK 8.0	100	MSEK 8.0
Hotel AB Bastionen	Gothenburg	—	—	100	MSEK 1.0
Rezidor Arlandia Hotel AB	Stockholm	100	MSEK 1.0	100	MSEK 1.0
Rezidor SkyCity Hotel AB	Stockholm	100	MSEK 1.0	100	MSEK 1.0
Rezidor Royal Hotel AB	Malmö	100	MSEK 1.0	100	MSEK 1.0
Switzerland					
Rezidor Park Switzerland AG	Rümlang	100	MCHF 0.1	100	MCHF 0.1
Rezidor Hotels Switzerland AG	Basel	100	MCHF 0.1	100	MCHF 0.1
United Kingdom					
Rezidor Hotels UK Ltd.	Manchester	100	MGBP 32.2	100	MGBP 32.2
Rezidor Hotel Manchester Ltd.	Manchester	100	MGBP 0.0	100	MGBP 0.0
Rezidor Hotel Leeds Ltd.	Manchester	100	MGBP 0.0	100	MGBP 0.0
Rezidor Hotel Edinburgh Ltd.	Manchester	100	MGBP 0.0	100	MGBP 0.0
Rezidor Hotel Stansted Airport Ltd.	Manchester	100	MGBP 0.0	100	MGBP 0.0
Rezidor Lifestyle Glasgow Ltd. (dormant)	Manchester	100	MGBP 0.0	100	MGBP 0.0
Rezidor Park UK Ltd.	Manchester	100	MGBP 0.0	100	MGBP 0.0
Park Hotel Heathrow Ltd.	Manchester	100	MGBP 0.0	100	MGBP 0.0
Park Hotels Management Ltd.	Manchester	100	MGBP 0.0	100	MGBP 0.0
Rezidor Lifestyle Edinburgh Ltd.	Manchester	100	MGBP 0.0	100	MGBP 0.0

Note 44 | Proposed appropriation of Earnings

Non-restricted reserves in the Parent Company available for dividend are (TEUR):

TEUR	
Share premium reserve	254,119
Profit brought forward	7,436
Profit/loss for the year	-365
Total	261,189

The Board of Directors proposes, in line with the dividend policy, to the Annual General Meeting 2017 to pay dividend of EUR 0.05 per share to the shareholders for the financial year 2016, equivalent to TEUR 8,540, and that the remaining distributable funds of TEUR 252,649 are brought forward.

Note 45 | Definitions

The company presents certain financial measures in this report that are not defined under IFRS. The company believes that these measures provide useful supplemental information to investors and the company's management as they allow evaluation of the company's performance. Because not all companies calculate these financial measures similarly, these are not always comparable to measures used by other companies. These financial measures should not be considered a substitute for measures defined under IFRS.

IFRS MEASURES

Revenue

All related business revenue (including rooms revenue, food & drinks revenue, other hotel revenue, fee revenue and other non-hotel revenue from administration units).

Earnings per Share

Profit for the period, before allocation to non-controlling interests, divided by the weighted average number of shares outstanding.

Basic Average Number of Shares

Weighted average number of ordinary shares outstanding during the period.

NON-IFRS MEASURES – ALTERNATIVE PERFORMANCE MEASURES

Capital Employed

Total assets less interest-bearing financial assets and cash and cash equivalents and non-interest bearing operating liabilities, including pension liabilities, and excluding tax assets and tax liabilities.

MEUR	31-Dec 2016	31-Dec 2015
Total assets [A]	502.5	464.3
Interest-bearing financial assets [B]	25.6	26.6
Cash & cash equivalents [C]	8.0	41.1
Non-interest bearing operating liabilities, including pension liabilities and excluding tax assets and tax liabilities [D]	251.3	222.5
Capital employed [A-B-C-D]	217.6	174.1

EBIT

Operating profit before net financial items and tax.

EBIT Margin

EBIT as a percentage of Revenue.

EBITDA

Operating profit before depreciation and amortisation, costs due to termination/restructuring of contracts, net financial items and tax.

EBITDA Margin

EBITDA as a percentage of Revenue.

EBITDAR

Operating profit before rental expense and share of income in associates, depreciation and amortisation, costs due to termination/restructuring of contracts, net financial items and tax.

EBITDAR Margin

EBITDAR as a percentage of Revenue.

Net Cash (Debt)

Cash & cash equivalents plus short-term interest-bearing assets (with maturity within three months) minus interest-bearing liabilities (short-term & long-term), excluding retirement benefit obligations as well as liabilities related to investments in hotels under management contracts, for which repayments are linked to fees collected.

MEUR	31-Dec 2016	31-Dec 2015
Cash & cash equivalents [A]	8.0	37.7
Cash & cash equivalents classified as held-for-sale [B]	0.0	3.4
Short-term interest bearing assets [C]	—	—
Interest-bearing liabilities [D]	37.9	11.3
Retirement benefit obligations [E]	3.7	5.6
Liabilities related to investments in hotels under management contracts [F]	5.3	5.7
Net cash (debt) [A+B+C-D+E+F]	-20.9	41.1

Net Interest-bearing Assets/Liabilities

Interest-bearing assets minus interest-bearing liabilities.

MEUR	31-Dec 2016	31-Dec 2015
Interest-bearing assets [A]	33.1	64.3
Interest-bearing liabilities [B]	37.9	11.3
Net interest-bearing assets/liabilities [A-B]	-4.8	53.0

Free Cash Flow

Total cash flow from operating activities and investing activities.

MEUR	FY 2016	FY 2015
Cash flow from operating activities [A]	34.2	85.8
Cash flow from investing activities [B]	-83.1	-74.6
Free cash flow [A+B]	-48.9	11.2

Rent as Percentage of Leased Hotel Revenue

Rental expense minus shortfall guarantees as percentage of total hotel revenue (leased portfolio).

MEUR	FY 2016	FY 2015
Rental expense [A]	235.9	243.1
Where of shortfall guarantees [B]	2.3	1.7
Total hotel revenue [C]	815.3	851.2
Rent as percentage of leased hotel revenue [(A-B)/C]	28.7%	28.4%

Net Working Capital

Inventory plus current non-interest-bearing receivables minus current non-interest-bearing liabilities.

MEUR	31-Dec 2016	31-Dec 2015
Inventory [A]	4.6	5.0
Current non-interest-bearing receivables [B]	122.6	116.4
Current non-interest-bearing liabilities [C]	165.6	174.4
Net working capital [A+B-C]	-38.4	-53.0

Return on Capital Employed

Operating profit/loss (EBIT), excluding costs due to termination of contracts and write-downs and reversals of write-downs divided by average capital employed.

MEUR	FY 2016	FY 2015
Operating profit/loss (EBIT) [A]	3.0	57.3
Write-downs and reversals of write-downs [B]	7.5	5.8
Costs due to termination of contracts [C]	28.9	1.1
Capital employed, beginning of the year [D]	174.1	146.3
Capital employed, end of the year [E]	217.6	174.1
Return on Capital Employed [(A+B+C)/((D+E)/2)]	20.1%	40.1%

Return on Equity

Profit for the period, attributable to equity holders of the parent, as a percentage of average shareholders' equity, excluding minority interests.

MEUR	FY 2016	FY 2015
Profit for the period [A]	26.4	34.2
Equity, beginning of the year [B]	246.7	219.4
Equity, end of the year [C]	265.7	246.7
Return on Equity [A/((B+C)/2)]	10.3%	14.7%

RevPAR

Rooms revenue in relation to available rooms, whereas available rooms is defined as total rooms inventory less rooms not available for sale.

Leased portfolio	FY 2016	FY 2015
Rooms revenue (MEUR) [A]	541.5	560.4
Number of available rooms (thousands) [B]	6,226	6,404
RevPAR [A/B]	87.0	87.5

OPERATING MEASURES

Average Room Rate

Average Room Rate – Rooms revenue in relation to number of rooms sold. This is also referred to as ARR (Average Room Rate), ADR (Average Daily Rate) or AHR (Average House Rate) in the hotel industry.

Central Costs

Central Costs represent costs for corporate and regional functions, such as Executive Management, Finance, Business Development, Legal, Communication & Investor Relations, Technical Development, Human Resources, Operations, IT, Brand Management & Development and Purchasing. These costs are incurred to the benefit of all hotels within the Rezidor Group, i.e. leased, managed and franchised.

F&D

Food and Drink.

FF&E

Furniture, Fittings and Equipment.

L/L Hotels

Same hotels in operation during the previous period compared ("like-for-like").

Occupancy (%)

Number of rooms sold in relation to the number of rooms available for sale.

RevPAR L/L

RevPAR for L/L hotels at constant exchange rates.

GEOGRAPHIC REGIONS/SEGMENTS

Nordics (NO)

Denmark, Finland, Iceland, Norway and Sweden.

Rest of Western Europe (ROWE)

Austria, Belgium, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, the Netherlands, Portugal, Spain, Switzerland and the United Kingdom.

Eastern Europe (incl. CIS countries) (EE)

Armenia, Azerbaijan, Belarus, Bulgaria, Croatia, Cyprus, the Czech Republic, Estonia, Georgia, Hungary, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Macedonia, Moldova, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Turkey, Ukraine and Uzbekistan.

Middle East, Africa and Others, (MEO)

Algeria, Angola, Bahrain, Benin, Cape Verde, Chad, China, Congo, Egypt, Ethiopia, Gabon, Ghana, Guinea, Iraq, Ivory Coast, Kenya, Kuwait, Lebanon, Libya, Mali, Mauritius, Morocco, Mozambique, Nigeria, Oman, Qatar, Rwanda, Saudi Arabia, Senegal, Sierra Leone, South Africa, South Sudan, Togo, Tunisia, Uganda, the United Arab Emirates, Zambia and Zimbabwe.

Auditor's Report

To the annual meeting of the shareholders of Rezidor Hotel Group AB (publ)
Corporate identity number 556674-0964

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Rezidor Hotel Group AB (publ) for the financial year January 1–December 31, 2016. The annual accounts and consolidated accounts of the company are included on pages 1–52 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of December 31, 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of December 31, 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our 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 opinions.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Contractual obligations in the lease portfolio

Per December 31, 2016 Rezidor had 67 lease contracts for hotels in operation and under development which is disclosed on page 3 in the Board of Directors' Report. Please also see the disclosures regarding leasing commitments in Note 39. Although there are similarities between the different hotel lease contracts under which the company operates, each contract is unique and could include significant contractual obligations that require recognition and/or disclosure in the financial statements. We focused on this area as the interpretation of the contractual obligations sometimes involves significant judgement.

One such contractual obligation is to maintain the hotel in "good order", in many contracts expressed as a certain percentage of revenue to be spent on maintenance and repair over the contract term and/or that a hotel property is to be returned to the leasee at the end of the contract term in a similar condition as when the lease was entered into. This obligation requires the company to monitor the level of capital expenditure made in each leased property from a contractual perspective to ensure that obligations are accurately reflected in the annual accounts and consolidated accounts.

Our audit procedures included, but were not limited to:

- evaluating the design and testing implementation of key internal controls monitoring fulfilment of contractual maintenance obligations,
- testing a sample of lease contracts, both existing and new/renewed, to verify that contractual obligations had been captured and reflected accurately in the annual report and
- obtaining an understanding of any ongoing legal disputes with landlords with input from outside and in-house legal councils.

Deferred tax assets on tax loss carry forwards

Rezidor has significant tax loss carry forwards representing deferred tax assets of approximately 60 MEUR of which 49 MEUR was recognized in the consolidated balance sheet as per December 31, 2016. The balances as of December 31, 2016 consists mainly of tax loss carry forwards in Belgium, UK and France. The capitalization of and estimated year by when the deferred tax assets will be fully utilized reflect the impact of the new Transfer pricing model implemented in December 2016 and takes into consideration the terms of the existing lease and loan agreements for each jurisdiction. The disclosures regarding deferred taxes are included in Note 15 and information about the implementation of the new transfer pricing model can be found on page 4 in the Board of Directors' Report.

We focused on this area as the amounts are material and the valuation requires significant judgement on future taxable surplus.

Our audit procedures included, but were not limited to:

- evaluating the design and testing implementation of key internal controls in order to capture significant changes in tax legislations that could have a significant impact on the company,
- using internal experts to review management's analysis of the potential impact of changes in and/or new tax rulings in Sweden related to the deductibility of intercompany interest charges,
- using internal experts to review the new transfer pricing policy and the impact it has on the utilization of deferred tax assets and
- based on the budget and business plans for 2017 and subsequent periods assessing the reasonableness in significant assumptions underlying estimated taxable surplus for entities with tax loss carry forwards for which deferred tax assets have been recognised.

Impairment of tangible and intangible assets

The company has significant investments in both tangible and intangible assets primarily related to the properties operated under lease contracts and the right to use the brands under which the company operates exclusively in certain geographic regions. The company has prepared an impairment assessment that is based on a value in use calculation where each hotel constitute a separate cash generating unit for investments in properties and where the group constitute the cash generating unit for investments related to the right to use the brands under which the company operates.

We focused on the impairment assessments above as the book value of tangible and intangible assets are material and as the assessment is sensitive to changes in assumptions (in particular the growth rates, RevPAR, cost assumptions and the discount rates).

Our audit procedures included, but were not limited to:

- evaluating the design and testing implementation of key internal controls to identify indicators of impairment and that impairment losses are recognized in the right period,
- evaluating the assumptions and methodologies used by management, in particular those relating to forecasted growth rates and discount rates,
- evaluating the adequacy of disclosures related to those assumptions to which the outcome of the impairment test is most sensitive and
- assessing the sufficiency of the sensitivity analysis prepared by management and performed further sensitivity analysis primarily focused on changes in operating cash flow.

The Rezidor Hotel Group ABs disclosures regarding intangible and tangible assets are included in Note 18–19, which specifically explains that small changes in key assumptions used could give rise to an impairment in the future.

Other Information than the annual accounts and consolidated accounts
This document also contains other information than the annual accounts and consolidated accounts and is found on pages 56-57 and 66-72. Other information is also found in the separately published Corporate Presentation for the financial year January 1–December 31, 2016. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director
The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Directors' responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden 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 annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, 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 opinions. 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 the company's internal control relevant to our 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 the Board of Directors and the Managing Director
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any 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 annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. 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 content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings, including any significant deficiencies in internal control that we identified.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding

independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Rezidor Hotel Group AB (publ) for the financial year January 1–December 31, 2016 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

A separate list of loans and collateral has been prepared in accordance with the provisions of the Companies Act.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our 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 opinions.

Responsibilities of the Board of Directors and the Managing Director
The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organisation and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organisation is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

Stockholm, March 21, 2017

Deloitte AB

ERIK OLIN

Authorised Public Accountant

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF
RADISSON HOSPITALITY AB (PUBL)
AS OF AND FOR THE FISCAL YEAR 2015**

CONSOLIDATED STATEMENT OF OPERATIONS

TEUR (except for share related data)	Notes	For the Year Ended December 31	
		2015	2014
Revenue	7, 8, 37	997,015	937,301
Costs of goods sold for Food & Drinks and other related expenses	9	-57,853	-55,668
Personnel cost and contract labour	10	-343,017	-325,157
Other operating expenses	11	-239,397	-228,373
Insurance of properties and property tax	12	-15,775	-14,337
Operating profit before rental expense and share of income in associates and before depreciation and amortisation, costs due termination/restructuring of contracts and gain on sale of shares, intangible and tangible assets (EBITDAR)		340,973	313,766
Rental expense	13	-243,076	-241,880
Share of income in associates and joint ventures	20, 21	3,156	-560
Operating profit before depreciation and amortisation, costs due to termination/restructuring of contracts and gain on sale of shares, intangible and tangible assets (EBITDA)	7	101,053	71,326
Depreciation and amortisation	18, 19	-37,246	-32,968
Write-downs and reversal of write-downs	6, 18, 19	-5,787	-7,652
Costs due to termination/restructuring of contracts		-1,079	—
Gain/loss on sale of shares, intangible and tangible fixed assets		397	-8
Operating profit (EBIT)	7	57,338	30,698
Financial income	14	1,924	888
Financial expense	14	-2,625	-2,398
Profit before tax	7	56,637	29,188
Income tax expense	15	-22,402	-15,023
Profit for the year		34,235	14,166
Attributable to:			
Owners of the Parent Company		34,235	14,166
Non-controlling interests		—	—
		34,235	14,166
Basic average number of shares outstanding	17	170,707,719	161,019,805
Diluted average number of shares outstanding	17	172,902,764	162,608,506
Profit/loss per share after allocation to non-controlling interests (EUR)			
Basic	17	0.20	0.09
Diluted	17	0.20	0.09

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

TEUR	Notes	For the Year Ended December 31	
		2015	2014
Profit for the year		34,235	14,166
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gains and losses	23	573	-3,054
Tax on actuarial gains and losses		-191	818
Items that may be reclassified subsequently to profit or loss:			
Currency differences on translation of foreign operations		-3,142	-5,690
Tax on currency differences on translation of foreign operations		493	822
Fair value gains and losses on cash flow hedges	33	-110	79
Tax on fair value gains and losses on cash flow hedges	33	34	-18
Other comprehensive income for the year, net of tax		-2,343	-7,043
Total comprehensive income for the year		31,892	7,123
Total comprehensive income attributable to:			
Owners of the Parent Company		31,892	7,123
Non-controlling interests		—	—

CONSOLIDATED BALANCE SHEET STATEMENT

		As of December 31	
TEUR	Notes	2015	2014
ASSETS			
Non-current assets			
Intangible assets			
Licenses and related rights	18	42,387	44,039
Other intangible assets	18	22,178	24,227
		64,565	68,266
Tangible assets			
Fixed installations in leased properties	19	52,436	51,207
Machinery and equipment	19	86,284	73,276
Investments in progress	19	31,796	12,656
		170,516	137,139
Financial assets			
Investments in associated companies	20	2,876	2,548
Investments in joint ventures	21	—	—
Other shares and participations	22	5,193	5,202
Other long-term interest-bearing receivables	24	7,821	7,098
Other long-term non-interest-bearing receivables	24	5,878	2,904
		21,768	17,752
Deferred tax assets	15	21,747	26,989
		278,596	250,146
Current assets			
Inventories		5,018	5,083
Accounts receivable	25	40,682	45,175
Current tax assets	15	11,578	21,854
Other current interest-bearing receivables	26	2,510	404
Other current non-interest-bearing receivables	27	63,843	52,946
Derivative financial instruments	4	319	454
Other short term investments	28	1,962	3,898
		125,912	129,814
Cash and cash equivalents	29	37,735	35,527
Assets classified as held for sale	30	22,089	12,022
Total current assets		185,736	177,363
Total assets		464,332	427,509

		As of December 31	
TEUR	Notes	2015	2014
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	31	11,626	11,626
Other paid in capital		177,124	177,124
Reserves		3,506	6,231
Retained earnings including profit for the year		54,436	24,442
Equity attributable to owners of the Company		246,692	219,423
Non controlling interests		1	1
Total equity		246,693	219,424
Non-current liabilities			
Deferred tax liabilities	15	15,423	16,471
Retirement benefit obligations	23	5,582	5,677
Provisions	34	6	1,195
Other long-term interest-bearing liabilities	35	5,694	6,028
Other long-term non-interest-bearing liabilities		11,870	12,083
		38,575	41,454
Current liabilities			
Accounts payable		37,975	35,480
Current tax liabilities	15	6,838	10,984
Provisions	34	2,933	4,154
Other current interest-bearing liabilities	35	19	14
Derivative financial instruments	4	66	90
Other current non-interest-bearing liabilities	36	126,591	115,909
		174,422	166,631
Liabilities directly related to assets classified as held for sale			
	30	4,642	—
Total liabilities		217,639	208,085
Total equity and liabilities		464,332	427,509

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

TEUR	Share capital	Other paid in capital	Foreign currency translation reserve	Fair value reserve-available for sale financial assets	Fair value reserve-cash-flow hedges ¹⁾	Retained earnings incl. net profit/loss for the period	Attributable to equity holders of the parent	Non-controlling interests	Total equity
Opening balance as of January 1, 2014	10,000	120,302	10,535	290	213	13,631	154,971	1	154,972
Profit for the period	—	—	—	—	—	14,166	14,166	—	14,166
OTHER COMPREHENSIVE INCOME:									
Actuarial gains and losses on defined benefit plans	—	—	—	—	—	–3,054	–3,054	—	–3,054
Tax on actuarial gains and losses on defined benefit plans	—	—	—	—	—	818	818	—	818
Currency differences on translation of foreign operations	—	—	–5,690	—	—	—	–5,690	—	–5,690
Tax on exchange differences recognised in other comprehensive income	—	—	822	—	—	—	822	—	822
Fair value gains and losses on cash flow hedges	—	—	—	—	79	—	79	—	79
Tax on fair value gains and losses on cash flow hedges	—	—	—	—	–18	—	–18	—	–18
Total comprehensive income for the period	—	—	–4,868	—	61	11,930	7,123	—	7,123
TRANSACTIONS WITH OWNERS:									
Rights issue (incl. transaction costs ²⁾)	1,626	56,822	—	—	—	—	58,448	—	58,448
Long term incentive plan	—	—	—	—	—	–1,119	–1,119	—	–1,119
Ending balance as of December 31, 2014	11,626	177,124	5,667	290	274	24,442	219,423	1	219,424
Profit for the period	—	—	—	—	—	34,235	34,235	—	34,235
OTHER COMPREHENSIVE INCOME:									
Actuarial gains and losses on defined benefit plans	—	—	—	—	—	573	573	—	573
Tax on actuarial gains and losses on defined benefit plans	—	—	—	—	—	–191	–191	—	–191
Currency differences on translation of foreign operations	—	—	–3,142	—	—	—	–3,142	—	–3,142
Tax on exchange differences recognised in other comprehensive income	—	—	493	—	—	—	493	—	493
Fair value gains and losses on cash flow hedges	—	—	—	—	–110	—	–110	—	–110
Tax on fair value gains and losses on cash flow hedges	—	—	—	—	34	—	34	—	34
Total comprehensive income for the period	—	—	–2,649	—	–76	34,617	31,892	—	31,892
TRANSACTIONS WITH OWNERS:									
Dividend	—	—	—	—	—	–5,121	–5,121	—	–5,121
Long term incentive plan ³⁾	—	—	—	—	—	498	498	—	498
Ending balance as of December 31, 2015	11,626	177,124	3,018	290	198	54,436	246,692	1	246,693

1) See further Note 33

2) Total transaction costs amount to TEUR 1,251

3) See further Note 32

CONSOLIDATED STATEMENT OF CASH FLOWS

		For the Year Ended December 31	
TEUR	Notes	2015	2014
OPERATIONS			
Operating profit (EBIT)		57,338	30,698
Adjustments for non-cash items:			
Depreciations, amortisations and write-downs	18, 19	43,033	40,620
Change in pension assets/liabilities		-95	-4,008
Share of income in associated companies and joint ventures	20,21	-3,156	560
Exchange differences on internal loans		-3,046	-3,200
Other adjustments for non-cash items		102	-1,398
Interest received	14	1,111	741
Interest paid	14	-898	-514
Other financial items		-1,465	-1,737
Tax paid		-12,113	-17,306
Cash flows from operations before change in working capital		80,811	44,456
Change in:			
Inventories		143	-199
Current receivables		-9,133	1,311
Current liabilities		13,942	-4,359
Change in working capital		4,952	-3,247
Cash flow from operating activities		85,763	41,209
INVESTMENTS			
Purchase of intangible assets	18	-1,399	-1,833
Purchase related to investments in progress	19	-40,659	-21,123
Purchase of machinery and equipment	19	-20,207	-23,211
Purchase fixed installations	19	-11,703	-7,642
Investments in subsidiaries	16	424	—
Other investments and divestments of financial fixed assets		-1,072	486
Cash flow from investing activities		-74,616	-53,323
FINANCING			
Change in:			
Overdraft facilities		4	-17,478
Lease incentives and other long term liabilities		-546	-123
Total external financing		-542	-17,601
Rights issue, net of transaction costs		—	58,448
Dividend paid		-5,121	—
Total cash from transactions with shareholders		-5,121	58,448
Cash flow from financing activities		-5,663	40,847
Cash flow for the year		5,484	28,733
Translation difference in cash and cash equivalents		76	-143
Cash and cash equivalents, January 1		35,527	6,937
Cash and cash equivalents, December 31	29	41,087	35,527
Where of classified as assets held for sale	30	3,352	—

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Note 1 | General information

Rezidor Hotel Group AB (publ), hereafter referred to as Rezidor or the Company, is a limited liability company incorporated in Sweden. Its registered office and principal place of business is in Sweden (Stockholm), address: Klara-bergsviadukten 70 C7, 111 64 Stockholm, Sweden. The corporate head office is based in Brussels, Belgium.

Rezidor is an international hospitality company which currently has 457 hotels in operation or under development in 80 countries. Rezidor operates under the brands Radisson Blu Hotels & Resorts, Park Inn by Radisson, Radisson RED and Quorvus Collection. Further information about the activities of the Company is described in Note 7.

The Annual Report as of December 31, 2015 was approved by the Board of Directors of Rezidor Hotel Group AB (publ) on March 21, 2016. The Annual Report is subject to approval by the Annual General Meeting on April 21, 2016.

Note 2 | Adoption of new and revised international financial reporting standards

In the current year, the Group has adopted all of the new, revised and amended Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and IFRS Interpretations Committee that are relevant to its operations and effective for accounting periods beginning on January 1, 2015 and which were endorsed by the European Commission prior to the release of these financial statements. The new, revised and amended Standards and Interpretations are listed below:

New and revised International Financial Reporting Standards (IFRSs) and Interpretations effective for 2015

Annual Improvements to IFRSs 2011-2013 Cycle, including amendments to:

- IFRS 3 Business Combinations (*Scope exceptions for joint ventures*)
- IFRS 13 Fair Value Measurement (*Scope of paragraph 52 portfolio exception*)

The amendment clarifies that IFRS 3 does not apply to the accounting for the formation of joint arrangement in the financial statements of a joint arrangement itself.

The amendment to IFRS 13 clarifies that the scope of the portfolio exception (under paragraph 52) for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 9 *Financial Instruments*, even if those contracts do not meet the definition of financial assets or financial liabilities within IAS 32 *Financial instruments: Presentation*.

IFRIC 21 *Levies* addresses the accounting for a liability to pay a levy, imposed by a government or similar bodies, if that liability is within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. IFRIC 21 also addresses the accounting for a liability to pay a levy whose timing and amount is certain. The interpretation clarifies the timing for recognising a liability for such levies. The obligating event that give rise to a liability to pay a levy is the activity that triggers the payment of the levy.

New and revised IFRSs and Interpretations have not had any significant impact on the financial statements 2015.

New and revised IFRSs and Interpretations not yet effective

International Accounting Standards Board (IASB) has issued the following new or revised standards that are not yet mandatorily effective:

IFRS/interpretation effective for annual periods beginning on or after

IFRS 9 Financial instruments*	January 1, 2018 or later
IFRS 15 Revenue from Contracts with Customers (including amendments in IFRS 15: Effective date)*	January 1, 2018 or later
IFRS 16 Leases*	January 1, 2019 or later
Amendments to IAS 1 (Disclosure Initiative)	January 1, 2016 or later
Amendments to IAS 12 Income Taxes (Recognition of Deferred Tax Assets for Unrealised Losses)*	January 1, 2017 or later
Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)	January 1, 2016 or later
Amendments to IAS 16 Property, Plant and Equipment	January 1, 2016 or later
Amendments to IAS 19 Employee Benefits (Defined benefit plans)	February 1, 2015 or later
Amendments to IAS 27 Separate Financial Statements (Equity Method in Separate Financial Statements)	January 1, 2016 or later
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (Sale or Contribution of Assets between an Investor and its Associate or Joint Venture)**	—
Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosures of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures (Exemption from consolidation of subsidiaries under IFRS 10 Consolidated Financial Statements)*	January 1, 2016 or later
Amendments to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)	January 1, 2016 or later
Annual Improvements of IFRSs 2010–2012 Cycle	February 1, 2015 or later
Annual Improvements to IFRSs 2012–2014 Cycle	January 1, 2016 or later

* Not yet endorsed by the EU.

** The implementing time is postponed indefinitely by IASB, not yet endorsed by the EU.

Above new and revised IFRSs and Interpretations have not yet been implemented by the company. The company is currently analysing the impact of the application of the above new and revised standards and interpretations.

Note 3 | Accounting principles

The Rezidor Hotel Group's Annual Report has been prepared in accordance with International Financial Reporting Standards (IFRS)/International Accounting Standards (IAS) as endorsed by EU and the Swedish Annual Accounts Act. In addition, RFR 1 Supplementary Rules for Groups has been applied, issued by the Swedish Financial Accounting Standards Council.

The Rezidor Hotel Group applies the historical cost method when preparing the financial statements, except for valuation of certain financial instruments or as described below.

Reporting currency

EUR is the functional currency of the primary economic environment in which the Parent Company and the majority of the entities within the Group operates and consequently the financial statements are presented with EUR as the reporting currency. Any difference between the functional currency and the currencies in which the Group companies reports is recognised directly in the statement of shareholders equity.

General provision on recognition and measurement

Assets are recognised in the balance sheet when it is likely that future economic benefits will flow to the Group as a result of past events and the value of the assets can be measured reliably.

Liabilities are recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is likely that future economic benefits will flow out of the Group, and the value of the liabilities can be measured reliably.

At initial recognition, assets and liabilities are measured at cost. Measurement after the initial recognition is effected as described below for each item.

Events or transactions occurring after the balance sheet date but before the financial statements are issued, that provides evidence of conditions which existed at the balance sheet, are used to adjust the amounts recognised in the financial statements.

Revenue is recognised in the income statement as and when earned, whereas costs are recognised at the amounts attributable to the financial period under review.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (directly or indirectly owned subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements used for consolidation have been prepared applying the Group's accounting policies.

The results from subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. That date is the date when the group effectively obtains or loses control over the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

For intra-group restructurings such as the formation of the new Parent Company, any difference between the acquisition costs and the equity of the acquired companies are adjusted against equity as such transactions are considered common control transactions and should not have any impact on the consolidated balance sheet.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling's share of changes in equity since the date of the combination. Losses applicable to the non-controlling in excess of the non-controlling's interest in the subsidiary's equity are allocated against the interest of the Group except to the extent that the non-controlling has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of companies or businesses is accounted for using the acquisition method. The cost acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control of the acquiree. Costs directly attributable to the business combination are expensed as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising from an acquisition is recognised as an asset being the excess of the cost of the business combination over the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss. The interest of non-controlling shareholders in the acquiree is initially measured at the non-controlling's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised. The non-controlling shareholders interest in goodwill is included or excluded on a case by case basis.

Investments in associates and interest in joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Significant influence is normally present in situations where the company has more than 20% of the voting interests but less than 50%.

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control. That is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control. Currently,

Cont. Note 3

where the shareholding and votes are less than or equal to 50% of total (shareholding and votes), the Company accounts for these related investments as investments in associated companies.

The results, assets and liabilities of associates and joint ventures are incorporated in the Group's financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 Non-Current Assets Held for Sale and discontinued operations.

The share of income represents the Company's share in the net income (after tax) from these associates and is directly accounted for in the income statement. No further income tax expense is charged to the share of income as this kind of income is untaxed in the countries of the related shareholding entities.

Under the equity method, investments in associates and joint ventures are carried in the consolidated balance sheet at cost, adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised.

Any goodwill arising from the acquisition of the Group's interest in a jointly controlled entity or an associated company is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a subsidiary (see above).

Gains and losses from divestment of shares

Gains or losses from divestment of subsidiaries and associates are calculated as the difference between the selling price and the carrying amount of the net assets at the time of divestment, including a proportionate share of related goodwill and estimated divestment expenses. Gains and losses are recognised in the income statement under "Gain/loss on sale of shares, intangible and tangible assets".

Foreign currency

Assets and liabilities in foreign currency

Foreign currency transactions are translated into the reporting currency using average monthly rates, which essentially reflect the rate of exchange at the date of transaction. Receivables, liabilities and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the rate of exchange at the balance sheet date. Exchange differences that arise between the rate at the date of transaction and the one in effect at the date of payment, or the rate at the balance sheet date, are recognised in the income statement as income or expense. Exchange differences on operating items are recognised in operating profit. Exchange differences on financial items are recognised in the income statement as financial income or expense.

Translation of financial statements of foreign subsidiaries

The functional currency of the majority of the reporting entities is considered to be their local currency. When consolidating, the reporting entities' income statements are translated using the monthly average rates and the balance sheets are translated using the rates at the balance sheet date. Any difference between the local currency and the functional currency for the Group is recognised in the statement of comprehensive income.

The main exchange rates affecting the financial statements are:

Country	Currency	Year-end rate Dec. 31		Average rate Jan. 1–Dec. 31	
		2015	2014	2015	2014
Denmark	DKK	7.46	7.45	7.46	7.47
Sweden	SEK	9.17	9.43	9.36	9.12
Norway	NOK	9.60	9.04	8.95	8.38
United Kingdom	GBP	0.74	0.78	0.73	0.81
United States	USD	1.09	1.21	1.12	1.33

Income statement

Revenue recognition

Revenue consists of the value of goods and services sold in the leased properties, management fees, franchise fees and other revenues which are generated from the Group's operations.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes. The following is a description of the composition of revenues of the Group.

Leased properties – primarily received from hotel operations, including all revenue received from guests for accommodation, conferences, food and drinks or other services. Revenue is recognised when the sale has been rendered.

Management fees – received from hotels managed by the Group under long-term contracts with the hotel owner. Management fee is normally a percentage of hotel revenue and/or profit and recognised in the income statement when earned and realised or realisable under the terms of the contract.

Franchise fees – received in connection with the license of the Group's brand names, usually under long-term contracts with the hotel owner. Franchise fee is normally a percentage of hotel revenue and/or profit and recognised in the income statement based on the underlying contract agreements.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. Dividend from investments is recognised when the shareholders rights to receive payment have been established.

Customer Loyalty programme

A Customer loyalty programme, Club Carlson (previously named goldpoints plus) is used by the Company to provide customers with incentives to buy room nights. On October 28, 2007, Carlson Group took over the responsibility for the goldpoints plusSM programme from Rezidor. Rezidor was liable three years for points awarded before that date. Rezidor is not liable for points awarded under the loyalty programme after the date of transfer to the Carlson Group.

The Company's customers are awarded loyalty points under various third party loyalty programs. The customers are entitled to utilise the awards as soon as they are granted. Revenues for Rezidor's portion of the award credits are recognised when the customer chooses to claim awards from the third party.

Cost of goods sold

Cost of goods sold relates mainly to cost of goods in restaurants (Food & Drinks) incurred to generate revenue.

Leasing

As a lessee, Rezidor has entered into lease contracts primarily related to fully furnished hotel premises. Each lease contract is subject to a determination as to whether the lease is a financial or an operating lease. The classification of leases as operating or financial leases are determined based on the individual terms. Leasing contracts where virtually all rights and obligations (which normally characterise ownership) are transferred from the lessor to the lessee are defined as a financial leasing contract. At the beginning of the leasing period, finance leasing contracts are reported at fair value. Assets held under finance leasing contracts are recognised in the balance sheet as a fixed asset and future commitment to the lessor as a liability.

Leasing contracts that are non-financial are classified as operational leasing contracts. All of Rezidor's leases are currently classified as operating leases. In all current leasing arrangements regarding hotels, Rezidor only carries risks limited to operating the hotel. The lease cost for operating lease contracts is recognised on a straight-line basis except where another systematic basis is more representative of the time pattern in which the economic benefits from the leased assets are consumed.

Assessment of the leased assets' useful economic life corresponds to the principles Rezidor applies to acquired assets. However, in certain exceptional cases, where Rezidor accepts a hotel that requires a major renovation or has excess capacity or other capacity limitation in the short-run (that is, until such time when the property builds up to its full potential), Rezidor may agree to pay a lower minimum lease fee in the beginning of the lease period, and account for it accordingly to better reflect the time pattern in which the economic benefits from such leased hotels are derived.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of any lease benefits, if any, are recognised as a reduction of the leasing cost on a straight line basis over the lease term.

Based on the transitional provisions of IAS 17 (revised 1999), the classification of leases entered into prior to 1999 have been retained.

Personnel cost

Personnel costs comprise salaries and wages as well as social security costs, pension contributions, etc. for employees employed by the legal entities of the Company.

Other operating expenses

Other operating expenses include royalty fees to Carlson Group and marketing expenses as well as expenses related to operating the hotels such as energy costs, supplies, other external fees, laundry and dry cleaning, contract services, administration costs, communication, travel, transport, operating equipment, licences, maintenance contracts and exchange differences on operating items.

Rental expenses

Rental expense includes fixed and variable rent for the leased hotels for the period. It also includes all management guarantee payments (i.e. guarantee payments or shortfalls) owed to or paid to the hotel owners based on the related management contracts. Rental costs related to premises leased for administration purposes are recorded at cost in the rental expenses in the line item 'Fixed rent' (see Note 13).

Financial income and expenses

Financial income and expenses items include interest income and expenses, realised and unrealised foreign exchange gains on financial items, bank charges, write-downs of financial loans and receivables and capital gains and losses on loans and receivables and on liabilities as well as capital gains and losses on available-for-sale financial assets.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The current tax is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted in the respective tax jurisdictions on the balance sheet date.

Deferred tax is recognised as the difference between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax is generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates and interest in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also recognised in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current liabilities and when they relate to income taxes levied by the same taxation authority and the Groups intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities over cost.

Balance sheet**Licences and other rights and Other intangible assets**

Acquired intangible assets are measured at cost less accumulated amortisation. These intangible assets are amortised on a straight line basis. Licences and other rights primarily relate to the contractual rights relating to the Carlson agreement which is being amortised over the length of the contract (expiring in 2052). Other intangible assets are normally the result of intangible assets acquired as part of new lease or management agreements and are amortised over the rental or management contract period.

If impaired, intangible assets are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Fixed installations in leased properties as well as machinery and equipment (mainly related to investments in leased hotels) are measured at cost less accumulated depreciation and write-downs.

Cost includes the acquisition price, costs directly related to the acquisition and expenses incurred to make the asset ready to be put into operation.

Interest and other finance costs relating to tangible assets during the manufacturing period are recognised in the income statement.

The basis of depreciation is cost less the estimated residual value at the end of the assets useful life. Depreciation is calculated on a straight-line basis with the following percentages based on an assessment of the asset's estimated useful lives:

Fixed installations and technical improvements	10.00%
Guest room Furniture, Fixture and Equipment (FF&E)1	5.00%
Other Furniture, Fixtures & Equipment and Machinery	20.00%

In case the remaining term of a lease agreement for a hotel is shorter than the estimated useful life of the asset, the depreciation period is limited to the remainder of the lease term.

Tangible assets are written down to the recoverable amount if this amount is lower than the carrying amount. The recoverable amount is the higher of the net sale value and the value in use. Profits and losses from the sale of tangible assets are calculated as the difference between the selling price less selling expenses and the carrying amount at the time of sale.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss. When an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is immediately recognised in profit or loss.

Assets classified as held for sale

Non-current assets and disposals groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Cont. Note 3

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Inventories

Inventories are measured at the lower of cost (using the FIFO principle) and net realisable value. Cost of goods for resale, raw materials and consumables consist of purchase price plus handling cost.

Financial instruments

Financial instruments are stated at amortised cost or at fair value depending on their initial classification according to IAS 39.

Fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices. Fair value of other financial assets and liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis, using prices from observable current market transactions or dealer quotes for similar instruments.

Amortised cost is calculated using the effective interest method, where any premiums or discounts and directly attributable costs and revenues are capitalised over the contract period using the effective interest rate. The effective interest rate is the rate that yields the instrument's cost when calculating the present value of future cash flows.

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. In order to be classified as cash and cash equivalents, the maturity of the cash and cash equivalents instruments is three months or less at the time of acquisition. Cash and cash equivalents are carried at their nominal value.

Other shares and participations are classified as available-for-sale investments and measured at fair value. Gains and losses arising from changes in fair value are recognised in other comprehensive income, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period. Impairment losses recognised in profit and loss for equity investments are not subsequently reversed through profit and loss. Investments where the fair value cannot be measured reliably are measured at cost.

Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Currently, the Group only designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

The fair values of derivative instruments used for hedging purposes are disclosed in Note 4. Movements on the hedging reserve in equity are shown in Note 33.

Receivables

Receivables are classified as loans and receivables and measured at amortised cost, usually equalling nominal value, less allowance for doubtful accounts.

Other short-term investments

Other short term investments are comprised of cash on restricted accounts and are measured at nominal value.

Accounts payable

Accounts payable are classified as other financial liabilities and recognised at amortised cost, usually equalling nominal value.

Other interest- and non-interest-bearing liabilities

Other interest- and non-interest-bearing liabilities are classified as other financial liabilities and recognised at amortised cost.

Provisions

Provisions for obligations related to lease contracts and management contracts are made if a contract is considered to be onerous. Other provisions are recognised and measured as the best estimate of the expenses required for settling the liabilities at the balance sheet date. Provisions that are estimated to mature in more than one year after the balance sheet date are measured at their present value.

Retirement benefit obligations

Several companies within the Group have established pension plans for its employees. These pension commitments are mainly secured through various pension plans. These vary considerably due to different legislation and agreements on occupational pension systems in the individual countries.

For pension plans where the employer has accepted responsibility for defined contribution solutions, the obligations to employees ceases when contractual premiums have been paid. For other pension plans where defined benefit pensions have been agreed, the commitments do not cease until the contractual pensions have been paid to the employee on retirement.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in income.

Share-based payment transactions

Fair value at grant date for the long-term equity-settled incentive programmes, in which the participants of the plans receive a certain amount of shares in the Company if certain performance criteria are met during the vesting period, is recognised as an expense over the vesting period, adjusted for the number of participants that are expected to remain in service. An amount equal to the expense is credited to equity. In addition to the service criteria, the current programmes have a performance criteria related to earnings per share (EPS), a so called non-market condition. The non-market conditions are taken into consideration in the assessment of the number of shares that will be vested at the end of the vesting period. The additional social security costs are reported as a liability, revalued at each balance sheet date in accordance with UFR 7, issued by the Swedish Financial Accounting Standards Council's Emergency Task Force.

Cash Flow Statement

The cash flow statement is presented using the indirect method. It shows cash flows from operating activities, investing activities and financing activities as well as the cash and cash equivalents at the beginning and at the end of the financial period.

Cash flows from the acquisition and divestment of enterprises are shown separately under "Cash flow from investing activities". Cash flows from acquired enterprises are recognised in the cash flow statement from the time of their acquisition, and cash flows from divested enterprises are recognised up to the time of sale.

"Cash flow from operating activities" is calculated as operating income before tax adjusted for non-cash operating items, increase or decrease in working capital and change in tax position.

"Cash flow from investing activities" includes payments in connection with the acquisition and divestment of enterprises and activities as well as the purchase and sale of intangible and tangible assets.

"Cash flow from financing activities" includes changes in the size or the composition of the Group's issued capital and related costs as well as the raising of loans, installments on interest-bearing debt, and payment of dividends. Cash flows denominated in foreign currencies, including cash flows in foreign subsidiaries, are translated to the Group reporting currency using average monthly rates, which essentially reflect the rates at the date of payment. Cash at year end is translated to the functional currency using the rates at the balance sheet date.

Note 4 | Financial risk management

Rezidor's financial risk management is governed by a finance policy approved by the Board of Directors. According to the finance policy, the corporate treasury function of the Company systematically monitors and evaluates the financial risks, such as foreign exchange, interest rate, credit and liquidity risks. Rezidor's corporate and regional operational teams systematically monitor market risks related to its business. Measures aimed at managing and handling financial risks are documented in Rezidor's finance policy as well as a finance manual. The finance policy is reviewed by the corporate treasury function on an ongoing basis. It is normally presented to the Board on an annual basis, save when there is no material change, in which case the existing Board approved policy remains in force.

According to the finance policy, the treasury function may use financial instruments, such as FX forwards, FX swaps, FX options and interest rate swaps to hedge against currency and interest rate risks. At year-end, the Company had entered into certain hedging contracts for cash flow related to some of its fee income. FX swaps have also been used to reduce or eliminate the use of overdraft facilities and mitigate FX volatility, as described under 'Liquidity risks'.

Interest rate risks

Cash flow risks

All credit lines and almost all financial receivables bear floating interest rates. It is the policy of the Company that borrowings and investments should have short term interest rates. The effect on financial net in the income statement of a change in market interest rates with 100 basis points would be immaterial, based on the net financial assets, on December 31, 2015.

Fair value risks

Since almost all interest-bearing receivables are on a floating interest arrangement and carried at amortised cost, there is no material impact from changes in market interest rates on the carrying values of these receivables and consequently no material impact on the income statement or equity.

Off-balance sheet commitments

The main financing risk is related to Rezidor's ability to control and meet the company's off-balance sheet commitments under leases with fixed rent payments and management agreements with guarantees. Such fixed lease and guaranteed amounts have historically been agreed on a fixed rate basis with indexation as a percent of change in the relevant consumer price index, and are, therefore, not exposed to variations in the market interest rates. In addition, these commitments are normally limited to an agreed maximum financial exposure, which is usually capped at 2–3 times the annual guaranteed result under a contract or an annual minimum lease. The off-balance sheet commitments are consequently normally reduced over the contract term as the caps are consumed.

Currency risks

The Company has operations in a vast number of countries with many different currencies, and is therefore exposed to currency exchange rate fluctuations. The most important foreign currencies are the Swedish Krona (SEK), the Norwegian Krone (NOK), the Danish Krone (DKK), the U.S. Dollar (USD), the Swiss Franc (CHF) and the Pound Sterling (GBP). The exposure from the DKK is, however, limited as the currency is pegged to the EUR.

Transaction exposure

When entities within the Group generate revenues and incur costs in different currencies, they are subject to transaction exposure. For the leased operations, the nature of the business is normally local, and consequently the exposure is limited. Unlike the leased operation, the fee business is generally subject to a relatively higher transaction exposure. This transaction exposure arises when fees are collected by entities located in another country than that of the hotel from which the fee originates. Hotels in certain markets with high

currency volatility and a large international customer base, however, generally adjust their room rates charged in the local currency to take into account volatile fluctuations in the EUR, Rezidor's reporting currency, or the USD.

All hotels use a reservation system that is set up and managed by the Carlson Group, for which the hotels pay a fee to the Carlson Group. The fees are collected centrally by Rezidor from its hotels and paid further on to the Carlson Group. Rezidor also pays franchise fees to the Carlson Group for the use of the brand names as well as a minor portion of the marketing fees collected from its hotels. As part of its currency hedging strategy, Rezidor collects the reservation fee from its leased hotels in their local currency. The fee charged to its leased hotels is equivalent to the USD fee per reservation charged by Rezidor in USD to its managed and franchised hotels. By combining currency hedges and keeping a part of the cash inflow in USD, Rezidor mitigates its USD exposure resulting from the outflow to the Carlson Group.

Translation exposure

The Company presents its financial statements in EUR. Since certain of Rezidor's foreign operations have a functional currency other than EUR, the consolidated financial statements and shareholders' equity are exposed to exchange rate fluctuations when the income statements and balance sheets in foreign currencies are translated into EUR. The exposure on the consolidated equity is however lowered through the decision to not own any real estate as this reduces the total assets denominated in foreign currencies.

A sensitivity analysis shows that if the EUR would fluctuate by 5% against other currencies in the Group, excluding DKK which is pegged to the EUR, the effect on the consolidated equity would be approximately 0.8 MEUR, based on the equity at year-end 2015, and 29.8 MEUR on total revenue, 1.7 MEUR on EBITDA and immaterial on net income, based on the income statement for 2015. This sensitivity assumes that all currencies would fluctuate 5% against the EUR and does not take into account the correlation between and the resulting risk diversification from those currencies.

Credit risks

Credit risks are related to the financial receivables in the balance sheet, i.e. 'Other long-term interest bearing receivables', 'Other long-term non-interest bearing receivables', 'Other current interest bearing receivables' and 'Accounts receivables'. Above that, the Group is also exposed to credit risks related to 'Other short-term investments' and 'Cash and cash equivalents'.

At the local hotel level, the credit exposure is normally limited, as the accounts regularly are settled in cash or by accepted credit cards. Credits are only offered to customers under a contract and only to companies or registered organisations with a legal structure. Credit terms must be described in the contract and comply with the guidelines as described in the finance manual. As for managed and franchised hotels, a background check of the hotel owner is made before entering into a new contract, including, where possible, an investigation of the creditworthiness. The credit term is normally 30 days for both local hotel customers and for fees. The financial guidelines set strict rules for the follow-up of overdue receivables and for credit meetings. As sales in both the local hotels and the fee invoicing to managed and franchised hotels, are dispersed among a large number of different customers, the Group has little credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Information about accounts receivables overdue and impaired at year end is found under Note 25.

In some cases Rezidor grants loans to owners of Rezidor's hotels, or to joint venture partners and associated companies in early stages of new projects. The terms for such loans vary, but in principle there is an agreement on interest on the loans and the repayment schedule is based on the project opening and project progress. Based on market conditions, interest rates, repayment schedules and security arrangements have been agreed upon. Terms and conditions for such loans are decided upon centrally by Group financial management. Information about these loans, maturity dates, security arrangements etc. is found under Notes 24 and 26.

Some entities within the Group have deposited money in restricted accounts to meet liabilities arising from payroll taxes. These deposits are classified as 'Other short-term investments' in the balance sheet and only made in banks already used in the current bank structure.

Cash not necessary for the normal course of business is deposited in a bank. Central treasury is responsible to coordinate the handling of surplus liquidity and liquidity reserves, and only central treasury or persons authorised by central treasury may engage in external investment transactions. Individual hotels and administration units with excess liquidity which cannot be held on accounts within the cash pool structure can invest externally only with the prior consent of central treasury and in accordance with the finance policy. According to the finance policy, the investments of surplus liquidity can only be made

Cont. Note 4

in creditworthy interest bearing securities, in securities with high liquidity, in investments/securities/deposits with short-term maturity, and, as regards deposits, normally with financial institutions with a rating of A–1/P1/F1 or higher. The carrying amount of these financial assets, as disclosed in the table below, represents the maximum credit exposure for the Group.

TEUR	As of Dec.31	
Carrying amount	2015	2014
Other long-term interest-bearing receivables ¹⁾	22,131	18,219
Other long-term non-interest-bearing receivables	5,878	2,904
Accounts receivables	40,682	45,175
Other current non-interest bearing receivables	16,660	16,613
Other current interest-bearing receivables	2,510	404
Other short-term investments	1,962	3,898
Cash and cash equivalents ²⁾	41,087	35,527
Maximum credit exposure	130,910	122,740

1) Where of TEUR 14,310 (11,120) is classified as held for sale.

2) Where of TEUR 3,552 (—) is classified as held for sale.

Liquidity risks

Liquidity risk is that the Company is unable to meet its payment obligations as a result of insufficient liquidity or difficulty in raising external financing. Raising of capital and placement of excess liquidity is managed centrally by the central treasury function. The Group has objectives for liquidity reserves, such as excess cash and irrevocable credit facilities, that the Group should have available at any time. The central treasury function monitors the cash position of the different entities within the Group usually on a daily basis to ensure an efficient and adequate use of cash and overdraft facilities.

Rezidor has secured appropriate overdraft and credit facilities through long term agreements with leading European Banks with solid credit ratings. One bank provides a cross-border cash pool in which a majority of the cash flows within the Group are concentrated. Through this bank agreement, the Company has also secured combined overdraft and guarantee facilities with varied terms for a total amount of TEUR 105,000. In addition, the Company has credit facilities of TEUR 90,000 and TEUR 5,000 with other banks. The remaining tenor of the committed credit facility range between twelve and thirty-five months and are combined with customary covenants. The Group has not pledged any assets to secure these facilities. At year-end, no overdraft was used. TEUR 356 (1,161) was used for bank guarantees. Cash and cash equivalents amounted to TEUR 41,087 (35,527), of which TEUR 36,376 (33,758) were in banks and TEUR 1,360 (1,769) in petty cash at several hotels and administration units. TEUR 3,352 (—) out of TEUR 41,087 (35,527) was classified as assets held for sale. In order to reduce or eliminate the use of overdraft and to mitigate FX volatility, Rezidor regularly enters into short term FX swaps and rolling twelve-month currency hedges. On December 31, 2015, the Company had SEK to GBP and EUR to GBP swaps of TSEK 175,000 and TEUR 70,250 respectively, all with a maturity shorter than two weeks. On December 31, 2014, the Company had a TNOK 162,000 to GBP swap, a TCHF 5,740 to GBP swap, a TSEK 70,000 to GBP swap and a TEUR 38,000 to GBP swap, all with a maturity shorter than two weeks.

The payment obligations of the Group at year-end, defined as the remaining maturity for financial liabilities, is presented below:

TEUR	As of Dec.31	
Mature within 1 year	2015	2014
Accounts payables	37,975	35,480
Other current interest-bearing liabilities	19	14
Other current non-interest-bearing liabilities	13,749	16,559
	51,743	52,053
Mature after 1 year		
Other long-term interest-bearing liabilities	—	11
Other long-term non-interest-bearing liabilities	11,870	12,083
	11,870	12,094
Undefined maturity		
Other long-term interest bearing liabilities	5,694	6,017
	5,694	6,017

The long-term liability falling under 'Undefined maturity' is related to the financing of investments in a German hotel under a management contract, where the repayment of the loan is linked to the fees collected from this hotel.

Market risks

Apart from interest rate risks and currency risks, which are described above, the Company is also subject to price risk related to changes in fair value of the investments in other shares and participations. These investments, normally the result of equity financing in early stages of certain hotel projects, are classified as available-for-sale investments with changes in fair value recognised in other comprehensive income. The Company is also subject to price risk from changes in fair value on FX swaps, with fair value recognised through profit or loss, and from changes in fair value on derivatives used for hedging. The fair value change on FX swaps and fee hedges outstanding on December 31, 2015, was net TEUR 60 (–179) and TEUR 253 (364) respectively. The real exposure to the Company is, however, limited as the contracts mature from within one week to less than one year.

Fair value

FX swaps are classified as held for trading with changes in fair value recognised in profit or loss. Fair value changes on derivatives used for hedging (cash flow hedges) are recognised in other comprehensive income. The fair value is obtained from banks which have derived the fair value through calculations based on market interest rates and market FX rates. Other shares and participations, classified as available-for-sale investments with changes in fair value recognised in other comprehensive income, are measured at fair value, based on discounted cash flow analyses.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). The main approach used by the company for this purpose is discounted cash flow. The discount rates used when discounting the future cash flows amounts to 11.7% (TEUR 4,150 of the assets in the table below) and 10.2% (TEUR 1,015 of the assets) respectively. The key assumptions for the calculations are similar to these described in Note 6, "Impairment testing".

As of Dec. 31 2015	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss (held for trading)	—	—	—	—
Derivatives used for hedging	—	253	—	253
Available-for-sale financial assets	—	—	5,193	5,193
Total	—	253	5,193	5,446

As of Dec. 31 2014	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss (held for trading)	—	—	—	—
Derivatives used for hedging	—	364	—	364
Available-for-sale financial assets	—	—	5,202	5,202
Total	—	364	5,202	5,566

Assets measured at fair value based on Level 3	Available for sale financial assets	Total
Opening balance as of Jan. 1 2015	5,202	5,202
In other comprehensive income (exchange differences)	–9	–9
Closing balance as of Dec. 31 2015	5,193	5,193

For other financial assets and financial liabilities, measured at amortised cost in the balance sheet, the carrying amounts in the financial statements approximate their fair values, as they mature within one year, bear a floating interest or have other terms and conditions considered to be equal or close to equal to market conditions.

Categories of financial assets and liabilities

The carrying amounts of different categories, as defined in IAS 39, of financial assets and liabilities, December 31 were as follows:

TEUR	As of Dec.31	
	2015	2014
Financial assets at fair value through profit and loss (held for trading)		
Other current non-interest bearing receivables	458	—
	458	—
Derivatives used for hedging		
Derivative financial instruments – current assets	319	454
Derivative financial instruments – current liabilities	–66	–90
	253	364
Loans and receivables		
Other long-term interest-bearing receivables	7,821	7,099
Other long-term non-interest-bearing receivables	5,878	2,904
Accounts receivables	40,682	45,175
Other current non-interest-bearing receivables	16,660	16,613
Other current interest-bearing receivables	2,510	404
Other short-term investments	1,962	3,898
Cash and cash equivalents	37,735	35,527
	113,248	111,620
Available for sale financial assets		
Other shares and participations	5,193	5,202
	5,193	5,202
Financial liabilities measured at amortised cost		
Other long-term interest-bearing liabilities	5,694	6,028
Other long-term non-interest-bearing liabilities	11,870	12,083
Accounts payables	37,975	35,480
Other current interest-bearing liabilities	19	14
Other current non-interest-bearing liabilities	13,749	16,559
	69,307	70,164

Capital structure

Rezidor defines its capital as equity and net debt, where net debt is external borrowing, including the use of overdraft facilities, minus cash and cash equivalents. The objective is to have an efficient capital structure, considering both the financing needs of the Group and the shareholders' return. In order to achieve this, the long-term policy is to distribute approximately one third of the annual net income as dividend and to maintain a small net cash position and sufficient credit facilities. Depending on the financing needs of the Company, dividends may be adjusted, shares bought back or new shares issued. At year-end 2015 the equity amounted to TEUR 246,693 (219,242) and the net debt to TEUR –41,087 (–35,527).

Financial risk management – Parent Company

Joint risk management is applied to all units in the Group. The Parent Company forms a relatively small part of the Group. There are no material differences between the risk management applied for the Parent Company and that applied for the Group. Full application under IFRS 7 regarding qualitative and quantitative risk information is therefore not presented separately for the Parent Company.

Note 5 | Critical judgements and estimates

The preparation of financial statements and application of accounting policies are often based on the management's assessments or on estimates and assumptions deemed reasonable and prudent at the time they are made. Below is an overall description of the accounting policies affected by such estimates or assumptions that are expected to have the most significant impact on The Rezidor Hotel Groups' reported earnings and financial position.

Reporting of costs for defined benefit pensions are based on actuarial estimates derived from assumptions about discount rate, expected return on managed assets, future pay increases and inflation.

As a lessee, Rezidor has entered into lease contracts primarily related to fully furnished hotel premises. Each lease contract is subject to a determination as to whether the lease is a financial or an operating lease. The classification of leases as operating or financial leases are determined based on the individual terms. Leasing contracts where virtually all rights and obligations (which normally characterise ownership) are transferred from the lessor to the lessee are defined as a financial leasing contract. Leasing contracts that are non-financial are classified as operational leasing contracts. All of Rezidor's leases are currently classified as operating leases. In all current leasing arrangements regarding hotels, Rezidor only carries risks limited to operating the hotel.

Note 6 | Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that could have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed here below.

Impairment testing

At each balance sheet date (closing date), a review is conducted assessing any indication that the company's tangible, intangible assets and contracts are impaired and if this is the case, the recoverable amount of the individual assets and contracts (or the cash-generating unit to which they belong) is calculated in order to determine whether impairment exists. Each hotel contract is considered as a separate cash generating contract.

The method used for testing assets in use is the discounted cash flow technique (DCF) using the internal pre-tax discount rate (Weighted Average Cost of Capital) which is recalculated regularly and per region. The following discount rates have been used when discounting future cash flows:

Discount rates used	2015	2014
UK	9.9%	9.9%
Euro zone excl. Spain and Italy	8.5%	8.2%
Spain	9.9%	9.5%
Italy	9.8%	9.8%
Sweden	8.6%	8.8%
Switzerland	7.6%	7.6%
Norway	9.4%	9.7%

If the net present value shows a net present value (NPV) that is below the carrying value, then impairment is considered on the related tangible and intangible group of assets.

The key assumptions for the value in use calculations are discount rates, growth rates and expected changes in occupancy and room rates and direct costs during the period. Changes in selling prices and occupancy and direct costs are based on past practices and expectations of future changes in the market. Derived from the most recent financial budgets approved by management, the group prepares cash flows over the related length of each respective contract normally ranging from 15 to 20 years. Each individual hotel contract has been valued separately, taking into account the remaining contract term and the applicable commercial terms.

Cont. Note 6

The expected cash flows for each unit take into account the budgeted figures for 2016 and projected figures for 2017–2018. The long term growth in revenues, costs and profit margins follow similar development pattern as the change in local consumer price index in line with the historical growth rates experienced in those regions except when justified otherwise by other factors. Such factors include ongoing higher than inflation improvement in market RevPAR, building up of revenues due to renovation works carried out to maintain the hotels at a certain standard, revenue turnaround and cost restructuring programmes, and impact of rebranding of one or more properties.

When required, write-downs have been accounted for. During the year, write-downs of TEUR 7,097 (8,517) of fixed assets related to leased hotels in the UK, Belgium and Norway were recognised as a result of impairment tests. The impairments were primarily the result of lowered market growth expectations. The assets have been written-down to the calculated value in use. TEUR 1,311 (865) of reversals of write-downs were recognised during the year.

Portfolio management, a revision of plans and projections for loss-making hotels or a setback in the economic recovery, with major implications on the performance of the company's hotels, may lead to a renewed assessment of the carrying value of both tangible and intangible assets.

Assessment of onerous contracts in management and lease agreements

A similar method as for impairment is applied to test if management contracts or lease agreements are onerous and, if applicable, a provision is recorded. A provision of TEUR 580 (3,480) has been recognised for onerous lease contracts during the year. No provisions were recognised in 2015 or 2014 for onerous management contracts with shortfall guarantees. TEUR 917 (—) of provisions from prior years for onerous management contracts with shortfall guarantees was reversed as a result from remeasurements. Provisions for management contracts with shortfall guarantees are recognised as guarantee payments under rental expenses in the income statement. Portfolio management, a revision of plans and projections for loss-making hotels or a setback in the economic recovery, with major implications on the performance of the company's hotels, may lead to a renewed assessment.

Deferred tax assets

Deferred tax is recognised for temporary differences between stated and taxable income and for deferred tax receivables attributable to unutilised tax losses carry forward. The valuation of tax losses carry forward and ability to utilise tax losses carry forward is based on estimates of future taxable income. The assumptions used in estimating the future taxable income are based on those used in the impairment tests. During the year or previous year, no capitalisation was recognised and no deferred tax assets were written down, following reviews of the likelihood to utilise tax losses carry forward. Portfolio management, a revision of plans and projections for loss-making hotels or a setback in the economic recovery, with major implications on the performance of the company's hotels, could trigger a need for further assessment of the recoverability of accumulated tax losses carry forward and therefore also on the carrying value of deferred tax assets. Furthermore, changes in tax rules and regulations, for example a reduction of the income considered taxable or the right to deduct expenses, can also trigger a need for further assessment of the recoverability of the tax losses carry forward and the related deferred tax assets.

Investments

During the year or previous year, no investments were written down following the review of other shares and participations held by the Group (Note 22).

Assessment of the off-balance sheet commitments

For leasing commitments, the Company estimates that the future leasing expense would entail payment of at least the annual fixed rent under the lease agreements (Note 39).

For management contract commitments, the Company discloses its maximum capped financial exposure related to all management agreements that carry a financial commitment. However of the maximum exposure presently disclosed (see Note 40), the annual costs are just a small part of the maximum commitment.

Provisions

Provisions are made when any probable and quantifiable risk of loss attributable to disputes is judged to exist. Provisions for claims due to known disputes are recorded whenever there is a situation where it is more likely than not that the company will have an obligation to settle the dispute and where a reliable estimate can be made regarding the outcome of such dispute.

Note 7 | Segment disclosures

The segments are reported in accordance with IFRS 8 Operating segments. The segment information is reported in the same way as it is reviewed and analysed internally by the chief operating decision-makers, primarily the CEO, the Executive Committee and the Board of Directors.

The Rezidor Hotel Group's principal geographical markets, or regions in which the Group operates its business consists of:

- The Nordics including Denmark, Finland, Iceland, Norway and Sweden;
- The Rest of Western Europe including Austria, Belgium, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, the Netherlands, Portugal, Spain, Switzerland and the United Kingdom;
- Eastern Europe including Azerbaijan, Belarus, Bulgaria, Croatia, the Czech Republic, Estonia, Georgia, Hungary, Kazakhstan, Latvia, Lithuania, Macedonia, Moldova, Poland, Romania, Russia, Serbia, Slovakia, Turkey, Ukraine and Uzbekistan; and
- Middle East, Africa and Other including Algeria, Angola, Bahrain, Benin, Chad, China, Egypt, Ethiopia, Gabon, Ghana, Guinea, Ivory Coast, Jordan, Kenya, Kuwait, Lebanon, Libya, Mali, Morocco, Mozambique, Nigeria, Oman, Qatar, Rwanda, Saudi Arabia, Senegal, Sierra Leone, South Africa, South Sudan, Tunisia, the United Arab Emirates, Uganda and Zambia.

The Rezidor Group's types of contractual arrangements (or operating structures) in which the Rezidor hotels are operated consists of:

- **Leased contractual arrangements:**
Under Rezidor's lease agreements, Rezidor leases hotel buildings from property owners and is entitled to the benefits and carries the risks associated with operating of the hotel. The Company derives revenue primarily from room sales and food and drinks sales in restaurants, bars and banqueting. The main costs arising under a lease agreement are costs related to rent paid to the lessor, personnel costs and other operating expenses. Rent payments to lessor typically include a variable rent (as % of hotel revenue) with an underlying minimum fixed rent (for more details see Note 39). Under some lease agreements, the company also reimburses the owner of the hotel property for property taxes and property insurance. Under Rezidor's lease agreements, the company is responsible for maintaining the hotels Furniture, Fixtures and Equipment (FFE) in good repair and condition over the term of the lease agreement.
- **Managed contractual arrangements:**
Under management agreements, the Company provides management services for third-party hotel proprietors. Revenue is primarily derived from base fees determined as a percentage of total hotel revenue and incentive management fees defined as a percentage of the gross operating profit or adjusted gross operating profit of the hotel operations. In addition, the company collects marketing fees based on total rooms revenue or on total revenue, and reservation fees are based on the number of reservations made. Under some management agreements, Rezidor may offer the hotel proprietor a minimum guaranteed result, as further described in Note 40. Under a management agreement, the hotel proprietor is responsible for all investments in and costs of the hotel, including the funding of periodic maintenance and repair, as well as for insurance of the hotel property. The employees that operate the hotels are, in general, employees of the hotel proprietor.
- **Franchised contractual arrangements:**
Under franchise agreements, the company authorises a third-party hotel operator or property owner to operate the hotel under one of the brands in the Company's portfolio. Accordingly, under such agreements, the Company neither owns, leases nor manages the hotel. The Company derives revenue from brand royalties or from licensing fees which, under most of the franchise agreements, are based on a percentage of total room revenue generated by a hotel. In addition, the Company collects marketing fees based on total room revenue and reservation fees based on the number of reservations made. In order to gain access to different concepts and programmes associated with the brand, the hotel owners normally have to pay additional fees. Currently, franchise agreements for the Missoni brand are not allowed.
- **Other represents complementary Group revenue from administrative activities, but also includes the share of income from associates and joint ventures (for EBITDA and EBIT).**

Revenue

The split made between the detailed segments is based on the location of the business activities and on the net contribution of each related entities in their respective regional place of business, meaning that the segment disclosure is made after elimination of intra-group and intra-segment transactions (i.e. internal fees).

The line item 'Leased' represents, per region, the operating revenue (Room revenue, F&B revenue and Other hotel revenue) from leased hotels.

The line item 'Managed' represents, per region, the fees from managed hotels.

The line item 'Franchised' represents, per region, the fees from franchised hotels.

The line item 'Other' represents complementary Group revenue from administrative activities.

EBITDA and EBIT

The line item 'Leased' represents, per region, the net operational contribution of leased hotels per region, less related marketing costs. Royalty fees and reservation fees.

The line item 'Managed' represents, per region, the fees from managed hotels less related marketing costs, Royalty fees, reservation fees and any shortfall guarantees.

The line item 'Franchised' represents, per region, the fees from franchised hotels less related marketing costs, Royalty fees and reservation fees.

Marketing costs are allocated to the operational units, i.e., Leased, Managed and Franchised per region, based on room revenue. Amortisation of

intangible assets related to the franchise agreements with the Carlson Group is allocated based on the same principle.

The line item 'Central costs' represents corporate and regional costs (excluding the marketing costs which are allocated to the operational units) before depreciations and amortisations.

The line item 'Other' represents the contribution of the rest of the administrative activities and includes also the share of income in associates (for EBITDA) and gain (loss) on sale of shares and fixed assets (for EBIT). Depreciations and amortisations related to administrative activities are included in 'Other' in EBIT.

Balance sheet, Investments, Key Performance Indicators and Hotel Inventory

The chief operating decision-maker monitors tangible, intangible and financial assets as well as capital expenditure (investments) attributable to each segment for the purpose of monitoring segment performance and allocating resources between segments. Assets and capital expenditure include those used directly in the operation of each segment, including intangible assets, property, plant and equipment and investments in associates. These assets are allocated according to their physical location. Key Performance indicators like RevPAR (i.e. Rooms revenue in relation to the number of rooms available) expressed in euro and occupancy (i.e. number of rooms sold in relation to the numbers of rooms available) expressed in rate are disclosed between major brands, Radisson Blu and Park Inn by Radisson. Number of hotels and rooms in operation are segmented by geographic market and by operating structure.

SEGMENTATION – REVENUE

TEUR	Nordics		Rest of Western Europe		Eastern Europe		Middle East, Africa and Other		Total			
	2015	2014	2015	2014	2015	2014	2015	2014	2015	%	2014	%
Leased	417,978	417,913	433,153	393,221	—	—	—	—	851,131	85.4%	811,134	86.5%
Managed	2,948	2,286	37,884	30,514	29,933	29,971	31,798	26,845	102,563	10.3%	89,616	9.6%
Franchised	7,654	7,037	10,915	9,745	5,106	4,010	—	—	23,675	2.4%	20,792	2.2%
Other	12,878	11,395	6,768	4,364	—	—	—	—	19,646	2.0%	15,759	1.7%
Total	441,458	438,631	488,720	437,844	35,039	33,981	31,798	26,845	997,015	100%	937,301	100%

SEGMENTATION – EBITDA

TEUR	Nordics		Rest of Western Europe		Eastern Europe		Middle East, Africa and Other		Central costs		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Leased	36,622	42,622	25,595	1,954	—	—	—	—	—	—	62,217	44,576
Managed	2,137	–1,161	27,157	19,227	20,394	21,022	19,410	15,569	—	—	69,098	54,657
Franchised	4,261	3,618	5,312	3,777	3,075	2,378	—	—	—	—	12,648	9,773
Other ¹⁾	7,699	7,868	—	—	—	—	3,146	4	—	—	10,845	7,872
Central costs	—	—	—	—	—	—	—	—	–53,755	–45,552	–53,755	–45,552
Total	50,719	52,947	58,064	24,958	23,469	23,400	22,556	15,573	–53,755	–45,552	101,053	71,326

1) Other also includes share of income in associates and joint ventures.

SEGMENTATION – EBIT

TEUR	Nordics		Rest of Western Europe		Eastern Europe		Middle East, Africa and Other		Central costs		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Leased	17,914	24,989	4,000	–17,587	—	—	—	—	—	—	21,914	7,402
Managed	2,118	–1,182	26,974	19,044	20,211	20,827	19,207	15,378	—	—	68,510	54,067
Franchised	4,185	3,540	5,194	3,655	3,035	2,344	—	—	—	—	12,414	9,539
Other ¹⁾	5,109	5,238	—	—	—	—	3,146	4	—	—	8,255	5,242
Central costs	—	—	—	—	—	—	—	—	–53,755	–45,552	–53,755	–45,552
Total	29,326	32,585	36,168	5,112	23,246	23,171	22,353	15,382	–53,755	–45,552	57,338	30,698

1) Other also includes share of income in associates and joint ventures and gain /loss on sale of shares and fixed assets.

Cont. Note 7

RECONCILIATION OF PROFIT/LOSS FOR THE PERIOD

TEUR	2015	2014
Total operating profit (EBIT) for reportable segments	57,338	30,698
Financial income	1,924	888
Financial expense	-2,625	-2,398
Group's total profit before tax	56,637	29,188

SHARE OF INCOME IN ASSOCIATES

TEUR	Nordics		Rest of Western Europe		Eastern Europe		Middle East, Africa and Other		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Share of income in associates	11	-564	—	—	—	—	3,146	4	3,156	-560
Total	11	-564	—	—	—	—	3,146	4	3,156	-560

Share of income in associates in 2015 in Middle East, Africa and Other includes the reversal of the impairment of the investment in Rezidor Hotel Beijing Co Ltd of TEUR 2,764, which is classified as held for sale.

SEGMENTATION – BALANCE SHEET

TEUR	Nordics		Rest of Western Europe		Eastern Europe		Middle East, Africa and Other		Total	
	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Leased	170,787	170,904	232,442	200,095	1,634	1,433	4,851	2,807	409,714	375,239
Managed	696	800	6,693	6,963	6,625	7,388	6,891	7,360	20,905	22,511
Franchised	2,772	3,008	4,294	4,400	1,489	1,294	—	—	8,555	8,702
Other	1,407	1,082	496	233	5,050	5,062	18,205	14,680	25,158	21,057
Group's total assets	175,662	175,794	243,925	211,691	14,798	15,177	29,947	24,847	464,332	427,509
Group's total liabilities	101,857	101,560	109,684	101,995	807	329	5,291	4,201	217,639	208,085

SEGMENTATION – INVESTMENTS¹⁾

TEUR	Nordics		Rest of Western Europe		Eastern Europe		Middle East, Africa and Other		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Leased	23,457	22,016	49,410	31,573	74	19	654	56	73,595	53,664
Other	—	—	373	145	—	—	—	—	373	145
Total	23,457	22,016	49,783	31,718	74	19	654	56	73,968	53,809

1) Excluding investments related to financial assets, see Note 20 and 21.

SEGMENTATION – DEPRECIATION, AMORTISATION AND WRITE-DOWNS

TEUR	Nordics		Rest of Western Europe		Eastern Europe		Middle East, Africa and Other		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Depreciation and amortisation	17,595	17,398	19,530	15,396	38	96	84	78	37,247	32,968
Write-downs	2,410	2,541	4,656	5,976	—	—	32	—	7,098	8,517
Reversal of write-downs	—	—	-1,311	-865	—	—	—	—	-1,311	-865
Group's total depreciation and amortisation	20,005	19,939	22,875	20,507	38	96	116	78	43,034	40,620

Revenue in Sweden, where the Parent Company is located, amounted to TEUR 139,443 (131,572). Non-current assets in Sweden amounted to TEUR 61,823 (66,340).

SEGMENTATION – REVPAR AND OCCUPANCY¹⁾

	Radisson Blu		Park Inn by Radisson		Rezidor	
	2015	2014	2015	2014	2015	2014
RevPAR, EUR	79.7	76.2	46.5	43.2	71.5	68.0
Occupancy, %	67.1	66.7	65.4	63.2	66.6	65.8

1) RevPAR (Revenue per Available Room) – is calculated as Rooms revenue in relation to the number of rooms available in leased and managed hotels.

Occupancy – is calculated as the number of rooms sold in relation to the number of rooms available. The table above does not include RevPAR for Radisson RED and Quorvus.

SEGMENTATION – HOTEL INVENTORY (IN OPERATION)

Summary by geographic area and by operating structure

	Nordics		Rest of Western Europe		Eastern Europe		Middle East, Africa and Other		Total	
	Hotels	Room	Hotels	Room	Hotels	Room	Hotels	Room	Hotels	Room
As of Dec. 31, 2015 – In operation										
Leased	30	8,355	41	9,434	—	—	—	—	71	17,789
Managed	2	764	51	8,636	72	18,895	63	13,578	188	41,873
Franchised	29	5,776	44	8,618	22	4,372	—	—	95	18,766
Total Rezidor	61	14,895	136	26,688	94	23,267	63	13,578	354	78,428

	Nordics		Rest of Western Europe		Eastern Europe		Middle East, Africa and Other		Total	
	Hotels	Room	Hotels	Room	Hotels	Room	Hotels	Room	Hotels	Room
As of Dec. 31, 2014 – In operation										
Leased	28	8,007	42	9,531	—	—	—	—	70	17,538
Managed	4	1,112	56	9,376	70	18,505	52	12,346	182	41,339
Franchised	28	5,771	44	8,628	16	3,333	—	—	88	17,732
Total Rezidor	60	14,890	142	27,535	86	21,838	52	12,346	340	76,609

Note 8 | Revenue

Operating Revenue per area of operation

TEUR	For the Year Ended Dec. 31	
	2015	2014
Rooms revenue	560,354	524,680
F&D Revenue	262,327	255,410
Other hotel revenue	28,450	31,044
Hotel revenue	851,131	811,134
Fee revenue	126,238	110,408
Other revenue	19,646	15,759
Total revenue	997,015	937,301

Specification of fee revenue		
Management fees	35,319	33,977
Incentive fees	31,306	28,455
Franchise fees	10,652	9,672
Marketing fees	27,667	26,576
Termination fees	7,241	847
Other fees	14,053	10,881
Total	126,238	110,408

- The line item 'Other hotel revenue' consists of complementary hotel revenue such as revenue from parking, pool, laundry and gym.
- The line item 'Other revenue' consists of complementary Group revenue such as administration revenue.

Note 9 | Cost of goods sold for food & drinks and other related expenses

TEUR	For the Year Ended Dec. 31	
	2015	2014
Cost of food	36,376	34,076
Cost of drinks	10,031	9,740
Cost of other income	7,107	7,693
Cost of other goods sold	3,839	3,668
Cost of tel, fax, internet	500	490
Total	57,853	55,668

- The line item 'Cost of other income' consists of various costs directly related to 'Other hotel revenue' and 'Other revenue'.

Note 10 | Payroll cost, number of employees, etc

Payroll cost	For the Year Ended Dec. 31	
	2015	2014
Salaries	224,809	222,974
Social security	37,475	37,178
Pension costs	8,012	5,916
Sub-total	270,296	266,068
Other personnel costs (other benefits in kind), including contract labour costs	72,721	59,089
Total	343,017	325,157

These costs are included in the line personnel cost and contract labour in the income statement.

TEUR 14,287 (15,022) of the total salaries and remuneration in 2015 was related to senior officers within the Group, of which TEUR 3,223 (1,174) was variable salary. TEUR 630 (854) of the pension costs was related to senior officers within the Group. Senior officers are defined as General Managers at hotels, members of the Executive Committee and area vice presidents. The salary specified for senior officers relates to the remuneration they have received in their capacity as General Managers, members of the Executive Committee or Area Vice Presidents. Net pension costs for 2014 includes a gain relating to a Norwegian plan settlement of TEUR 2,865.

Cont. Note 10

For the Year ended Dec. 31	Salaries		Social security		Pension costs		Subtotal		Other personnel costs ¹⁾		Total	
TEUR	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Denmark	24,675	24,801	754	782	2,073	2,047	27,502	27,630	5,090	4,199	32,592	31,829
Norway	54,878	57,606	7,635	7,930	2,118	58	64,631	65,594	15,305	11,687	79,936	77,281
Sweden	27,198	25,717	8,716	8,227	1,624	1,551	37,538	35,495	6,896	6,360	44,434	41,855
United Kingdom	36,170	32,071	2,893	2,593	841	746	39,904	35,410	11,011	8,860	50,915	44,270
Germany	26,913	26,005	5,792	5,524	—	—	32,705	31,529	13,017	11,958	45,722	43,487
France	8,884	12,205	3,150	4,615	11	68	12,045	16,888	1,350	2,569	13,395	19,457
Belgium	17,741	18,543	5,195	4,500	1,090	1,214	24,026	24,257	9,444	4,987	33,470	29,244
Other	28,350	26,026	3,340	3,007	255	232	31,945	29,265	10,608	8,469	42,553	37,734
Total	224,809	222,974	37,475	37,178	8,012	5,916	270,296	266,068	72,721	59,089	343,017	325,157

1) Includes variable remuneration and related social costs.

The average number of employees in Rezidor's companies was 5,561 (5,518) and is split as follows:

	For the Year Ended Dec. 31			
	2015		2014	
	Men	Women	Men	Women
Denmark	241	236	248	242
Norway	573	625	544	637
Sweden	271	373	273	361
United Kingdom	643	652	652	626
Germany	398	453	391	470
France	199	129	166	157
Belgium	143	130	140	114
Other	262	233	247	250
Total	2,730	2,831	2,661	2,857
Total men and women	5,561	5,518		

	For the Year Ended Dec. 31			
	2015		2014	
	Men	Women	Men	Women
Members of the Board of Directors ¹⁾	6	3	6	3
Executive Committee (including CEO)	6	1	7	1

1) Including one male employee representative elected by the Swedish labour organisation "Hotell- och restaurangfacket".

Remuneration to the members of the Board of Directors of the Parent Company elected by the AGM¹⁾

TEUR	For the Year Ended Dec. 31	
	2015	2014
Trudy Rautio	86	86
Göte Dahlin	40	42
Wendy Nelson	44	44
Staffan Bohman	74	74
Anders Moberg	44	44
Douglas M. Anderson	47	47
David P. Berg	47	31
Charlotte Strömberg	44	29
	425	397

1) TEUR 283 of the total remuneration to members of the Board of Directors in 2015 is attributable to the remuneration approved by the Annual General Meeting on April 24, 2015 for the period beginning after that Meeting and ending on the next Annual General Meeting in 2016.

Remuneration of the Executive Committee (incl the CEO)¹⁾

TEUR	For the Year Ended Dec. 31	
	2015	2014
Base remuneration ²⁾	3,056	4,787
Variable remuneration	2,294	115
Pension compensation to Executive Committee:		
Defined contribution plan	371	366
Defined benefit plan	—	120
Housing, schooling and company cars for the Executive Committee	470	571

1) The table above shows the gross amounts. Two members of the Executive Committee were remunerated on a net basis. Apart from the impact of changes in the agreed upon remuneration levels, the gross remuneration may also differ from year to year due to special tax treatment rules in Belgium. Regarding number of persons in the Executive Committee, see above.

2) The 2014 number included the redundancy cost for two Executive Committee members.

The variable remuneration of the members of the Executive Committee is subject to accruals each year. The basis for the annual variable remuneration scheme for 2015 for the members of the Executive Committee is based on financial, operational and personal performance objectives. The financial objective, which represents 60% of the maximum variable opportunity, is defined as the level of earnings before interest and tax (EBIT) achieved in the year. The operational objective, which represents 20% of the maximum variable opportunity, is defined as room openings in the year. The maximum variable opportunity depends on the executive's role and is capped to between 50% and 75% of the annual base remuneration (excl CEO). The related variable remuneration costs recorded in the P&L as of the end of the year represent the best estimate made at the balance sheet dates. The final variable remuneration payment is dependent on certain factors that will finally be known at a date subsequent to the release of the financial statements. Therefore, variable remuneration accrued in a specific year may be adjusted in subsequent periods as a result of the final parameters deviating from the assumptions made at the balance sheet dates. For members of the Executive Committee the contracted notice period for termination of their agreements and associated severance payments was between three and twenty-four months or in some cases three months per period of five years of seniority. In case of dispute, the applicable law could lead to severance payments exceeding the contracted amount and may exceed two years annual remuneration.

Remuneration of the CEO was as follows:

TEUR	For the Year Ended Dec. 31	
	2015	2014
Base remuneration	679	641
Variable remuneration	828	—21
Pension cost, defined contribution plan	68	66
Housing, schooling and company car	60	70

The CEO has an annual gross base remuneration of TEUR 679. Due to a split salary arrangement, only part of the salary is paid by the Parent Company. See also Note 3 in the Parent Company accounts. These figures are excluding social costs. In addition, he has an annual and long term incentive programme representing up to 75% of base remuneration at target level achievement and 150% of base remuneration at maximum level achievement for each plan. He also receives a pension contribution of 10% of annual gross base remuneration, has a company car, travel allowance, housing and schooling entitlement.

Long-term equity-settled performance based incentive programmes 2013, 2014 and 2015

In addition to the remuneration outlined above, the CEO and the Executive Committee participate in long-term equity settled incentive programmes for 2013, 2014 and 2015. The details of these incentive programmes are described in Note 32. The tables below show the maximum number of shares that can be awarded to the CEO and the rest of the Executive Committee under the respective incentive programmes approved by the Annual General Meeting in 2013, 2014 and 2015.

Maximum number of shares that can be awarded to members of the Executive Committee for the 2013 programme

	As of Dec. 31	
	2015	2014
CEO	279,942	279,942
Other members of the Executive Committee	383,480	383,480
Total	663,422	663,422

Maximum number of shares that can be awarded to members of the Executive Committee for the 2014 programme

	As of Dec. 31	
	2015	2014
CEO	207,307	207,307
Other members of the Executive Committee	284,536	284,536
Total	491,843	491,843

Maximum number of shares that can be awarded to members of the Executive Committee for the 2015 programme

	As of Dec. 31	
	2015	2014
CEO	272,935	—
Other members of the Executive Committee	410,425	—
Total	683,360	—

For further details on the respective programme conditions, see Note 32.

Note 11 | Other operating expenses

TEUR	For the Year Ended Dec. 31	
	2015	2014
Royalty fees and other costs to Carlson Group	17,416	15,975
Energy costs	27,770	28,910
Supplies	14,597	14,878
Marketing expenses	63,478	62,244
External fees	13,162	12,262
Laundry and dry cleaning	18,254	17,957
Contract services and maintenance	14,238	12,996
Administration costs	14,762	14,338
Communication, travel and transport	11,275	11,145
Operating equipment	3,703	3,727
Rentals and licences	8,863	8,080
Property operating expenses	9,340	10,538
Other expenses	22,539	15,324
Total	239,397	228,373

Note 12 | Insurance of properties and property tax

TEUR	For the Year Ended Dec. 31	
	2015	2014
Property and miscellaneous taxes	13,999	12,677
Building insurance	1,776	1,660
Total	15,775	14,337

Note 13 | Rental expense

TEUR	For the Year Ended Dec. 31	
	2015	2014
Fixed rent ¹⁾	198,514	196,628
Variable rent ²⁾	42,903	39,328
Shortfall guarantees ³⁾	1,659	5,924
Total	243,076	241,880

1) Fixed rent represent all fixed lease payments (or minimum lease payments) made to the owners of the leased hotels. This line item also includes rental costs of premises which are leased for administration purposes.

2) Variable rent represent all variable lease payments (or contingent lease payments) made to the owners of the leased hotels (based on the underlying contract type) which are primarily based on the revenue of the leased hotels.

3) Guarantee payments are made to the owners of the managed hotels (based on the underlying contract type) when Rezidor has guaranteed a certain annual result to the property owner. The guarantee payments represent the difference between the guaranteed and achieved result. The recognised amounts include changes in provisions for onerous contracts. See Note 34.

Note 14 | Financial items

TEUR	For the Year Ended Dec. 31	
	2015	2014
Interest income from external financial institutions	234	369
Interest income from other loans and receivables	877	372
Other financial income	434	147
Foreign currency exchange gains	379	—
Financial income	1,924	888
Interest expense to external financial institutions	— 620	— 219
Interest expense other loans and payables	— 278	— 295
Other financial expense	— 1,727	— 1,376
Foreign currency exchange losses	—	— 508
Financial expense	— 2,625	— 2,398
Financial income and expenses, net	— 701	— 1,510

Other financial expenses are related to bank charges and similar items.

Net gain/loss per category of financial assets and liabilities

TEUR	For the Year Ended Dec. 31	
	2015	2014
Financial assets at fair value through profit and loss (held for trading)	— 195	— 217
Loans and receivables and financial liabilities measured at amortised cost	— 506	— 1,293
Total	— 701	— 1,510

All interest income and expenses in 2015 and 2014 are related to financial assets and liabilities measured at amortised cost. No interest income in 2015 and 2014 was recognised on impaired financial assets.

Note 15 | Income taxes

Income tax recognised in profit or loss

	For the Year Ended Dec. 31	
TEUR	2015	2014
Tax expense(+) / income(-) comprises:		
Current tax expense(+) / income(-)	18,869	11,183
Adjustments recognised in the current year in relation to the current tax of prior years	-672	-51
Deferred tax expense(+) / income(-) relating to the origination and reversal of temporary differences	3,441	3,901
Write-downs and reversals of deferred tax assets	764	-10
Total tax expense	22,402	15,023

The total charge for the year can be reconciled to the accounting profit as follows:

	For the Year Ended Dec. 31	
TEUR	2015	2014
Profit/loss before tax from continuing operations	56,637	29,188
Income tax income(-) / expense(+) calculated at the local tax rate	13,892	6,849
Effect of revenue that is exempt from taxation	-152	-1,100
Effect of expenses that are not deductible in determining taxable profit	6,028	2,334
Effect of tax losses and tax offsets not recognised as deferred tax assets	479	7,739
Effect of previously unrecognised deferred tax attributable to tax losses, tax credits or temporary differences of prior years	-102	-847
Effect on deferred tax balances due to the change in income tax rate	-296	-15
Write-downs of deferred tax assets	764	-10
Effect of withholding taxes	2,850	156
Other	-389	-32
Sub total	23,074	15,074
Adjustments recognised in the current year related to the current tax of prior years	-672	-51
Income tax expense recognised in profit or loss	22,402	15,023
Income tax recognised in Other comprehensive income:		
Current tax		
Arising on exchange differences	-493	-822
Total	-493	-822
Deferred tax		
Arising on income and expenses recognised in Other comprehensive income:		
Remeasurement of defined obligation	191	-818
Gains and losses on cash flow hedges	-34	18
Total	157	-800

The average effective tax rate was 40% (51). The average tax rate was mainly negatively impacted by the effect of non-deductible expenses and withholding tax.

DEFERRED TAX ASSETS(+) / LIABILITIES(-) ARISE FROM THE FOLLOWING:

	Opening balance	Recognised in profit or loss	Recognised in Other comprehensive income	Exchange differences	Closing balance
2015					
Temporary differences					
Assets held for sale	—	-609	—	—	-609
Cash flow hedges	-89	—	34	—	-55
Property, plant & equipment	-4,786	-475	—	223	-5,038
Intangible assets	-11,331	-462	—	30	-11,763
Provisions	40	229	—	-5	264
Doubtful receivables	1,174	-146	—	-17	1,011
Untaxed reserves	-385	96	—	20	-269
Pensions	1,840	156	-191	-1	1,804
Other long-term interest bearing receivables/liabilities	-2,030	-323	—	123	-2,230
Other liabilities	1,024	107	—	-130	1,001
Other current non-interest-bearing liabilities	-151	38	—	14	-99
	-14,694	-1,389	-157	257	-15,983
Unused tax losses and credits					
Tax losses	25,212	-2,816	—	-89	22,307
	25,212	-2,816	—	-89	22,307
Total	10,518	-4,205	-157	168	6,324

DEFERRED TAX ASSETS(+)/LIABILITIES(–) ARISE FROM THE FOLLOWING

2014	Opening balance	Recognised in profit or loss	Recognised in Other comprehensive income	Exchange differences	Closing balance
Temporary differences					
Cash flow hedges	–71	—	–18	—	–89
Property, plant & equipment	–4,638	–522	—	374	–4,786
Intangible assets	–9,983	–1,347	—	–1	–11,331
Provisions	455	–416	—	1	40
Doubtful debts	860	331	—	–17	1,174
Untaxed reserves	–522	97	—	40	–385
Pensions	2,111	–1,027	818	–62	1,840
Other long-term interest bearing receivables/liabilities	–3,380	1,092	—	258	–2,030
Other liabilities	1,394	–422	—	52	1,024
Other current non-interest-bearing liabilities	–197	35	—	11	–151
	–13,971	–2,179	800	656	–14,694
Unused tax losses and credits					
Tax losses	26,956	–1,712	—	–32	25,212
	26,956	–1,712	—	–32	25,212
Total	12,985	–3,891	800	624	10,518

Deferred tax balances are presented in the balance sheet as follows:

	As of Dec. 31	
TEUR	2015	2014
Deferred tax assets	21,747	26,989
Deferred tax liabilities	–15,423	–16,471
Total	6,324	10,518

UNRECOGNISED DEFERRED TAX ASSETS

The following deferred tax assets have not been recognised at the balance sheet date:

	As of Dec. 31	
TEUR	2015	2014
Tax losses	40,688	43,612
Temporary differences	8,383	8,701
Total	49,071	52,313

The unrecognised tax losses have no expiry date.

Capital gains and losses on sale of shares in subsidiaries, associates and joint ventures are normally not subject to any taxation and there are consequently no temporary differences associated with these assets.

Deferred tax assets attributable to tax losses carry forward are recognised to the extent it is probable, based on convincing evidence, that future taxable profits will be available against which the unused tax losses can be utilised such as for example that a previously loss making entity has turned into profitable or that a change in structure will generate taxable income to offset historic losses. When assessing the probability of utilisation, the amount of taxable temporary differences relating to the same taxation authority as the tax losses carry forward are taken into account as well as the projected future taxable profits, taking into account among other things, the caps on fixed rent obligations. The projected future taxable profits are estimated based on budgets and long range plans, taking into account the expiry of contracts. The deferred tax assets attributable to tax losses carry forward are mainly found in Germany (TEUR 7,421), Belgium (TEUR 10,751) and Norway (TEUR 4,114). Portfolio management, a revision of plans and projections for loss-making hotels or a setback in the economic recovery with major implications on the performance of the company's hotels, could trigger a need for further assessment of the recoverability of tax losses carry forward and therefore also on the carrying value of deferred tax assets.

Note 16 | Sold and acquired operations

In January 2015 Rezidor acquired 100% of the shares in the Norwegian company Wenaas Alna Hotel AS. The company operates and manages the Radisson Blu Hotel Oslo Alna and the Park Inn by Radisson Hotel Oslo Alna. The purchase price amounted to TEUR 11. Net assets at fair value acquired consist of cash and cash equivalents of TEUR 435, receivables of TEUR 1,203, inventories of TEUR 67, tangible assets of TEUR 68 and liabilities of TEUR 1,772. During 2015 the entity has been merged into Rezidor Hotels Norway AS.

Note 17 | Earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

Basic	For the Year Ended Dec. 31	
	2015	2014
TEUR		
Profit for the year attributable to equity holders of the Parent Company (TEUR)	34,235	14,166
Weighted average number of ordinary shares for the purposes of basic earnings per share	170,707,719	161,019,805
Total basic earnings per share	0.20	0.09

	For the Year Ended Dec. 31	
	2015	2014
TEUR		
Weighted average number of ordinary shares used in the calculation of basic earnings per share	170,707,719	161,019,805
Contingently issuable shares	2,195,045	1,588,701
Weighted diluted average number of ordinary shares	172,902,764	162,608,506

The basic earnings per share is calculated by dividing the earnings attributable to the equity holders of the Parent Company by a weighted average number of ordinary shares during the period, excluding those shares bought back and held by the Parent Company.

The participants of the equity-settled incentive programmes, approved by the Annual general Meetings in 2013, 2014 and 2015, are entitled to a certain amount of shares at the end of the vesting periods (further described in Note 32) if certain performance criteria are met, including growth in earnings per share. The maximum number of shares that can be awarded is 2,741,225.

Note 18 | Intangible assets

TEUR	Other intangible assets	Licenses and related rights	Total
Cost			
Balance as of Jan. 1, 2014	47,285	54,904	102,189
Investments	1,746	87	1,833
Transfer from investments in progress	1,940	—	1,940
Disposals	–763	–9	–772
Effect of foreign currency exchange differences	180	—	180
Other	–554	343	–211
Balance as of Jan. 1, 2015	49,834	55,325	105,159
Investments	1,337	62	1,399
Disposals	–6,881	–19	–6,900
Effect of foreign currency exchange differences	278	5	283
Other	92	—	92
Balance as of Dec. 31, 2015	44,660	55,373	100,033
Accumulated amortisation and impairment			
Balance as of Jan. 1, 2014	–24,252	–9,759	–34,011
Amortisation	–2,564	–1,220	–3,784
Disposals	759	7	766
Effect of foreign currency exchange differences	–106	27	–79
Other	555	–340	215
Balance as of Jan. 1, 2015	–25,607	–11,286	–36,893
Amortisation	–2,311	–1,729	–4,040
Write-downs and reversals of write-downs	71	—	71
Disposals	5,487	19	5,506
Effect of foreign currency exchange differences	–111	10	–101
Other	–11	—	–11
Balance as of Dec. 31, 2015	–22,482	–12,986	–35,468
Carrying amount			
As of Dec. 31, 2014	24,227	44,039	68,266
As of Dec. 31, 2015	22,178	42,387	64,565

TEUR 42,222 (43,392) of the carrying amount of 'Licences and related rights' is related to the contractual rights associated with the master franchise agreements with the Carlson Group. These rights were renegotiated in 2005 and in exchange for the new terms, the Carlson Group received 25% of the shares in Rezidor. This was achieved through a contribution in kind, where the value of the renegotiated terms was estimated to be TEUR 55,000. This amount is being amortised over the length of the contract, which expires in 2052.

More information about the write-downs recognised during the year is provided in Note 6.

Note 19 | Tangible assets

TEUR	Fixed installations	Machinery and equipment	Investments in progress	Total
Cost				
Balance as of Jan 1, 2014	190,762	233,611	8,681	433,054
Investments	7,642	23,211	21,123	51,976
Disposals	–36,388	–8,922	–48	–45,358
Effect of foreign currency exchange differences	–2,473	–6,134	–266	–8,873
Transfer from investments in progress	6,671	6,163	–14,784	–1,950
Other	2,591	–293	55	2,353
Balance as of Jan 1, 2015	168,805	247,636	14,761	431,202
Investments	11,703	20,207	40,659	72,569
Disposals	–3,153	–15,091	–3	–18,247
Effect of foreign currency exchange differences	236	1,440	–789	887
Transfer from investments in progress	2,351	18,155	–20,506	—
Classified as held for sale	–1,841	–10,763	–41	–12,645
Additions through business combinations	—	68	—	68
Other	—	–68	–30	–98
Balance as of Dec. 31, 2015	178,101	261,584	34,051	473,736
Accumulated depreciations and impairment				
Balance as of Jan 1, 2014	–142,949	–164,867	32	–307,784
Depreciation	–8,978	–20,206	—	–29,184
Write-downs and reversals of write-downs	–2,808	–2,738	–2,106	–7,652
Disposals	36,270	8,853	—	45,123
Effect of foreign currency exchange differences	2,097	5,677	35	7,809
Other	–1,230	–1,079	–66	–2,375
Balance as of Jan 1, 2015	–117,598	–174,360	–2,105	–294,063
Depreciation	–9,367	–23,839	—	–33,206
Write-downs and reversals of write-downs	–4,043	–1,654	–161	–5,858
Disposals	3,082	14,938	—	18,020
Effect of foreign currency exchange differences	420	202	11	633
Classified as held for sale	1,841	9,414	—	11,255
Additions through business combinations	—	–12	—	–12
Other	—	11	—	11
Balance as of Dec. 31, 2015	–125,665	–175,300	–2,255	–303,220
Carrying amount				
As of Dec. 31, 2014	51,207	73,276	12,656	137,139
As of Dec. 31, 2015	52,436	86,284	31,796	170,516

More information about the write-downs recognised during the year is provided in Note 6.

Carrying amount of fixed assets related to a contract with a hotel in the Nordics (TEUR 1,390) has been presented as held for sale since the business was sold on January 1, 2016.

Note 20 | Investments in associated companies

TEUR	Ownership (%) as of Dec. 31, 2014	Ownership (%) as of Dec. 31, 2015	Carrying value as of Dec. 31, 2014	Share of income	Exchange difference	Carrying value as of Dec. 31, 2015
Al Quesir Hotel Company S.A.E	20.00%	20.00%	2,430	326	-6	2,750
Afrinord Hotel Investment A/S	20.00%	20.00%	118	10	-2	126
Total			2,548	336	-8	2,876

TEUR	Ownership (%) as of Dec. 31, 2013	Ownership (%) as of Dec. 31, 2014	Carrying value as of Dec. 31, 2013	Share of income	Other changes during the period	Exchange difference	Carrying value as of Dec. 31, 2014
Nordrus Hotel Holding A/S	26.08%	26.08%	166	—	-166	—	—
Al Quesir Hotel Company S.A.E	20.00%	20.00%	2,622	-160	—	-32	2,430
Afrinord Hotel Investment A/S	20.00%	20.00%	108	10	—	—	118
Total			2,896	-150	-166	-32	2,548

Investments in associates are primarily made in order to facilitate the ability to enter into hotel contracts. For a description regarding Afrinord Hotel Investment A/S, see Note 38.

Summarised financial information for associated companies

TEUR	As of and for the Year Ended Dec. 31	
	2015	2014
Total assets	40,389	38,976
Total liabilities	30,113	28,647
Net assets	10,277	10,329
Group's share in net assets	2,055	2,066
Revenue	305	4,245
Profit/loss from continuing operations	1,700	877
Profit/loss after tax	1,680	862
Other comprehensive income	—	—
Total comprehensive income	1,680	862
Group's share in net profit	336	-150

The difference between the carrying value of the investments and group's share in net assets is due to goodwill of TEUR 821 (821).

Note 21 | Investments in joint ventures

Rezidor's share of negative equity in the 50% (50%) owned Rezidor Royal Hotel Beijing Co Ltd and long-term receivable on that company (Note 24) are seen as a net investment. The net investment is recognised as a receivable and presented in "Assets classified as held for sale".

Summarised financial information for joint ventures

TEUR	As of and for the Year Ended Dec. 31	
	2015	2014
Total assets	34,839	32,856
Total liabilities	11,747	10,617
Net assets	23,092	22,140
Group's share in net assets	11,546	11,120
Reversal of write down	2,764	—
Net investment in Rezidor Royal Hotel Beijing Co Ltd	14,310	11,120
Revenue	10,350	10,084
Profit after tax	112	340
Other comprehensive income	840	1,648
Total comprehensive income	952	1,988
Group's share in net profit	56	170
Reversal of write down	2,764	—
Share of income related to the net investment in Rezidor Royal Hotel Beijing Co Ltd	2,820	170

Note 22 | Other shares and participations

TEUR	Ownership (%) as of Dec. 31, 2014	Ownership (%) as of Dec. 31, 2015	Carrying value as of Dec. 31, 2014	Exchange difference	Carrying value as of Dec. 31, 2015
Doriscus Enterprise Ltd	13.41%	13.41%	4,159	–9	4,150
First Hotels Co K.S.C.C	1.82%	1.82%	1,015	—	1,015
Mongolia Nord GmbH	14.28%	14.28%	902	–5	897
Others	—	—	28	—	28
Total			6,104	–14	6,090
Less assets held for sale			–902		–897
Total reported as of Dec. 31, 2015			5,202		5,193

Note 23 | Pension funds, net

Defined Benefit Pension Plans

These mainly cover retirement pensions and widow pensions where the employer has an obligation to pay a lifelong pension corresponding to a certain guaranteed percentage of wages or a certain annual sum. Retirement pensions are based on the number of years a person is employed. The employee must be registered in the plan for a certain number of years in order

to receive full retirement pension. For each year at work the employee earns an increasing right to pension, which is recorded as pension earned during the period as well as an increase in pension obligations. Rezidor pension plans for salaried employees in Sweden and Belgium are funded through defined benefit pensions plans with insurance companies. At the end of 2015, all of the remaining Norwegian defined benefit plans were settled.

The amounts recognised in the balance sheet for the defined benefit plans are determined as follows:

TEUR	As of Dec. 31	
	2015	2014
Present value of funded obligations	12,539	12,123
Fair value on plan assets	–7,173	–6,752
Deficit/(surplus) of funded plans	5,366	5,371
Present value of unfunded obligations	216	306
Total deficit of defined benefit pension plans	5,582	5,677
Impact of minimum funding requirement/asset ceiling	—	—
Liability in the balance sheet	5,582	5,677

The movement in the defined benefit obligation over the year is as follows:

TEUR	For the year ended Dec. 31	
	2015	2014
Opening defined benefit obligation	12,429	53,913
Current service cost	886	2,335
Interest cost	255	1,950
Settlement	–81	–43,423
Components recognised in profit or loss	1,060	–39,138
Remeasurement on the defined benefit obligation:		
Actuarial (gains)/losses from change in financial assumptions	–80	7,436
Actuarial (gains)/losses arising from experience adjustments	–425	–3,376
Actuarial (gains)/losses arising from change in demographic assumptions	—	44
Components recognised in other comprehensive income	–505	4,104
Payroll tax on employer contribution	—	–409
Benefits paid	–264	–2,470
Exchange (gains)/losses on foreign plans	36	–3,571
Closing defined benefit obligation	12,756	12,429

The movement in plan assets over the year is as follows:

TEUR	For the year ended Dec. 31	
	2015	2014
Opening plan assets	6,752	47,203
Interest income	150	1,736
Settlement	—	–40,558
Components recognised in profit or loss	150	–38,822
Remeasurement on the plan assets:		
Actuarial gains/(losses) arising from experience adjustments	68	1,605
Actuarial gains/(losses) from change in financial assumptions	—	–555
Components recognised in other comprehensive income	68	1,050
Contributions from employer	436	3,192
Payroll tax on employer contributions	—	–409
Contributions from plan participants	54	91
Benefits paid	–322	–2,239
Exchange gains/(losses) on foreign plans	35	–3,314
Closing fair value of plan assets	7,173	6,752

The significant actuarial assumptions were as follows:

TEUR	As of Dec. 31	
	2015	2014
Discount rate		
Norway	—	2.70%
Belgium	1.98%	1.95%
Sweden	3.25%	3.20%
Expected rate of salary increase		
Norway	—	2.75%
Belgium	3.30%	3.30%
Sweden	3.50%	3.50%
Local government rate in Norway	—	2.75%

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Increase in assumption	Decrease in assumption
Discount rate 0.50%	1,198	-1,303
Expected rate of salary increase 0.50%	-1,145	1,056
Life expectancy (men and women) 1 year	-127	134

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

Plan assets are comprised as follows:

TEUR	As of Dec. 31					
	2015			2014		
	Quoted	Unquoted	%	Quoted	Unquoted	%
Equity investments	479	—	6.7%	405	—	6.0%
Bond investments:						
Government	4,513	—	62.8%	4,332	—	64.2%
Corporate	939	—	13.1%	850	—	12.6%
Mortgage	312	—	4.4%	292	—	4.3%
Properties	—	930	13.0%	—	873	12.9%
Total	6,243	930		5,879	873	

The plan assets are part of common funds used by insurance companies for investing. Therefore, information of specific Rezidor's assets allocation is not available and it is the insurance companies' allocation of its total assets that is applied to Rezidor's assets in the table above.

Through its defined benefit pension plans the group is exposed to a number of risks, the most significant of which are:

Asset volatility:

The present value of defined benefit liability is calculated using a discount rate determined by reference to high quality corporate bond yields in Belgium and government bonds in Sweden. If the return on plan asset is below this rate, it will create a plan deficit.

Changes in bond yields:

A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.

Life expectancy:

The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

Salary risk:

The present value of the defined benefit liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of plan participants will increase the plan's liability.

Expected contributions to post-employment benefit plans for the year ending December 31, 2016 are TEUR 480.

The weighted average duration of the defined benefit obligation is 16.5 years.

Expected maturity analysis of undiscounted pension benefits:

TEUR	
Year 2016	163
Year 2017	168
Year 2018–Year 2020	588
Year 2021–Year 2025	1,433

Defined Contribution Pension Plans

These plans mainly cover retirement, sick and family pensions. The premiums are paid regularly during the year by group companies to different insurance companies. The size of the premium is based on wages. Pension costs for the period are included in the income statement and amount to TEUR 7,102 (6,232).

For clerical employees in Sweden, the defined benefit obligations in the ITP 2 plan for retirement and family pension (or family pension), are safeguarded through insurance in Alecta. According to a statement from the Swedish Accounting Standards Council, UFR 10, this is a defined benefit multi-employer plan. For the financial year 2015, the Company has not had access to the information necessary to account for its shared part of the plan's obligations, plan assets and costs, and a consequence it has not been possible to report the plan as a defined benefit plan. The pension plan ITP 2, which is safeguarded through insurance in Alecta, is therefore reported as a defined contribution plan. The premium for the defined benefit retirement and family pension is individually calculated and is inter alia taking into account salary, previously earned pension and anticipated remaining seniority. Expected fees next reporting period for ITP 2 insurances, covered by Alecta, amounts to TEUR 1,043 (968). The Group's share of the total contributions to the plan and the Group's share of the total number of active members in the plan is 0.042 and 0.032 percent (0.051 and 0.032). The collective consolidation level is the market value of Alecta's assets as a percentage of insurance obligations measured in accordance with Alecta's actuarial assumptions, which do not comply with IAS 19.

The collective consolidation level is normally allowed to vary between 125 and 155 percent. If Alecta's collective consolidation level is less than 125 percent or greater than 155 percent, measures should be taken in order to create the conditions to return the consolidation level within the normal range. At low consolidation, an action can be to raise the agreed price for subscription and expansion of existing benefits. At high consolidation, an action can be to introduce premium reductions. At the end of 2015, Alecta's surplus in the form of the collective consolidation level was 153% (143).

Note 24 | Other long-term receivables

In some cases Rezidor grants loans to owners of the company's hotels, or to the company's joint venture and associated companies in early stages of new projects. The terms for such loans vary, but in principle there is an agreement on interest on the loans and the repayment schedule is based on the project opening and project progress. These related parties and terms concerning

these loans are presented below. No collateral was held as security for these receivables and no receivables were past due at the end of the reporting periods. Non-interest bearing receivables in the tables below include various items, such as VAT claims, non-current prepaid rent of Rezidor Hotel Frankfurt am Main and certain prepayments.

As of Dec. 31, 2015		Nominal loan amount	Currency	Nominal value in TEUR	Impairment & exchange losses in TEUR	Assets held for sale	Amortised cost in TEUR	Duration and interest rates
Loan from	Counterpart							
Rezidor Hotels ApS Danmark	Polar Bek Daugave Ltd. Riga Hotel	1,225	USD	1,709	—	—	1,709	Undefined duration, 10.08%
SIHKA A/S	SAS Royal Hotel Beijing Co. Ltd	15,902	USD	14,642	(332)	(14,310)	0	Undefined duration
Rezidor Hotels ApS Danmark	Afrinord Hotel Investment A/S	557	EUR	557	—	—	557	15/04/2019, 6 months Euribor +6.1%
Rezidor Hotels ApS Danmark	Afrinord Hotel Investment A/S	1,038	USD	956	—	—	956	31/03/2020, 3 months USD Libor +8.5%
Rezidor Hotels ApS Danmark	Afrinord Hotel Investment A/S	1,671	EUR	1,671	—	—	1,671	15/10/2022, 3 months Euribor +3.5%
Rezidor Hotels ApS Danmark	Afrinord Hotel Investment A/S	740	USD	681	—	—	681	15/10/2022, 6 months USD Libor +8.5%
Rezidor Hotels ApS Danmark	Afrinord Hotel Investment A/S	632	EUR	632	—	—	632	15/06/2022, 6 months Euribor +7.0%
Rezidor Hotels ApS Danmark	Sia (Ltd) D.N.H.	1,500	EUR	1,500	—	—	1,500	21 December of the year during which the 6th annual anniversary of the opening date for the hotel occurs. 6 months Euribor +4.5%
Rezidor Group	Other	115	EUR	115	—	—	115	Various interest bearing deposits
Total of interest-bearing				22,463	(332)	(14,310)	7,821	
Rezidor Hotels ApS Danmark	Haute Rive Azuri Hotel Ltd	500	EUR	500	—	—	500	07/01/2020
Rezidor Hotels ApS Danmark	Immo Congo S.A.	600	EUR	600	—	—	600	07/01/2019
Rezidor Hotel Frankfurt am Main GmbH	—	4,472	EUR	4,472	—	—	4,472	Non-current prepaid rent
Rezidor Group	Other	306	EUR	306	—	—	306	Various non-interest bearing deposits
Total of non-interest-bearing				5,878			5,878	
Total long-term receivables				28,341	(332)	(14,310)	13,699	

As of Dec. 31, 2014		Nominal loan amount	Currency	Nominal value in TEUR	Impairment & exchange losses in TEUR	Assets held for sale	Amortised cost in TEUR	Duration and interest rates
Loan from	Counterpart							
Rezidor Hotels ApS Danmark	Polar Bek Daugave Ltd. Riga Hotel	1,225	USD	1,352	—	—	1,352	Undefined duration, 10.08%
SIHKA A/S	SAS Royal Hotel Beijing Co. Ltd	15,902	USD	13,145	(2,025)	(11,120)	—	Undefined duration
Rezidor Hotels ApS Danmark	Afrinord Hotel Investment A/S	780	EUR	780	—	—	780	15/04/2019, 6 months Euribor +6.1%
Rezidor Hotels ApS Danmark	Afrinord Hotel Investment A/S	2,044	USD	1,690	—	—	1,690	31/03/2020, 3 months USD Libor +8.5%
Rezidor Hotels ApS Danmark	Afrinord Hotel Investment A/S	1,625	EUR	1,625	—	—	1,625	15/10/2022, 3 months Euribor +3.5%
Rezidor Hotels ApS Danmark	Afrinord Hotel Investment A/S	621	EUR	621	—	—	621	15/10/2022, 6 months Euribor +8.0%
Rezidor Hotels ApS Danmark	Limited Liability Company "SASSK"	910	EUR	910	—	—	910	31/12/2016, 0.01%
Rezidor Group	Other	120	EUR	120	—	—	120	Various interest bearing deposits
Total of interest-bearing				20,243	(2,025)	(11,120)	7,098	
Rezidor Hotel Frankfurt am Main GmbH	—	2,236	EUR	2,236	—	—	2,236	Non-current prepaid rent
Rezidor Group	Other	668	EUR	668	—	—	668	Various non-interest bearing deposits
Total of non-interest-bearing				2,904	—	—	2,904	
Total long-term receivables				23,147	(2,025)	(11,120)	10,002	

Note 25 | Accounts receivables

TEUR	As of Dec. 31		
	2015	2014	
Accounts receivables before allowance for doubtful accounts	52,812	56,167	
Allowance for doubtful accounts	-12,130	-10,992	
Accounts receivables net of allowance for doubtful accounts	40,682	45,175	
	Accounts receivables before allowance for doubtful accounts	Provision for doubtful accounts	Accounts receivables net of allowance for doubtful accounts
As of Dec. 31, 2015			
Accounts receivables not overdue	16,276	-345	15,931
Accounts receivables overdue			
1-30 days	18,510	-985	17,525
31-60 days	5,296	-2,078	3,218
61-90 days	2,996	-1,289	1,707
More than 90 days	9,734	-7,433	2,301
Total overdue	36,536	-11,785	24,751
Total ledger	52,812	-12,130	40,682
	Accounts receivables before allowance for doubtful accounts	Provision for doubtful accounts	Accounts receivables net of allowance for doubtful accounts
As of Dec. 31, 2014			
Accounts receivables not overdue	19,697	-48	19,649
Accounts receivables overdue			
1-30 days	18,515	-236	18,279
31-60 days	5,647	-1,203	4,444
61-90 days	2,563	-998	1,565
More than 90 days	9,745	-8,507	1,238
Total overdue	36,470	-10,944	25,526
Total ledger	56,167	-10,992	45,175

Movement in the allowance for doubtful accounts

TEUR	As of Dec. 31	
	2015	2014
Balance at the beginning of the year	-10,992	-10,625
Amounts written off during the year	1,158	220
Amounts recovered during the year	7,888	2,898
Increase/decrease in allowance recognised in profit or loss	-10,312	-3,432
Translation difference	128	-53
Balance at the end of the year	-12,130	-10,992

No collaterals are held as security for accounts receivables outstanding.

Note 26 | Other current interest-bearing receivables

Loan from	Counterpart	As of Dec. 31, 2015	
		Amortised cost in TEUR	Interest rates
Rezidor Hotels ApS Danmark	Afrinord Hotel Investment A/S	236	6 months Euribor +6.1%
Rezidor Hotels ApS Danmark	Afrinord Hotel Investment A/S	398	3 months USD Libor +8.5%
Rezidor Hotels ApS Danmark	Afrinord Hotel Investment A/S	12	3 months Euribor +3.5%
Rezidor Hotels ApS Danmark	Afrinord Hotel Investment A/S	1	6 months USD Libor +8%
Rezidor Hotels ApS Danmark	Afrinord Hotel Investment A/S	35	6 months Euribor +7%
Rezidor Hotels ApS Danmark	Sia (Ltd) D.N.H.	3	6 months Euribor +4.5%
Rezidor Hotels ApS Danmark	Limited Liability Company "SASSK"	1,825	0.01%
Total of current interest-bearing receivables		2,510	
Loan from	Counterpart	As of Dec. 31, 2014	
		Amortised cost in TEUR	Interest rates
Rezidor Hotels ApS Danmark	Afrinord Hotel Investments A/S	236	6 months Euribor +6.1%
Rezidor Hotels UK Ltd	New Hotel JSC	168	8.88%
Total of current interest-bearing receivables		404	

No collaterals are held as security for these receivables.

Note 27 | Other current non-interest-bearing receivables

TEUR	As of Dec. 31	
	2015	2014
Prepaid expenses		
Prepaid rent	17,455	15,397
Prepaid heating	312	466
Prepaid property tax	2,195	2,110
Prepaid other	12,100	7,898
	32,062	25,871
Accrued Income		
Accrued Income – fees	10,203	6,974
Accrued Income – other	4,460	3,488
	14,663	10,462
Fair value change on FX swaps	458	—
Other current non-interest-bearing receivables	16,660	16,613
Total	63,843	52,946

Note 28 | Other short-term investments

Other short-term investments relate to cash in restricted accounts. As a legal requirement, these restricted accounts are maintained in order to meet the liability arising from payroll taxes withheld in Norway.

Note 29 | Cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the cash flow statement can be reconciled to the related items in the balance sheet as follows:

TEUR	As of Dec.31	
	2015	2014
Bank accounts	39,696	33,758
Cash on hand	1,391	1,769
Where of classified as held for sale	-3,352	—
Total cash and cash equivalents	37,735	35,527

There are no restrictions in the use of the cash and cash equivalents recognised.

Note 30 | Assets and liabilities classified as held for sale

The assets related to the investments in Rezidor Royal Hotel Beijing Co. Ltd and Mongolia Nord GmbH have been presented as held for sale, following the approval of the board of directors. The sales are expected to take place within 12 months from the balance sheet day.

Assets and liabilities related to Radisson Blu Scandinavia Gothenburg (Hotel AB Bastionen) have been presented as held for sale since the sale of the subsidiary was finalised in January 2016.

Assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

TEUR	As of Dec. 31	
	2015	2014
Rezidor Royal Hotel Beijing Co. Ltd		
Other long-term interest-bearing receivables	14,310	11,120
Mongolia Nord GmbH		
Other shares and participations	897	902
Hotel AB Bastionen		
Machinery and equipment	1,349	—
Investments in progress	41	—
Inventories	50	—
Other current non interest-bearing receivables	2,090	—
Cash and cash equivalents	3,352	—
Total assets Hotel AB Bastionen	6,882	—
Total assets classified as held for sale	22,089	12,022
Hotel AB Bastionen		
Accounts payable	1,489	—
Current tax liabilities	10	—
Other current non-interest bearing liabilities	3,143	—
Total liabilities directly related to assets held for sale	4,642	—

Note 31 | Share capital

ISSUED CAPITAL

TEUR	Share capital 2015	Other paid in capital 2015	Share capital 2014	Other paid in capital 2014
Opening balance as of Jan. 1	11,626	177,124	10,000	120,302
New share issue	—	—	1,626	56,822
Closing balance as of Dec. 31	11,626	177,124	11,626	177,124

FULLY PAID ORDINARY SHARE	Date of resolution	Change in number of shares	Change in share capital	Total number of shares	Total share capital
The company is registered	Mar. 8, 2005	1,000	11,000	1,000	11,000
Share split of ordinary shares	Mar. 22, 2005	10,000	—	11,000	11,000
Share issue of ordinary shares	Mar. 22, 2005	89,000	89,000	100,000	100,000
Share issue of ordinary shares	Oct. 10, 2006	26,584	26,584	126,584	126,584
Share split of ordinary shares	Oct. 10, 2006	149,875,456	—	150,002,040	126,584
Bonus issue, without new share issue	May. 4, 2007	—	9,873,416	150,002,040	10,000,000
New share issue	June 5, 2014	24,386,817	1,625,766	174,388,857	11,625,766

The total share capital at year end was EUR 11,625,766, corresponding to 174,388,857 shares, giving a quota value per share of EUR 0.067. All issued shares are fully paid. There are no differences in classes of shares. Each owner of shares in the company is entitled to vote for the full amount of such shares at a general meeting, without any voting limitations. Shares held by the company or any of its subsidiaries do not entitle the owner to any of the rights associated with ownership of shares.

Share buy-back

The number of treasury shares held by the company at the end of the year amounts to 3,681,138, corresponding to 2.1% of all registered shares. The average number of its own shares held by the company during 2015 was 3,681,138 (3,681,138). The shares have been bought back in 2007 and 2008 following authorisations at the Annual General Meetings in the same years. A majority of the shares bought back are held to secure delivery of shares in the incentive programmes and the related social security costs.

TEUR	As of Dec. 31	
	2015	2014
Number of registered shares	174,388,857	174,388,857
Number of own shares held by the company	-3,681,138	-3,681,138
Number of shares outstanding	170,707,719	170,707,719

Note 32 | Share-based payment

Long-term equity-settled performance-based incentive programmes

The purpose of the programmes is to ensure that remuneration within the group helps aligning executives with shareholders interests and that a suitable proportion of remuneration is linked to company performance. In order to implement the performance based share programme in a cost efficient and flexible manner, the Board of Directors has been authorised by the Annual General Meetings to decide on acquisitions of its own shares on the stock exchange.

The 2013 and 2014 programmes

In 2013 and 2014 the AGM's have approved long-term equity settled performance-based incentive programmes to be offered to executives within Rezidor. The structure of the programmes are similar. The programmes are comprised of both matching shares and performance shares. The President and CEO and other members of the Executive Committee have been offered the opportunity to participate in the performance share part as well as the matching share part of the programmes. Other key executives have been offered to participate in the performance share part of the programmes.

In order to qualify for matching shares, each participant shall meet certain requirements, including a shareholding requirement of at least three years and continuing employment with the company during the vesting period. Exemptions may be prescribed in specific cases. In order to qualify for performance shares, each participant must, in addition to the requirement regarding continuing employment during the vesting period, meet a performance target based on Rezidor Group's cumulative earnings per share for three consecutive financial years, starting as from the year the programme has been approved by the AGM.

Six members of the Executive Committee participate in the 2013 programme entitling them to a maximum total of 663,422 shares, of which the President and CEO is entitled to a maximum of 279,942 shares. 17 other members of management participate in the programme, entitling them to a maximum of 275,165 shares in total.

The total value of the 2013 programme at grant date, including social security costs, amounted to TEUR 4,314.

Six members of the Executive Committee participate in the 2014 programme entitling them to a maximum total of 491,843 shares, of which the President and CEO is entitled to a maximum of 207,307 shares. 19 other members of management participate in the programme, entitling them to a maximum of 209,384 shares in total.

The total value of the 2014 programme at grant date, including social security costs, amounted to TEUR 4,651.

The 2015 programme

On April 24, 2015, the Annual General Meeting approved a long-term equity settled performance based programme to be offered to no more than 35 executives within the Rezidor Group. The programme is comprised of both matching shares and performance shares. The President and CEO and other members of the Executive Committee have been offered the opportunity to participate in the performance share part as well as the matching share part of the programme. Other key executives have been offered to participate in the performance share part of the programme.

Dividend per share

In accordance with the recommendation from the Board of Directors to the Annual General Meeting 2015, the Annual General Meeting decided to pay dividend of EUR 0.03 per share for the financial year 2014, equivalent to TEUR 5,121. The Board of Directors proposes to the Annual General Meeting 2016 to pay dividend of EUR 0.07 per share for the financial year 2015, equivalent to TEUR 11,950.

The participants who have accepted the invitation for the matching share part of the programme have acquired Rezidor shares on Nasdaq Stockholm and/or allocated shares already held to the programme. The investment in and/or allocation of matching shares for the President and CEO amounts to not less than 5 percent, and not more than 10 percent of the fixed annual gross base remuneration for 2015. The investment in and/or allocation of matching shares for other members of the Executive Committee amounts to not less than 2.5 percent, and not more than 5 percent of the fixed annual gross base remuneration for 2015. In order to qualify for matching shares, each participant shall meet certain requirements, including a shareholding requirement of at least three years and continuing employment with the company during the vesting period. Exemptions may be prescribed in specific cases.

In order to qualify for performance shares, each participant must, in addition to the requirement regarding continuing employment during the vesting period, meet a performance target based on Rezidor Group's cumulative earnings per share for the financial years 2015 to 2017. The maximum number of performance shares that is allotted to each participant in the programme is calculated by dividing an amount corresponding to a certain percentage of each participant's fixed annual gross base remuneration for 2015, by the market price of the Rezidor share. The percentage of the fixed annual gross remuneration for 2015 is 150 percent for the President and CEO, between 35 and 75 percent for other members of the Executive Committee and between 30 and 38 percent for other key executives, in each case converted into SEK. The market price of the Rezidor share used amounts to SEK 37.14, which corresponds to the volume-weighted average price paid for the Rezidor share on Nasdaq Stockholm during a period of five consecutive trading days immediately before the day the participants were invited to participate in the programme, which was June 15, 2015.

Seven members of the Executive Committee participate in the 2015 incentive programme entitling them to a maximum total of 683,360 shares, of which the President and CEO is entitled to a maximum of 272,935 shares. 26 other members of management participate in the programme, entitling them to a maximum of 418,051 shares in total. The total value of the 2015 programme at grant date, incl. social security costs, amounts to TEUR 5,017.

Summary of maximum number of shares that can be awarded

The table below shows the maximum number of shares that may be awarded.

Plan	At the end of 2014	Granted in 2015	Forfeited during 2015	Awarded during 2015	At the end of 2015
2013 plan	938,587	—	—	—	938,587
2014 plan	720,202	—	-18,976	—	701,226
2015 plan	—	1,101,411	—	—	1,101,411
Total	1,658,789	1,101,411	-18,976	—	2,741,224

Total costs

The net costs recognised in the income statement in 2015 in accordance with IFRS 2 amounted to TEUR 555. The costs amounted to -1,672 (negative) in 2014 due to reversals of costs recognised in previous years.

Note 33 | Fair value reserve – Cash-flow hedges

TEUR	2015	2014
Opening value as of Jan. 1	274	213
Effective gains and losses recognised in equity during the year	–231	183
Tax on effective gains and losses recognised in equity during the year	61	–46
Gains and losses reclassified out of equity during the year	121	–102
Tax on gains and losses reclassified out of equity during the year	–27	26
Closing value as of Dec. 31	198	274

Note 34 | Provisions

TEUR	Employee benefits and payroll	Restructuring and termination	Legal claims	Onerous contracts	Other	Total
Balance as of Jan. 1, 2014	71	—	1,191	1,411	372	3,045
Additional provisions recognised	—	—	51	3,480	684	4,215
Reductions resulting from remeasurement	—	—	–330	—	–167	–497
Effect of foreign currency exchange differences	—	—	—	—	—	—
Reductions arising from payments	–71	—	–832	–311	–200	–1,414
Balance as of Dec. 31, 2014	—	—	80	4,580	689	5,349
Additional provisions recognised	—	—	42	580	1,049	1,671
Reductions resulting from remeasurement	—	—	—	–917	—	–917
Effect of foreign currency exchange differences	—	—	—	—	—	—
Reductions arising from payments	—	—	—	–2,503	–661	–3,164
Balance as of Dec. 31, 2015	—	—	122	1,740	1,077	2,939

Analysis of total provisions

TEUR	
Expected cash outflow in 2016	2,933
Expected cash outflow in 2017	6
Total as of Dec. 31, 2015	2,939

Legal claims

The provision for legal claims of TEUR 122 relates to two minor claims for two leased hotels in Rest of Western Europe.

Onerous contracts

Outstanding provision for onerous contract of TEUR 1,740 relates to a leased hotel in Rest of Western Europe which is closed for renovation. The provision

is to cover the estimated costs for non-cancellable maintenance and employee contracts during renovation period. The initial provision (TEUR 3,480) has been increased by TEUR 580 due to delay in the re-opening of the hotel. Payments during the year related to this provision amount to TEUR 2,320.

In 2014 a provision of TEUR 1,100 was recognised for the present value of future guarantee payments for a loss making management contract in Rest of Western Europe. Part of the provision has been paid (TEUR 183) and part has been released due to remeasurement during the year (TEUR 567). The remaining TEUR 350 has been reclassified to other accrued expenses.

Other

Other provisions of TEUR 1,077 are mainly related to a contractual obligation for one of the leased hotels in the Nordics.

Note 35 | Borrowings

TEUR	Current As of Dec. 31		Non-current As of Dec. 31	
	2015	2014	2015	2014
Unsecured – at amortised cost	—	—	—	—
Bank overdrafts	—	—	—	—
Other loans	19	14	5,694	6,028
Total	19	14	5,694	6,028

Other non-current loans are related to the financing of renovation investments in a German hotel under a management contract. Rezidor has not received any cash in connection with this loan, but has assumed an obligation for the financing of a portion of the renovation works as part of the management agreement. An intangible asset corresponding to the rights granted through the management agreement has been recognised at the same time. Interest costs amounting to TEUR 406 (interest rate 5.8%), incurred during the renovation period, were capitalised in 2009. In 2011, accrued interest of TEUR 567 was waived and reported as a financial income. As from 2011, the loan runs with an interest rate of 4.5%. The repayment of the non-current part of the loan is linked to the amount of fees collected from this hotel.

No borrowing costs other than those described above have been capitalised.

These borrowings are not subject to any covenants and the Group has not pledged any assets as collateral to secure the borrowings.

The carrying amounts in EUR of the Group's borrowings are denominated in the following currencies:

	As of Dec. 31, 2015			
	TCHF	TEUR	TSEK	Total
Bank overdrafts	—	—	—	—
Other loans	12	5,701	—	5,713
Total	12	5,701	—	5,713

	As of Dec. 31, 2014			
	TCHF	TEUR	TDKK	Total
Bank overdrafts	—	—	—	—
Other loans	25	6,017	—	6,042
Total	25	6,017	—	6,042

The average annual interest rates paid were as follows:

	For the Year Ended Dec. 31	
	2015	2014
Bank overdrafts & credit lines	0.90%	1.03%
Other loans	4.50%	4.50%

All liabilities to financial institutions are repayable within one year.

Split of bank overdraft

TEUR	As of Dec. 31	
	2015	2014
Bank overdraft facilities granted	200,000	200,000
Utilisation of bank overdraft: in guarantees	—356	—1,161
Utilisation of bank overdraft: in cash	—	—
Bank overdraft facilities unutilised	199,644	198,839

The committed credit facilities, amounting to TEUR 200,000, have a tenor until November 2018, and carry customary covenants.

Note 36 | Other current non-interest-bearing liabilities

TEUR	As of Dec. 31	
	2015	2014
Prepayments from customers	14,178	11,556
Accrued expenses & prepaid income	98,266	87,615
Fair value change on FX swaps	398	179
Other short term non-interest-bearing liabilities	13,749	16,559
Total	126,591	115,909

Specification of accrued expenses and prepaid income

TEUR	2015	2014
Vacation pay including social costs	16,336	17,103
Accrual for bonus including social costs	13,083	5,296
Other payroll accruals	9,732	10,919
Accrual for energy costs	3,627	3,986
Accrued fees	3,522	3,580
Accrued rent	11,423	11,110
Accrued sales & marketing costs	5,970	7,405
Prepaid income	1,789	1,742
Other accrued expenses	32,784	26,474
Total	98,266	87,615

Note 37 | Related parties

Related parties with significant influence are: The Carlson Group (Carlson) owning 51.3% of shares outstanding, key management of Rezidor, joint ventures and associated companies.

The related party transactions with Carlson are split as follows:

TEUR	Revenue		Operating cost		Amounts owed by the related parties		Amounts owed to the related parties	
	2015	2014	2015	2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Carlson Inc	—	—	19,727	17,571	—	266	1,492	2,187
Carlson Inc (Club Carlson)	3,126	2,876	5,594	5,850	—	—	—	—
Recharged third party costs	—	—	2,788	3,600	—	—	—	—
Carlson Travel Agencies	—	—	578	519	—	—	23	23
Other	2,252	936	993	344	—	—	—	—

Carlson

The business relationship with Carlson mainly consists of operating costs related to the use of the brands and for the use of the reservation system of Carlson. Rezidor is also paying commissions to a network of travel agencies owned by Carlson. In addition, Carlson operates a customer loyalty programme, Club Carlson, to provide customers with incentives to buy room nights. Loyalty points earned when guests have stayed at hotels are charged by Carlson to these hotels. Similarly, when points have been redeemed at hotels, these hotels are reimbursed by Carlson. Including all contract types

(leased, managed and franchised), Carlson charged TEUR 12,633 (19,203) during the year for points earned and reimbursed TEUR 5,638 (9,968) for points redeemed. However, only transactions involving leased hotels (presented in the table above) have an impact on Rezidor's consolidated accounts. Carlson furthermore recharges costs that it has incurred from third parties, mainly internet-based reservation channels, to the hotels to which these costs are related. Including all contract types (leased, managed and franchised), Carlson recharged costs TEUR 3,967 (8,830) during the year. Only costs recharged to

Cont. Note 37

leased hotels (presented in the table above) have an impact on Rezidor's consolidated accounts. Carlson and Rezidor are also cooperating in various other areas, such as global sales, brand websites, revenue optimisation tools and purchasing. These other areas do not, however, always lead to direct transactions between the two companies. All transactions are done at an arms' length basis. Any new agreement or transaction with Carlson deemed material require the approval of the Board of Directors of Rezidor.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

Joint ventures and associated companies

TEUR	As of Dec. 31	
	2015	2014
Loans due from joint ventures and associated companies	14,310	11,120
Revenue (Management Fees) from joint ventures and associated companies	353	561

More information about shares in joint ventures and associates and the loans to the entities is disclosed in Notes 20, 21 and 24.

Note 38 | Assets pledged, contingent liabilities and committed investments

TEUR	As of Dec. 31	
	2015	2014
Assets pledged		
Securities on deposit	1,962	3,898
Total	1,962	3,898
Contingent liabilities		
Tax claim interest deduction Sweden	5,400	—
Guarantees provided for management contracts ¹⁾	—	764
Miscellaneous guarantees provided	356	397
Total	5,756	1,161

1) Refer to Note 40 where these amounts are included in the total maximum future capped guarantee payment.

In December 2015 Rezidor received a negative decision from the Swedish tax authorities regarding interest deduction in one of its subsidiaries. An assessment note for additional income tax due in the amount MEUR 3.1 was raised, which was paid early 2016. Rezidor has decided to move forward with filing a claim with the court of first instance to have this assessment cancelled, since the Company believes the decision has been taken wrongfully and that it also contrary to EU law. No tax cost has been recognised as per December 31, 2015. If Rezidor is not successful in its claims, the maximum cost for the company would be ca MEUR 5.4.

Under the lease agreements, Rezidor is responsible for maintaining the hotel building in good repair and condition over the term of the lease agreement. Under certain lease agreements, Rezidor is required to invest an agreed percentage of the hotel revenue in maintenance of the particular property. If renovation works for a period have been lower than what is required in the lease agreements, the renovation works will have to be carried out at a later stage or settled in alternative ways. The total investments carried out by Rezidor may therefore vary from year to year, but normally amount to ca 5% of leased hotel revenue.

Rezidor has a 20.0% equity stake in Afrinord Hotel Investment A/S ("Afrinord"), to develop/acquire projects in Africa. Afrinord has a total investment commitment by its shareholders of TEUR 35,000 as of December 31, 2015, of which TEUR 50 has been contributed as share capital by Rezidor in 2006. Afrinord has partly financed hotels in Addis Ababa (Ethiopia), Nairobi (Kenya), Freetown (Sierra Leone) and Cape Town (South Africa) through loan agreements. Related to these projects, TEUR 25,704 was outstanding as of December 31, 2015 of which Rezidor's contribution was TEUR 5,141. The remaining commitment by Rezidor is consequently TEUR 1,809.

Litigation

The Rezidor Hotel Group operates in a number of countries around the world and is always involved in several complex projects and business relationships where professional disputes on various issues can arise. Most times these situations are resolved through negotiations and discussions. In some rare situations, these disputes can lead to major disagreements or claims of viola-

tion of law. Provisions for claims due to known disputes are recorded whenever there is a situation where it is more likely than not, that Rezidor will have an obligation to settle the dispute and where a reliable estimate can be made regarding the outcome of such dispute. Rezidor is not engaged in any judicial or arbitral proceedings, including those which are pending and described below or known to be contemplated, which, in Rezidor's judgement, may have or have a material effect on Rezidor's financial position of profitability during 2015. The members of the Board of Directors have no knowledge of any proceeding pending or threatened against Rezidor or any of the subsidiaries or any facts likely to give rise to any litigation, claim or proceeding which might materially affect the financial position or business of Rezidor as at December 31, 2015.

Below is a description of pending material legal proceedings. All amounts are converted and stated in euro.

A claim of MEUR 34.5 against a Rezidor subsidiary, as compensation for alleged wrongful termination of a management agreement, was tried and dismissed by commercial court in 2009. The counterpart appealed the ruling and restated its claim on the same grounds as before. Based on external legal advice and opinions, Rezidor believes that the appeal claim is without merits. Proceedings are ongoing.

A Rezidor subsidiary was awarded MEUR 4.7 in arbitral proceedings in 2000 against a partnership for its wrongful termination of a management agreement. In the course of Rezidor's enforcement of the award, it transpired that the partnership's assets (the hotel) had been transferred to a related company. The partnership was declared bankrupt and Rezidor pursued debt collection against the related company and the partners of the partnership based on that the latter had caused bankruptcy by fraud. The respondents filed two compensation claims against Rezidor; one claim for MEUR 13.9 and which was rejected by court in 2011 and which case is finally closed in favour of Rezidor; and a second claim for MEUR 23.2 which is still pending. MEUR 23.2 equals the debt collection claim Rezidor is pursuing (the awarded amount plus interest, moral damages and costs for miscellaneous legal cases). External counsel advice is that also the second compensation claim filed by the respondents is likely to be rejected. Proceedings are ongoing.

An outlet tenant at a hotel leased by a Rezidor subsidiary terminated its tenancy contract in 2014 and filed a law suit for damage claim with MEUR 0.6 alleging that it was forced to close its business in the rented premises due to press statements made by hotel management concerning upcoming closing and renovation of the hotel. The Court in first instance ruled against the hotel owner and awarded the former tenant TEUR 335 plus costs. The ruling has been appealed, and Rezidor and its external counsel believe that the real reason for the termination is the tenant's financial difficulties. Proceedings are ongoing.

On November 20, 2015, there was a terrorist attack at the Radisson Blu hotel in Bamako, Mali. The hotel is managed by a Rezidor subsidiary pursuant to a management agreement. 22 individuals died in the attack, including 14 guests and three employees. The terrorist attack is subject to governmental investigations, and Rezidor has engaged outside counsel who is conducting an internal investigation of the incident. As of today, no formal claims have been brought against Rezidor or its subsidiaries.

Note 39 | Leasing commitments

Under Rezidor's lease agreements, Rezidor lease hotel buildings from property owners or other partners and are entitled to the benefits and carry the risks associated with operating the hotel. Typically, Rezidor's lease agreements include a variable rent clause under which Rezidor are obligated to pay a variable rent based on a percentage of the total revenue generated by a hotel ("variable rent"). The majority of Rezidor's lease agreements also include a minimum rent payment obligation which is independent of the revenue generated by the hotel ("fixed rent"). The fixed rent is typically adjusted annually to take into account changes in a defined consumer price index. Generally, under contracts containing variable and fixed rent clauses, Rezidor pay the higher of the two to the lessor. To limit Rezidor's financial exposure in the company's lease contracts, Rezidor typically limit the "shortfall" amount by which the fixed rent exceeds the variable rent to an amount corresponding to two to three years' aggregate fixed rent payment obligations ("cap"). If cumulative shortfall payments reach this cap, the fixed rent payment obligation ceases and the lessor receives only the variable rent. At year-end 2015, Rezidor had 60 leasing contracts for hotels in operation and under development that had some financial commitments, compared to 60 such contracts in 2014. The following provides an overview of the expiry of those contracts – both in operation and under development.

Year	2015 Number of leasing agreements expiring	Year	2014 Number of leasing agreements expiring
2016	4	2015	—
2017–2021	5	2016–2020	11
2022–2026	8	2021–2025	8
2027–2031	22	2026–2030	19
2032–2036	17	2031–2035	19
2037–2041	2	2036–2040	3
2042–2046	2	2041–2045	—

The future leasing expense would entail payment of at least the annual fixed rent under Rezidor's lease agreements. The future minimum leasing expenses for all lease agreements with a fixed rent effective on December 31, 2015 are shown in the following table. For further information regarding rent payments, please refer to Note 13.

Future minimum lease payments

TEUR	2015	2014
Within 1 year	188,162	187,899
1–5 years	721,682	709,631
After 5 years	1,729,453	1,654,067
Total	2,639,297	2,551,597

Future minimum sub lease income

Revenue from sub leases recognised in 2015 amounted to TEUR 4,394 (4,242). The expected future sub lease payments to be received from all fixed rent agreements are shown in the table below:

TEUR	2015	2014
Within 1 year	3,923	4,442
1–5 years	10,733	12,485
After 5 years	6,267	5,961
Total	20,923	22,888

Note 40 | Management contract commitments

Under Rezidor's management agreements, Rezidor provide management services to third-party hotel proprietors. Rezidor derive revenue primarily from base fees determined as a percentage of total hotel revenue and incentive management fees defined as percentage of the gross operating profit or adjusted gross operating profit of the hotel operations.

In certain circumstances, Rezidor guarantee the hotel proprietor a minimum result measured by adjusted gross operating profit or some other financial measure (a "guarantee"). Under such contracts, in the event that the actual result of a hotel is less than the guaranteed amount, Rezidor compensate the hotel proprietor for the shortfall. However, in most agreements with such clauses, Rezidor's obligation to compensate for such shortfall amount is typically limited to two to three times the annual guarantee (the "guarantee cap").

As at the end of the year, Rezidor had granted a certain level of financial commitment in 21 management contracts, as compared to 24 at the end of 2014. The management contracts containing such financial risk for the group will expire as presented in the table below:

Year	2015 Number of management agreements expiring	Year	2014 Number of management agreements expiring
2016	1	2015	—
2017–2021	4	2016–2020	4
2022–2026	6	2021–2025	6
2027–2031	8	2026–2030	8
2032–2036	1	2031–2035	5
2037–2041	—	2036–2040	—
2042–2046	1	2041–2045	1

The following table presents the company's capped contractual obligations under all management contracts with financial guarantees and shows the maximum capped financial exposure.

Total maximum future capped guarantee payments

TEUR	2015	2014
Total	60,897	67,962

The capped guarantee payment includes the contingent liabilities as disclosed in Note 38 (i.e. Guarantees provided for management contracts). For 2015, Rezidor's costs for shortfalls under its management agreements with guarantees amounted to TEUR 1,659 (5,924). See also Note 13.

Note 41 | Auditors' fees

	For the Year Ended Dec. 31	
TEUR	2015	2014
Deloitte		
Audit assignments	1,022	1,035
Other audit related assignments	465	410
Tax assignments	181	86
Other assignments	118	116
Total fees	1,786	1,647

Note 42 | Post balance sheet events

In January 2016 the sale of the entity holding the lease Radisson Blu Scandinavia Hotel, Gothenburg, Sweden was finalised. The gain of the sale amounts to ca MEUR 1.9, which will be recognised in Q1 2016. The hotel will be operated under a franchise contract going forward.

In the beginning of March Rezidor signed a termination agreement of the lease Radisson Blu Norge, Bergen (Norway), effective as from September 1, 2016. Rezidor has agreed to pay MNOK 75 to the owners, as part of the settlement terms. The cost will be recognised in Q1 2016.

Also in the beginning of March, Rezidor entered into an agreement to acquire 49% of the shares in prize Holding GmbH, a young hotel chain in the economy segment with currently three operating properties in Germany and one further hotel under development. The brand was founded by Marco Nussbaum and co-created with New York-based industrial designer Karim Rashid. The purchase price amounts to MEUR 14.7 and the closing of the transaction is conditional upon certain events. Rezidor has secured further rights, including an option to acquire the remaining 51% in four years from now.

Note 43 | Group companies and legal structure

Rezidor Hotel Group AB has the following subsidiaries, joint-ventures, associated companies and other investments:

	Registered in	As of Dec. 31, 2015		As of Dec. 31, 2014	
		Ownership %	Share capital	Ownership %	Share capital
Belgium					
The Rezidor Hotel Group SPRL	Brussels	100	MEUR 4.0	100	MEUR 0.1
Cyprus					
Doriscus Enterprises Limited	Limassol	13.41	MEUR 19.8	13.41	MEUR 19.8
China					
Rezidor Royal Hotel Beijing Co., Ltd	Beijing	50	MRMB 33.4	50	MRMB 33.4
Denmark					
Rezidor Hotels ApS Danmark	Copenhagen	100	MDKK 212.0	100	MDKK 212.0
Rezidor Falconer Center A/S	Frederiksberg	100	MDKK 1.2	100	MDKK 1.2
Rezidor Services A/S	Copenhagen	100	MDKK 2.0	100	MDKK 2.0
SIHKA A/S	Copenhagen	100	MDKK 3.0	100	MDKK 3.0
Rezidor Scandinavia Hotel Aarhus A/S	Aarhus	100	MDKK 0.5	100	MDKK 0.5
Hotel Development S. Africa A/S	Copenhagen	100	MDKK 1.0	100	MDKK 1.0
Rezidor Hotel Kiev A/S	Copenhagen	100	MDKK 1.0	100	MDKK 1.0
Rezidor Hotel investment Egypt A/S	Copenhagen	100	MDKK 1.0	100	MDKK 1.0
Rezidor Russia A/S	Copenhagen	100	MEUR 0.7	100	MEUR 0.7
Rezidor Loyalty Management A/S	Copenhagen	100	MEUR 0.1	100	MEUR 0.1
Rezidor Cornerstone A/S	Copenhagen	100	MDKK 2.4	100	MDKK 2.4
Rezidor Hotel Management & Development A/S	Copenhagen	100	MDKK 2.5	100	MDKK 2.5
Rezidor Hospitality A/S	Copenhagen	100	MEUR 83.0	100	MEUR 83.0
Afrinord Hotel Investments A/S	Copenhagen	20	MEUR 0.3	20	MEUR 0.3
Rezidor Royal ApS	Copenhagen	100	MEUR 0.5	100	MEUR 0.5
Rezidor Scandinavia ApS	Copenhagen	100	MEUR 0.5	100	MEUR 0.5
Egypt					
Al Quesir Hotel Company S.A.E	Nasr City, Cairo	20	MEGP 68.0	20	MEGP 68.0
France					
Rezidor Resort France S.A.S.	Puteaux	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hospitality France S.A.S.	Puteaux	100	MEUR 110.4	100	MEUR 110.4
Rezidor Hotels France S.A.S.	Nice	—	—	100	MEUR 10.4
Royal Scandinavia Hotel Nice S.A.S.	Nice	100	MEUR 10.1	100	MEUR 10.1
Royal Scandinavia Hotel Marseille S.A.S.	Marseille	100	MEUR 0.0	100	MEUR 0.0
Rezidor Lyon S.A.S.	Lyon	100	MEUR 0.0	100	MEUR 0.0
Rezidor Park Nancy S.A.S.	Nancy	—	—	100	MEUR 0.0
Rezidor Park Lyon-Ouest S.A.S.	La Tour de Salvagny	—	—	100	MEUR 0.0
Rezidor Park Orange S.A.S.	Orange	—	—	100	MEUR 0.0
SARL Régence Plage	Nice	100	MEUR 0.0	100	MEUR 0.0

		As of Dec. 31, 2015		As of Dec. 31, 2014	
	Registered in	Ownership %	Share capital	Ownership %	Share capital
Germany					
Rezidor Hotels Deutschland GmbH	Duisburg	100	MEUR 0.2	100	MEUR 0.2
Rezidor Revenue Center Central Europe	Duisburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Hannover GmbH	Duisburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Hamburg Airport GmbH	Duisburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Köln GmbH	Duisburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Wiesbaden GmbH	Duisburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Berlin GmbH	Duisburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Karlsruhe GmbH	Duisburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Frankfurt am Main GmbH	Duisburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Frankfurt Airport GmbH	Duisburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Stuttgart GmbH	Duisburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Shared Services Centre Deutschland GmbH	Duisburg	100	MEUR 0.0	100	MEUR 0.0
Park Inn München Frankfurter Ring GmbH	Duisburg	100	MEUR 0.0	100	MEUR 0.0
Park Inn München Ost GmbH	Duisburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Düsseldorf Media Harbour Hotel GmbH	Duisburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Park Nürnberg GmbH	Duisburg	100	MEUR 0.0	100	MEUR 0.0
Mongolia Nord GmbH	Frankfurt	14.28	MEUR 0.0	14.28	MEUR 0.0
Italy					
Rezidor Hotel Milan S.r.l.	Milan	100	MEUR 0.0	100	MEUR 0.0
Kuwait					
First Hotels Company KSCC	Safat	1.82	MKWD 40.0	1.82	MKWD 40.0
Latvia					
Rezidor Baltics SIA	Riga	100	MLVL 0.0	100	MLVL 0.0
Netherlands					
Rezidor Hotel Amsterdam B.V.	Amsterdam	100	MEUR 0.0	100	MEUR 0.0
Norway					
Rezidor Hospitality Norway AS	Oslo	100	MNOK 249.0	100	MNOK 249.0
Rezidor Hotels Norway AS	Oslo	100	MNOK 11.0	100	MNOK 11.0
Rezidor Hotel Atlantic Stavanger AS (dormant)	Oslo	100	MNOK 0.0	—	—
Rezidor Hotel Norge Bergen AS (dormant)	Oslo	100	MNOK 0.0	—	—
South Africa					
Rezidor Hotel Group Southern Africa Ltd	Johannesbourg	74	MZAR 0.0	74	MZAR 0.0
RHW Management Southern Africa (Pty) Ltd	Johannesbourg	74	MZAR 0.0	74	MZAR 0.0
Spain					
Rezidor Hotel Madrid S.L.U	Madrid	100	MEUR 0.0	100	MEUR 0.0
Sweden					
Rezidor Hotel Holdings AB	Stockholm	100	MEUR 0.1	100	MEUR 0.1
Rezidor Hospitality Sweden AB	Stockholm	100	MSEK 18.0	100	MSEK 18.0
Rezidor Hotel & Congress AB	Stockholm	100	MSEK 0.1	100	MSEK 0.1
AB Strand Hotel	Stockholm	100	MSEK 0.3	100	MSEK 0.3
Royal Viking Hotel AB	Stockholm	100	MSEK 8.0	100	MSEK 8.0
Hotel AB Bastionen	Gothenburg	100	MSEK 1.0	100	MSEK 1.0
Rezidor Arlandia Hotel AB	Stockholm	100	MSEK 1.0	100	MSEK 1.0
Rezidor SkyCity Hotel AB	Stockholm	100	MSEK 1.0	100	MSEK 1.0
Rezidor Royal Hotel AB	Malmö	100	MSEK 1.0	100	MSEK 1.0
Switzerland					
Rezidor Park Switzerland AG	Rümlang	100	MCHF 0.1	100	MCHF 0.1
Rezidor Hotels Switzerland AG	Basel	100	MCHF 0.1	100	MCHF 0.1
United Kingdom					
Rezidor Hotels UK Ltd.	Manchester	100	MGBP 32.2	100	MGBP 32.2
Rezidor Hotel Manchester Ltd.	Manchester	100	MGBP 0.0	100	MGBP 0.0
Rezidor Hotel Leeds Ltd.	Manchester	100	MGBP 0.0	100	MGBP 0.0
Rezidor Hotel Edinburgh Ltd.	Manchester	100	MGBP 0.0	100	MGBP 0.0
Rezidor Hotel Stansted Airport Ltd.	Manchester	100	MGBP 0.0	100	MGBP 0.0
Rezidor Lifestyle Glasgow Ltd. (dormant)	Manchester	100	MGBP 0.0	100	MGBP 0.0
Rezidor Park UK Ltd.	Manchester	100	MGBP 0.0	100	MGBP 0.0
Park Hotel Heathrow Ltd.	Manchester	100	MGBP 0.0	100	MGBP 0.0
Park Hotels Management Ltd.	Manchester	100	MGBP 0.0	100	MGBP 0.0
Rezidor Lifestyle Edinburgh Ltd.	Manchester	100	MGBP 0.0	100	MGBP 0.0

Auditor's Report

To the annual meeting of the shareholders of Rezidor Hotel Group AB (publ)
Corporate identity number 556674-0964.

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Rezidor Hotel Group AB (publ) for the financial year 1 January–31 December 2015. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 1–50.

Responsibilities of the Board of Directors and the President for the annual accounts and consolidated accounts

The Board of Directors and the President are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the President determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the President, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material

respects, the financial position of the group as of 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President of Rezidor Hotel Group AB (publ) for the financial year 1 January–31 December 2015.

Responsibilities of the Board of Directors and the President

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the President are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the President is liable to the company. We also examined whether any member of the Board of Directors or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions

We recommend to the annual meeting of shareholders that the profit dealt with in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm, March 21, 2016

Deloitte AB

Thomas Strömberg

Authorised Public Accountant

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